SHILOH INDUSTRIES INC
Form 10-Q
March 12, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 2019
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 0-21964

SHILOH INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	51-0347683
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

880 Steel Drive, Valley City, Ohio 44280
(Address of principal executive offices—zip code)
(330) 558-2600
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	¨	Accelerated Filer	x	Non-accelerated Filer	¨	Smaller Reporting Company	x	Emerging Growth Company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
Number of shares of Common Stock outstanding as of March 11, 2019 was 23,708,904.

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PART I— FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

SHILOH INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

	January 31, 2019 (Unaudited)	October 31, 2018
ASSETS		
Cash and cash equivalents	$ 11,667	$ 16,843
Accounts receivable, net	175,852	209,733
Related party accounts receivable	1,727	996
Prepaid income taxes	1,451	1,391
Inventories, net	73,467	71,412
Prepaid expenses	10,298	10,478
Other current assets	12,713	22,124
Total current assets	287,175	332,977
Property, plant and equipment, net	328,315	316,176
Goodwill	27,609	27,376
Intangible assets, net	14,490	14,939
Deferred income taxes	7,314	5,665
Other assets	11,099	12,542
Total assets	$ 676,002	$ 709,675
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current debt	$ 813	$ 1,327
Accounts payable	168,749	177,400
Other accrued expenses	50,247	63,031
Accrued income taxes	130	1,874
Total current liabilities	219,939	243,632
Long-term debt	238,581	245,351
Long-term benefit liabilities	15,647	15,553
Deferred income taxes	819	2,894
Other liabilities	3,076	2,723
Total liabilities	478,062	510,153
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 per share; 5,000,000 shares authorized; no shares issued and outstanding at January 31, 2019 and October 31, 2018, respectively	—	—
Common stock, par value $0.01 per share; 50,000,000 shares authorized; 23,686,182 and 23,417,107 shares issued and outstanding at January 31, 2019 and October 31, 2018, respectively	237	234
Paid-in capital	114,947	114,405
Retained earnings	131,115	135,813
Accumulated other comprehensive loss, net	(48,359)	(50,930)
Total stockholders' equity	197,940	199,522
Total liabilities and stockholders' equity	$ 676,002	$ 709,675

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SHILOH INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended January 31,	
	2019	2018
Net revenues	$258,933	$247,666
Cost of sales	245,242	219,776
Gross profit	13,691	27,890
Selling, general & administrative expenses	16,085	21,240
Amortization of intangible assets	521	565
Restructuring	3,006	1,514
Operating (loss) income	(5,921)	4,571
Interest expense	3,355	2,340
Interest income	(5)	(5)
Other (income) expense, net	(1,486)	436
Income (loss) before income taxes	(7,785)	1,800
Provision (benefit) for income taxes	(3,087)	(3,058)
Net income (loss)	$(4,698)	$4,858
Income (loss) per share:		
Basic earnings (loss) per share	$(0.20)	$0.21
Basic weighted average number of common shares	23,385	23,107
Diluted earnings (loss) per share	$(0.20)	$0.21
Diluted weighted average number of common shares	23,385	23,287

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SHILOH INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended January 31, 2019	2018
Net income (loss)	$ (4,698)	$ 4,858
Other comprehensive income (loss)		
Defined benefit pension plans & other post-retirement benefits		
Amortization of net actuarial loss	288	328
Income tax benefit (provision)	(66)	(107)
Total defined benefit pension plans & other post retirement benefits, net of tax	222	221
Marketable securities		
Unrealized loss on marketable securities	—	(144)
Income tax benefit (provision)	—	37
Realized income	18	—
Total marketable securities, net of tax	18	(107)
Derivatives and hedging		
Unrealized (loss) gain on interest rate swap agreements	(571)	866
Income tax benefit (provision)	111	(341)
Reclassification adjustments for settlement of derivatives included in net income (loss)	86	280
Change in fair value of derivative instruments, net of tax	(374)	805
Foreign currency translation adjustments		
Foreign currency translation gain (loss)	2,705	7,783
Unrealized gain (loss) on foreign currency translation	2,705	7,783
Comprehensive income (loss), net	$ (2,127)	$ 13,560

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SHILOH INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)
(Unaudited)

	Three Months Ended January 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(4,698)	$4,858
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,860	10,117
Restructuring	1,043	277
Amortization of deferred financing costs	297	309
Deferred income taxes	(3,918)	(3,551)
Stock-based compensation expense	545	516
(Gain) loss on sale of assets	(2,915)	(12)
Loss on marketable securities	20	—
Changes in operating assets and liabilities:		
Accounts receivable, net	40,283	32,313
Inventories, net	704	(671)
Prepaids and other assets	1,059	(6,044)
Payables and other liabilities	(34,138)	(23,522)
Prepaid and accrued income taxes	(3,781)	(2,950)
Net cash provided by operating activities	6,361	11,640
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(15,661)	(9,885)
Proceeds from sale of assets	10,858	—
Net cash used in investing activities	(4,803)	(9,885)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of capital leases	(201)	(223)
Proceeds from long-term borrowings	61,600	46,900
Repayments of long-term borrowings	(68,300)	(45,370)
Payment of deferred financing costs	—	(57)
Net cash provided by (used in) financing activities	(6,901)	1,250
Effect of foreign currency exchange rate fluctuations on cash	167	(675)
Net increase (decrease) in cash and cash equivalents	(5,176)	2,330
Cash and cash equivalents at beginning of period	16,843	8,736
Cash and cash equivalents at end of period	$11,667	$11,066

The accompanying notes are an integral part of these condensed consolidated financial statements.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts and number of shares in thousands except per share data)

Note 1—Basis of Presentation

The condensed consolidated financial statements have been prepared by Shiloh Industries, Inc. and its subsidiaries (collectively referred to as the "Company," "Shiloh Industries," "us," "our" or "we"), without audit, and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the SEC. Although we believe that the disclosures are adequate to make the information presented not misleading, these condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018.

Revenues and operating results for the three months ended January 31, 2019 are not necessarily indicative of the results to be expected for the full year.

Note 2—Recent Accounting Standards

Recently Issued Accounting Standards:

Standard	Description	Effective Date	Effect on our financial statements and other significant matters
ASU 2018-15 Goodwill and Other-Internal-Use Software	The amendments apply to the accounting for implementation, setup and other upfront costs (collectively referred to as implementation costs) for entities that are a customer in a hosting arrangement and align the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The amendments also require customers to expense capitalized implementation costs over the term of the hosting arrangement and in the same line on the income statement as the fees associated with the hosting service and payments for the capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting service.	November 1, 2020 with early adoption permitted.	We are in the process of evaluating the impact of adoption of this standard on our financial statements and disclosures.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Standard	Description	Effective Date	Effect on our financial statements and other significant matters
ASU 2016-02 Leases	This amendment requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet and aligns many of the underlying principles of the new lessor model with those in Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers. The standard requires a modified retrospective transition for capital and operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial adoption. In January 2018, the FASB issued an amendment to ASC Topic 842 which permits companies to elect an optional transition practical expedient to not evaluate existing land easements under the new standard if the land easements were not previously accounted for under existing lease guidance. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842 which clarifies certain areas within ASU 2016-02. ASU 2018-11 Targeted Improvements to Topic 842, Leases. This amendment provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.	November 1, 2019 with early adoption permitted.	We are in the process of evaluating the impact of adoption of this standard on our financial statements and disclosures. We are in the beginning stages of developing a project plan with key stakeholders throughout the organization and gathering and analyzing detailed information on existing lease arrangements. This includes evaluating the available practical expedients, calculating the lease asset and liability balances associated with individual contractual arrangements and assessing the disclosure requirements. In addition, we continue to monitor FASB amendments to ASC Topic 842.

Recently Adopted Accounting Standards:

Standard	Description	Adoption Date	Effect on our financial statements and other significant matters
ASU 2017-09 Compensation - Stock Compensation (Topic 718)	This amendment clarifies when a change to the terms or conditions of a share-based payment award must be accounted for as a modification. The new guidance requires modification accounting if the fair value, vesting condition or the classification of the award is not the same immediately before and after a change to the terms and conditions of the award. The amendment should be adopted on a prospective basis.	November 1, 2018	The adoption of this framework did not have a material impact on Shiloh's financial position, results of operations or financial statement disclosures. Shiloh's awards are rarely modified after grant.

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SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Standard	Description	Adoption Date	Effect on our financial statements and other significant matters
ASU 2014-09 Revenue from Contracts with Customers	The amendments require companies to recognize revenue when there is a transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. The amendments should be applied on either a full or modified retrospective basis, which clarifies existing accounting literature relating to how and when a company recognizes revenue. The Financial Accounting Standards Board ("FASB"), through the issuance of Accounting Standards Updated ("ASU") No. 2015-14, "Revenue from Contracts with Customers," approved a one year delay of the effective date and permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. During fiscal 2016, the FASB issued ASUs 2016-10, 2016-11 and 2016-12. Finally, ASU 2016-20 makes minor corrections or minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities.	November 1, 2018	Refer to Note 3.
ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities	This amendment addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Most prominent among the amendments is the requirement for changes in the fair value of the Company's equity investments, with certain exceptions, to be recognized through net income rather than other comprehensive income ("OCI"). The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet in year of adoption.	November 1, 2018	The adoption of this framework did not have a significant impact on Shiloh's financial position, results of operations or financial statement disclosures.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Standard	Description	Adoption Date	Effect on our financial statements and other significant matters
ASU 2018-09 Codification Improvements	These amendments provide clarifications and corrections to certain ASC subtopics including the following: Income Statement - Reporting Comprehensive Income – Overall (Topic 220-10), Debt - Modifications and Extinguishments (Topic 470-50), Distinguishing Liabilities from Equity – Overall (Topic 480-10), Compensation - Stock Compensation - Income Taxes (Topic 718-740), Business Combinations - Income Taxes (Topic 805-740), Derivatives and Hedging – Overall (Topic 815-10) and Fair Value Measurement – Overall (Topic 820-10).	The majority of the amendments will be effective November 1, 2019 while others were effective upon the issuance of the ASU.	Adoption of the clarifications and corrections in this ASU did not have a material impact on Shiloh's financial position, results of operations or financial statement disclosures.

Note 3—Revenue

On November 1, 2018, we adopted ASU 2014-09, ASC Topic 606, "Revenue from Contracts with Customers" using the modified retrospective transition method with no impact to previously reported periods and no adjustment to retained earnings as of November 1, 2018 as there was no impact to previously reported revenue or expenses associated with the adoption of ASC 606. The new guidance requires new disclosures regarding the nature, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The new standard recognizes revenue when a customer obtains control rather than when substantially all the risks and rewards of a good or service are transferred. The new guidance supersedes most existing revenue recognition guidance, including industry-specific guidance.

We manufacture and sell products, primarily to original equipment manufacturers ("OEMs") and to OEMs through Tier 1 suppliers. We enter into contracts with customers that create enforceable rights and obligations for the sale of those products. While certain production is provided under awarded multi-year programs, these programs do not contain any commitment to volume by the customer. Individual customer volume releases, blanket purchase orders, supply agreements, terms and conditions represent the contract with the customer. Volume releases are limited to near-term customer requirements generally with delivery periods within a few weeks. We do not have contract assets or liabilities as defined under ASC 606.

Each unit produced represents a separate performance obligation. Customer contracts do not provide an enforceable right to payment for performance completed throughout the production process. As such, product revenue is recognized at the point in time when shipment occurs and control has been transferred to the customer.

We participate in certain customers' materials repurchase programs, under which we purchase materials directly from a customer's designated supplier, for use in manufacturing products for that customer. We take delivery and title to such materials and bear the risk of loss and obsolescence. We invoice customers based upon negotiated selling prices, which inherently include a component for materials under such repurchase programs. We have risks and rewards of a principal, and as such, for transactions in which we participate in customers' materials resale programs, revenue is recognized on a gross basis for the entire amount, including the component for purchases under that customers' material resale programs.

We provide customers with standard warranties customary in the industry that products will operate as intended or designed, which are not separate performance obligations under ASC 606. We do not provide customers with the right to a refund, but provide for product replacement. Returns or refunds for nonconforming products are not separate performance obligations applicable to Shiloh's contract arrangements with customers.

We continue to include shipping and handling fees billed to customers in revenue, while including costs of shipping and handling in costs of sales as a fulfillment cost.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Taxes collected from customers are excluded from revenues and credited directly to obligations to the appropriate government agencies.

Payment terms with customers are established based on industry and regional practices and do not exceed 180 days.

Disaggregation of Net Revenues

	Net Revenues Three Months Ended January 31,	
Region:	2019	2018
North America	$195,145	$200,698
Europe & Asia	$68,678	$51,725
Eliminations	$(4,890)	$(4,757)
Total Company	$258,933	$247,666

Note 4—Acquisitions

On March 1, 2018, a subsidiary of the Company acquired all of the issued and outstanding capital of Brabant Alucast Italy Site Verres S.r.l., a limited liability company organized under the laws of Italy, and Brabant Alucast The Netherlands Site Oss B.V., a limited liability company organized under the laws of the Netherlands (collectively "Brabant"). The acquisitions were accounted for as business combinations under the acquisition method in accordance with the FASB ASC Topic 805, Business Combinations. The acquisitions complement Shiloh’s global footprint with the expansion of aluminum and magnesium casting capabilities, while providing capacity for growth.
The aggregate fair value of consideration transferred was $65,273 ($62,514 net of cash acquired), on the date of the acquisitions. Brabant acquisitions have been accounted for using the acquisition method in accordance with FASB ASC Topic 805, Business Combinations. Assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The fair values of identifiable intangible assets were based on valuations using the income approach and estimates.

Note 5—Accounts Receivable, Net
Accounts receivable, net is expected to be collected within one year and is net of an allowance for doubtful accounts in the amount of $1,011 and $676 at January 31, 2019 and October 31, 2018, respectively. We recognized bad debt expense of $329 and a benefit of $120 from receivables previously expensed for the three months ended January 31, 2019 and 2018, respectively, in the condensed consolidated statement of operations.

We continually monitor our exposure with our customers and additional consideration is given to individual accounts in light of the market conditions in the automotive and commercial vehicle markets.

As a part of our working capital management, the Company has entered into factoring agreements with third party financial institutions ("institutions") for the sale of certain accounts receivable with recourse. The activity under these agreements is accounted for as sales of accounts receivable under ASC Topic 860 "Transfers and Servicing." These agreements relate exclusively to the accounts receivable of certain Italian and Swedish customers. The amounts sold vary each month based on the amount of underlying receivables and cash flow requirements of the Company. In addition, the agreements address events and conditions which may obligate us to immediately repay the institutions the outstanding purchase price of the receivables sold.

The total amount of accounts receivable factored was $8,903 and $13,545 as of January 31, 2019 and October 31, 2018, respectively. As these sales of accounts receivable are with recourse, $7,808 and $11,742 were recorded in accounts payable as of January 31, 2019 and October 31, 2018, respectively. The cost of selling these receivables is dependent upon the number of days between the sale date of the receivables and the date the client’s invoice is due and the interest rate. The expense associated with the sale of these receivables is recorded as a component of selling, general and administrative expense in the accompanying condensed consolidated statements of operations.

Note 6—Related Party Receivables

MTD Products Inc. and MTD Holdings LLC are affiliates of Oak Tree Holdings LLC, which is a greater than 5% beneficial owner of the Company's shares of Common Stock.

Sales to MTD Products Inc. and its affiliates were $1,857 and $1,042 for the three months ended January 31, 2019 and 2018, respectively. At January 31, 2019 and October 31, 2018, we had related party receivable balances of $1,727 and $996, respectively, due from MTD Products Inc. and its affiliates.

Note 7—Inventories, Net

Inventories, net consist of the following:

	January 31, 2019	October 31, 2018
Raw materials	$ 30,007	$ 28,457
Work-in-process	26,350	24,435
Finished goods	21,402	21,637
Reserves	$ (4,292)	$ (3,117)
Total inventory	$ 73,467	$ 71,412

Note 8 —Goodwill and Intangible Assets

Goodwill:

The changes in the carrying amount of goodwill for the three months ended January 31, 2019 are as follows:

Balance October 31, 2018	$ 27,376
Foreign currency translation	233
Balance January 31, 2019	$ 27,609

Intangible Assets

The changes in the carrying amount of finite-lived intangible assets for the three months ended January 31, 2019 are as follows:

	Customer Relationships	Developed Technology	Non-Compete	Trade Name	Trademark	Total
Balance October 31, 2018	$ 10,311	$ 3,404	$ 15	$ 1,131	$ 78	$ 14,939
Amortization expense	(333)	(99)	(4)	(31)	(4)	(471)
Foreign currency translation	1	21	—	—	—	22
Balance January 31, 2019	$ 9,979	$ 3,326	$ 11	$ 1,100	$ 74	$ 14,490

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Intangible assets are amortized on the straight-line method over their legal or estimated useful lives. The following summarizes the gross carrying value and accumulated amortization for each major class of intangible assets:

	January 31, 2019			
	Weighted Average Useful Life (years)	Gross Carrying Value Net of Foreign Currency	Accumulated Amortization	Net
Customer relationships	7.7	17,565	$ (7,586)	$ 9,979
Developed technology	9.6	7,186	(3,860)	3,326
Non-compete	0.7	824	(813)	11
Trade Name	8.9	1,875	(775)	1,100
Trademark	4.5	166	(92)	74
		$ 27,616	$ (13,126)	$ 14,490

Total amortization expense for the three months ended January 31, 2019 and 2018 was $521 and $565, respectively. A favorable lease asset of $1,458 was acquired as part of the Brabant acquisitions in fiscal 2018 with a 7 year useful life. Amortization expense of $50 for this asset is included in the amortization of intangible assets and the balance of $1,180 is included within other assets for the three months ended January 31, 2019. Amortization expense related to intangible assets and the favorable lease asset for the following fiscal years ending is estimated to be as follows:

Twelve Months Ended January 31,	
2020	$ 2,078
2021	2,067
2022	2,067
2023	2,067
2024	2,059
Thereafter	5,332
	$ 15,670

Note 9—Financing Arrangements

Debt consists of the following:

	January 31, 2019	October 31, 2018
Credit Agreement—interest rate of 5.04% at January 31, 2019 and 4.59% at October 31, 2018	$ 236,600	$ 243,300
Capital lease obligations	2,468	2,640
Insurance broker financing agreement	326	738
Total debt	239,394	246,678
Less: Current debt	813	1,327
Total long-term debt	$ 238,581	$ 245,351

At January 31, 2019, we had total debt, excluding capital leases, of $236,926, consisting of a revolving line of credit under the Credit Agreement of floating rate debt of $236,600, which considers interest rate swap agreements in Note 12 and fixed rate debt of $326. The weighted average interest rate of all debt was 5.03% and 3.88% for the three months ended January 31, 2019 and 2018, respectively.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Revolving Credit Facility:

The Company and its subsidiaries are party to a Credit Agreement, dated October 25, 2013, as amended (the "Credit Agreement") with Bank of America, N.A., as Administrative Agent, Swing Line Lender, Dutch Swing Line Lender and L/C Issuer, JPMorgan Chase Bank, N.A. as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities, LLC as Joint Lead Arrangers and Joint Book Managers, The PrivateBank and Trust Company, Compass Bank and The Huntington National Bank, N.A., as Co-Documentation Agents and the other lender parties thereto.

On October 31, 2017, we executed the Eighth Amendment to the Credit Agreement which among other things: provides for an aggregate availability of $350,000, $275,000 of which is available to the Company through the Tranche A Facility and $75,000 of which is available to the Dutch borrower through the Tranche B Facility, and eliminates the scheduled reductions in such availability; increases the aggregate amount of incremental commitment increases allowed under the Credit Agreement to up to $150,000 subject to our pro forma compliance with financial covenants, the Administrative Agent’s approval and the Company obtaining commitments for any such increase. The Amendment extended the commitment period to October 31, 2022.

On July 31, 2017, we executed the Seventh Amendment which modifies investments in subsidiaries and various cumulative financial covenant thresholds, in each case, under the Credit Agreement. The Amendment also enhances our ability to take advantage of customer supply chain finance programs.

On October 28, 2016, we executed the Sixth Amendment which increases the permitted consolidated leverage ratio for periods beginning after July 31, 2016; increases the permitted consolidated fixed charge coverage ratio for periods beginning after April 30, 2017, modifies various baskets related to sale of accounts receivable, disposition of assets, sale-leaseback transactions, and makes other ministerial updates.

On October 30, 2015, we executed the Fifth Amendment which increased the permitted leverage ratio with periodic reductions beginning after July 30, 2016. In addition, the Amendment permitted various investments as well as up to $40,000 aggregate outstanding principal amount of subordinated indebtedness, subject to certain conditions. Finally, the Amendment provided for a consolidated fixed charge coverage ratio, and provided for up to $50,000 of capital expenditures by the Company and our subsidiaries throughout the year ending October 31, 2016, subject to certain quarterly baskets.

On April 29, 2015, we executed the Fourth Amendment to the Credit Agreement that maintained the commitment period of September 29, 2019 and allowed for an incremental increase of $25,000 (or if certain ratios are met, $100,000) to the original revolving commitments of $360,000, subject to our pro forma compliance with financial covenants, the administrative agent's approval, and the Company obtaining commitments for such increase.

The Fourth Amendment included scheduled commitment reductions beginning after January 30, 2016 totaling $30,000, allocated proportionately between the Aggregate Revolving A and B commitments. On April 30, 2016, the first committed reduction of $5,000 decreased the existing revolving commitment to $355,000, subject to our pro forma compliance with financial covenants.

Borrowings under the Credit Agreement bear interest, at our option, at LIBOR or the base (or "prime") rate established from time to time by the administrative agent, in each case plus an applicable margin. The Fifth Amendment provided for an interest rate margin on LIBOR loans of 1.5% to 3.0% and of 0.5% to 2.0% on base rate loans depending on the Company's leverage ratio.

The Credit Agreement contains customary restrictive and financial covenants, including covenants regarding our outstanding indebtedness and maximum leverage and interest coverage ratios. The Credit Agreement also contains standard provisions relating to conditions of borrowing. In addition, the Credit Agreement contains customary events of default, including the non-payment of obligations by the Company and the bankruptcy of the Company. If an event of default occurs, all amounts outstanding under the Credit Agreement may be accelerated and become immediately due and payable. We were in compliance with the financial covenants under the Credit Agreement as of January 31, 2019 and October 31, 2018.

After considering letters of credit of $5,931 that we have issued, unused commitments under the Credit Agreement were $107,469 as of January 31, 2019. Actual borrowing capacity is subject to Credit Agreement covenants.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Borrowings under the Credit Agreement are collateralized by a first priority security interest in substantially all of the tangible and intangible property of the Company and our domestic subsidiaries and 66% of the stock of our foreign subsidiaries.

Other Debt:

On August 1, 2018, we entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 2.55% and requires monthly payments of $94 through May 2019. As of January 31, 2019, $326 of principal remained outstanding under this agreement and was classified as current debt in our condensed consolidated balance sheets.

We maintain capital leases for equipment used in our manufacturing facilities with lease terms expiring between 2019 and 2020. As of January 31, 2019, the present value of minimum lease payments under our capital leases amounted to $2,468.

Scheduled repayments of debt for the next five years are listed below:

Twelve Months Ending January 31,	Credit Agreement	Capital Lease Obligations	Other Debt	Total
2020	$ —	$ 487	$ 326	$ 813
2021	—	1,981	—	1,981
2022	—	—	—	—
2023	236,600	—	—	236,600
2024	—	—	—	—
Total	$ 236,600	$ 2,468	$ 326	$ 239,394

Note 10—Pension and Other Post-Retirement Benefit Matters

U.S Plans

The components of net periodic benefit cost for the three months ended January 31, 2019 and 2018 are as follows:

	Pension Benefits		Other Post-Retirement Benefits	
	Three Months Ended January 31,		Three Months Ended January 31,	
	2019	2018	2019	2018
Interest cost	$ 841	$ 792	$ 3	$ 3
Expected return on plan assets	(835)	(840)	—	—
Amortization of net actuarial loss	287	328	1	2
Net periodic cost	$ 293	$ 280	$ 4	$ 5

We were not required to and therefore did not contribute to our U.S. pension plans during the three months ended January 31, 2019 and 2018. We expect to contribute at least $1,620 to our U.S. pension plans in fiscal 2019.

We report the service cost component of the net periodic pension and post-retirement costs in the same caption as other compensation costs arising from services rendered. The other components of net period costs are presented outside of operating income in other (income) expense, net.

Non-U.S. Plans

For our Swedish operations, the majority of the pensions obligations are covered by insurance policies with insurance companies. Pension commitments in our Polish operations were $1,166 at January 31, 2019 and $1,081 at October 31, 2018 . The

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

liability represents the present value of future obligations and is calculated on an actuarial basis. The Polish operations recognized expense of $86 and $57 for the three months ended January 31, 2019 and 2018, respectively.

The insurance contracts guarantee a minimum rate of return. We have no input into the investment strategy of the assets underlying the contracts, but they are typically heavily invested in active bond markets and are highly regulated by local law.

Note 11—Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss in stockholders' equity by component for the three months ended January 31, 2019 is as follows:

	Pension and Post Retirement Plan Liability (1)	Marketable Securities Adjustment	Interest Rate Swap Adjustment (2)	Foreign Currency Translation Adjustment (3)	Accumulated Other Comprehensive Loss
Balance at October 31, 2018	$ (29,137)	$ (18)	$ 104	$ (21,879)	$ (50,930)
Other comprehensive income (loss), net of tax	—	—	(460)	2,705	2,245
Amounts reclassified from accumulated other comprehensive loss	222	18	86	—	326
Net current-period other comprehensive income (loss)	222	18	(374)	2,705	2,571
Balance at January 1, 2019	$ (28,915)	$ —	$ (270)	$ (19,174)	$ (48,359)

(1) Amounts reclassified from accumulated other comprehensive loss, net of tax are classified with other expense included on the statements of operations.
(2) Amounts reclassified from accumulated other comprehensive income loss, net of tax are classified with interest expense included on the statements of operations.
(3) The net investment derivative instrument is recognized in accumulated other comprehensive loss and reclassified to income in the same period when a gain or loss related to that net investment in foreign operation is included in income.

Note 12—Derivatives and Financial Instruments

The Company is exposed to, among other risks, the impact of changes in commodity prices, foreign currency exchange rates, and interest rates in the normal course of business. The Company’s financial risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company does not enter into derivative financial instruments for trading or speculative purposes. On an on-going basis, the Company monitors counterparty credit ratings. The Company considers credit non-performance risk to be low because the Company enters into agreements with commercial institutions that have investment grade credit rating.

During the first quarter of 2018, the Company early-adopted ASU 2017-02 "Derivatives and Hedging (Topic 815)" which was issued with the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and to make certain targeted improvements to simplify the application of previously applicable hedge accounting guidance. This adoption did not have a material effect on our condensed consolidated financial statements, and did not result in any cumulative adjustment to equity as of the date of adoption.

Our derivatives consist of a cross-currency swap and an interest rate swap, all of which are over-the-counter and not traded through an exchange. The Company uses widely accepted valuation tools to determine fair value, such as discounting cash flows to calculate a present value for the derivatives. The models use Level 2 inputs, such as forward curves and other commonly quoted observable transactions and prices. The fair value of our derivatives and hedging instruments are all classified as Level 2 investments within the three-tier hierarchy.

On March 1, 2018, we entered into a cross-currency swap in which we settle interest on the notional amount in Euros and settle interest on the notional amount in dollars, both at a variable rate. The objective of the transaction is to protect the initial net investment in Brabant against adverse changes in the exchange rate between the U.S. dollar and the Euro. Hedge effectiveness is assessed based upon changes in the spot foreign exchange rate. As such, the change in value of the cross-currency interest rate swap related to the change in spot rates is perfectly effective at offsetting changes in cumulative translation adjustment related to the portion of our net investment in Brabant up to the notional amount of the cross-currency interest rate swap.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Under the cross-currency interest rate swap, we received €53,000, on which we will settle interest at the 1-month Euribor rate, and we lent to the counterparty $64,930, on which we will settle interest at the 1-month LIBOR rate. Interest payments will be made at the end of every month. The notional amounts in the respective currencies exchanged at the beginning of the cross-currency interest rate swap period will be repaid at the end of the cross-currency interest rate swap period on October 31, 2022.

On February 25, 2014, we entered into an interest rate swap with an aggregate notional amount of $75,000 designated as a cash flow hedge to manage interest rate exposure on our floating rate LIBOR based debt under the Credit Agreement. The interest rate swap is an agreement to exchange payment streams based on the notional principal amount. This agreement fixes our future interest rate at 2.74% plus the applicable margin as provided in the Fifth Amendment discussed in Note 9 - Financing Arrangements, on an amount of our debt principal equal to the then-outstanding swap notional amount. The forward interest rate swap commenced on March 1, 2015 with an initial $25,000 base notional amount. The second notional amount of $25,000 commenced on September 1, 2015 and the final notional amount of $25,000 commenced on March 1, 2016. The base notional amount plus each incremental addition to the base notional amount has a five year maturity of February 29, 2020, August 31, 2020 and February 28, 2021, respectively. On the date the interest swap was entered into, we designated the interest rate swap as a hedge of the variability of cash flows to be paid relative to our variable rate monies borrowed. Any ineffectiveness in the hedging relationship is recognized immediately into earnings.

The following table discloses the fair value and balance sheet location of our derivative instruments:

	Asset (Liability) Derivatives		
	Balance Sheet Location	January 31, 2019	October 31, 2018
Net Investment Hedging Instruments:			
Cross-currency interest rate swap contract	Other assets	$3,857	$4,432
Cash Flow Hedging Instruments:			
Interest rate swap contracts	(Other liabilities) Other assets	$(350)	$135

As a result of the hedging relationships being highly effective, the net interest payments accrued each period are reflected in net income (loss) as adjustments of interest expense, and the remaining change in the fair value of the derivatives is recognized in accumulated other comprehensive loss ("AOCI").

Derivative activity is included in interest expense and cash paid for interest. The following table presents the effect of our derivative instruments on the condensed consolidated statements of operations and the effects of hedging on those line items:

Location	January 31, 2019	January 31, 2018
Interest expense	$3,355	$2,340
Effect of hedging on interest expense	$(368)	$280

Note 13—Stock Incentive Compensation

Stock Incentive Compensation requires us to expense share-based payment awards granted. Compensation cost for share-based payments transactions are measured at fair value. For stock options, we use the simplified method of calculating the expected term and historical volatility to compute fair value under the Black-Scholes option-pricing model. The risk-free rate for periods within the contractual life of the option is based on the U.S. zero coupon Treasury yield in effect at the time of grant. New restricted stock and restricted stock units grants are valued at the closing market price of our common stock on the date of grant. We do not estimate a forfeiture rate at the time of grant. Instead, we recognize share-based compensation expense when actual forfeitures occur.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

2016 Equity and Incentive Compensation Plan
Long-Term / Annual Incentives
On March 9, 2016, stockholders approved and adopted the 2016 Equity and Incentive Compensation Plan ("2016 Plan") which replaced the Amended and Restated 1993 Key Employee Stock Incentive Program. The 2016 Plan authorizes the Compensation Committee of the Board of Directors of the Company to grant to officers and other key employees, including directors, of the Company and our subsidiaries (i) option rights, (ii) appreciation rights, (iii) restricted shares, (iv) restricted stock units, (v) cash incentive awards, performance shares and performance units and (vi) other awards. An aggregate of 1,500,000 shares of Common Stock, subject to adjustment upon occurrence of certain events to prevent dilution or expansion of the rights of participants that might otherwise result from the occurrence of such events, was reserved for issuance pursuant to the Incentive Plan. An individual's award of option and / or appreciation rights is limited to 500,000 shares during any calendar year. Also, an individual's award of restricted shares, restricted share units and performance based awards is limited to 350,000 shares during any calendar year.

The following table summarizes the Company's Incentive Plan activity for the three months ended January 31, 2019 and 2018:

	Stock Options			Restricted Stock			Restricted Stock Units		
Outstanding at:	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Restricted Shares	Grant Fair Value	Weighted Average Remaining Contractual Life	Restricted Share Units	Grant Fair Value	Weighted Average Remaining Contractual Life
November 1, 2017	58	$8.16	2.53	441	$7.07	1.60	36	$7.69	1.82
Granted	—	—		220	8.20		12	8.20	
Options exercised or restricted stock vested	—	—		(88)	8.48		(7)	7.06	
Forfeited or expired	—	—		(1)	7.06		—	—	
January 31, 2018	58	$8.16	2.27	572	$7.29	2.22	41	$7.94	1.89
November 1, 2018	33	$9.42	1.84	478	$7.45	1.87	26	$8.17	1.37
Granted	—	—		294	7.06		22	6.96	
Options exercised or restricted stock vested	—	—		(123)	7.66		(6)	7.68	
Forfeited or expired	—	—		(32)	7.24		—		
January 31, 2019	33	$9.42	1.59	617	$7.23	2.36	42	$7.60	2.31

We recorded stock compensation expense related to stock options, restricted stock and restricted stock units during the three months ended January 31, 2019 and 2018 as follows:

Three Months Ended

	January 31,	
	2019	2018
Restricted stock	$509	$480
Restricted stock units	36	36
Total	$545	$516

Stock Options - The exercise price of each stock option equals the market price of our common stock on the grant date. Compensation expense is recorded at the grant date fair value, adjusted for forfeitures as they occur, and is recognized over the applicable vesting periods. Our stock options generally vest over three years, with a maximum term of ten years. Incentive stock options were not granted during the three months ended January 31, 2019 and 2018.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

During the three months ended January 31, 2019 and 2018, stock options were not exercised. Options that have an exercise price greater than the market price are excluded from the intrinsic value computation. At January 31, 2019 and October 31, 2018, the options outstanding and exercisable had an intrinsic value of $7 and $42, respectively.
Restricted Stock Awards - New restricted stock grants are valued at the closing market price of our common stock on the grant date. Compensation expense is recorded at the grant date fair value, adjusted for forfeitures as they occur and is recognized over the applicable vesting periods. The vesting periods range between one to three years. As of January 31, 2019, there was approximately $3,704 of total unrecognized compensation expense related to non-vested restricted stock that is expected to be recognized over the next three fiscal years.
Restricted Stock Units - New restricted stock unit grants are valued at the closing market price of our common stock on the grant date. Compensation expense is recorded at the grant date fair value, adjusted for forfeitures as they occur and is recognized over the applicable vesting periods. The vesting periods range between one to three years. As of January 31, 2019, there was approximately $245 of total unrecognized compensation expense related to these restricted stock units that is expected to be recognized over the applicable vesting periods.

Note 14—Fair Value of Financial Instruments
The methods that we use may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.
Assets and liabilities remeasured and disclosed at fair value on a recurring basis at January 31, 2019 and October 31, 2018 are set forth in the table below:

	Asset (Liability)	Level 1	Level 2	Valuation Technique
October 31, 2018				
Cross-Currency Interest Rate Swap	$ 4,432	—	$4,432	Income Approach
Interest Rate Swap Contracts	135	—	135	Income Approach
Marketable Securities	21	21	—	Market Approach
January 31, 2019				
Cross-Currency Interest Rate Swap	$ 3,857	—	$3,857	Income Approach
Interest Rate Swap Contracts	(350)	—	(350)	Income Approach
Marketable Securities	23	23	—	Market Approach

We calculate the fair value of our cross-currency and interest rate swap contracts using quoted interest rate curves to calculate forward values and then discount the forward values.
The discount rates for all derivative contracts are based on quoted swap interest rates or bank deposit rates. For contracts which, when aggregated by counterparty, are in a liability position, the rates are adjusted by the credit spread that market participants would apply if buying these contracts from our counterparties.
We calculate the fair value of our marketable securities by using the closing stock price on the last business day of the quarter.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Note 15—Restructuring Charges

During the fourth quarter of fiscal 2017, management initiated restructuring activities such as consolidating manufacturing facilities, making geographical shifts to place production closer to customer facilities, providing a more global and scaleable organization, centralizing departments, optimizing our product plan, and capturing synergies. Management believes these strategic moves will result in a stronger and more agile Company. During the three months ended January 31, 2019 and 2018, respectively, we incurred $3,006 and $1,514 related to employee, professional, legal and other restructuring related costs. Pendergrass assets held for sale of $1,257 are included in other current assets at January 31, 2019. We have incurred restructuring expenses of $14,396 to date. We expect to incur additional costs over the next twelve months. Future restructuring actions will depend upon market conditions, customer actions and other factors.

The following table presents information about restructuring costs recorded for the three months ended January 31, 2019:

	January 31, 2019	January 31, 2018
Employee costs	$ 553	$ 611
Professional and legal costs	1,242	831
Other	1,211	72
	$ 3,006	$ 1,514

The following table presents a rollforward of the beginning and ending liability balances related to the restructuring costs which are included in the condensed consolidated balance sheets in other accrued expenses for the above-mentioned actions through January 31, 2019:

	Balance as of October 31, 2018	Restructuring Expense	Payments	Balance as of January 31, 2019
Employee costs	$ 367	553	181	$ 739
Professional and legal costs	248	1,242	$ 571	919
Other	—	1,211	$ 1,211	—
	$ 615	$ 3,006	$ 1,963	$ 1,658

Note 16—Income Taxes

The provision for income taxes for the three months ended January 31, 2019 was a benefit of $3,087 on loss before income taxes of $7,785 for a consolidated effective tax rate of 39.7%. The year-to-date benefit was calculated using the year-to-date loss, considering non-taxable and non-deductible items expected to be incurred for the full year multiplied by the statutory rate. This methodology is required by ASC 740, Income Taxes, as the use of an estimated annual effective rate would not be reliable.

The provision for income taxes for the three months ended January 31, 2018 was a benefit of $3,058 on income before income taxes of $1,800 for a consolidated effective tax rate of (169.9)%. The consolidated effective tax rate was impacted by the Tax Cuts and Jobs Act (the "TCJA") and foreign losses without tax benefit.

The U.S. Internal Revenue Service has proposed disallowances of the majority of fiscal year 2012 and fiscal year 2013 U.S. R&D credits claimed. We are disputing this tax credit matter and intend to vigorously defend our position. We believe the ultimate resolution of the matters will not materially impact our results of operations, financial position or cash flows. With any tax controversy and litigation, there is, however, a chance of unforeseen loss which due to the number of years involved could materially impact our results, financial position and cash flows. For open tax years through fiscal year 2019, the total amounts related to the unreserved portion of the tax contingency, inclusive of any related interest, amounts to approximately $8,500, of which the majority has been assessed by management as being remote as to the likelihood of ultimately resulting in a loss to the Company. We routinely assess tax matters as to the probability of incurring a loss and record our best estimate of the ultimate loss in situations where we assess the likelihood of an ultimate loss as probable.

SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Note 17—Earnings Per Share

Basic earnings per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. In addition, the shares of Common Stock issuable pursuant to restricted stock awards, restricted stock units and stock options outstanding under the 2016 Plan are included in the diluted earnings per share calculation to the extent they are dilutive. For the three months ended January 31, 2019 and 2018, approximately 625 and 259 stock awards, respectively, were excluded from the computation of diluted earnings per share because they were anti-dilutive. The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share computation for net income (loss) per share:

	Three Months Ended January 31,	
	2019	2018
Net income (loss) available to common stockholders	$(4,698)	$4,858
Basic weighted average shares	23,385	23,107
Effect of dilutive securities:		
Restricted stock, units and stock options (1)	—	180
Diluted weighted average shares	23,385	23,287
Basic income (loss) per share	$(0.20)	$0.21
Diluted income (loss) per share	$(0.20)	$0.21

(1) Due to a loss for the three months ended January 31, 2019, no restricted stock, restricted stock units or stock options are included because the effect would be anti-dilutive.

Note 18—Business Segment Information

We conduct our business and report our information as one operating segment and, therefore, disclose one reportable segment - Automotive and Commercial Vehicles. Our chief operating decision maker is the executive leadership team, which includes certain Vice Presidents, all Senior Vice Presidents and the Chief Executive Officer. This team has the final authority over performance assessment and resource allocation decisions. In determining that one operating segment is appropriate, we considered the nature of the business activities and the existence of managers responsible for the operating activities. Customers and suppliers are substantially the same in the automotive and commercial vehicle industry.

Revenues of foreign geographic regions in the table below are attributed to external customers based upon the location of the entity recording the sale. These foreign revenues represent 30.2% and 24.6% of net revenues for the three months ended January 31, 2019 and 2018, respectively.

	Net Revenues Three Months Ended January 31	
Geographic Region:	2019	2018
North America	$195,145	$200,698
Europe & Asia	$68,678	$51,725
Eliminations	$(4,890)	$(4,757)
Total Company	$258,933	$247,666

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SHILOH INDUSTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

The foreign currency gain (loss) is included as a component of other expense, net in the condensed consolidated statements of operations.

	Foreign Currency Gain (Loss) Three Months Ended January 31,	
Geographic Region:	2019	2018
North America	$238	$12
Europe & Asia	$1	$(128)

Long-lived assets consist primarily of net property, plant and equipment, goodwill and intangibles.

	Long-Lived Assets	
Geographic Region:	January 31, 2019	October 31, 2018
North America	$262,990	$253,711
Europe & Asia	107,424	104,780
Total Company	$370,414	$358,491

Note 19—Commitments and Contingencies

Litigation:

A shareholder derivative lawsuit was filed on April 1, 2016 in the Court of Common Pleas, Medina County, Ohio against the Company's President and Chief Executive Officer and Vice President of Finance and Treasurer and members of our Board of Directors. The lawsuit claimed in part that the defendants breached fiduciary duties owed to the Company by failing to exercise appropriate oversight over our accounting controls, leading to the accounting issues and the restatement announced in September 2015. A Joint Stipulation and Order of Dismissal was filed on November 14, 2018 dismissing the shareholder derivative lawsuit without prejudice.

In addition, from time to time, we are involved in legal proceedings, claims or investigations that are incidental to the conduct of our business. We vigorously defend ourselves against such claims. In future periods, we could be subject to cash costs or non-cash charges to earnings if a matter is resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on current information, including assessment of the merits of the particular claims, we do not expect that our legal proceedings or claims will have a material impact on our future consolidated financial position, results of operations or cash flows.

Note 20—Subsequent Events

On February 26, 2019, the 2019 Annual Meeting of Stockholders of Shiloh Industries, Inc. was held. Resolutions approved at the meeting included an approval of the 2019 Equity and Incentive Compensation Plan which, among other things, expanded the shares available for grant. Further, a resolution to expand authorized shares of Common Stock was also approved. Both resolutions are subject to future registration statements.

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FORWARD-LOOKING STATEMENTS

Certain statements made by Shiloh Industries set forth in this Quarterly Report on Form 10-Q regarding our operating performance, events or developments that we believe or expect to occur in the future, including those that discuss strategies, goals, outlook or other non-historical matters, or which relate to future sales, earnings expectations, cost savings, awarded sales, volume growth, earnings or general belief in our expectations of future operating results are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995.

The forward-looking statements are made on the basis of management's assumptions and expectations. As a result, there can be no guarantee or assurance that these assumptions and expectations will in fact occur. The forward-looking statements are subject to risks and uncertainties that may cause actual results to materially differ from those contained in the statements.

Listed below are some of the factors that could potentially cause actual results to differ materially from expected future results.

- our ability to accomplish our strategic objectives;
- our ability to derive a substantial portion of our sales from large customers;
- our ability to obtain future sales;
- changes in worldwide economic and political conditions, including adverse effects from terrorism or related hostilities;
- costs related to legal and administrative matters;
- our ability to realize cost savings expected to offset price concessions;
- our ability to successfully integrate acquired businesses, including businesses located outside of the United States;
- risks associated with doing business internationally, including economic, political and social instability, foreign currency exposure and the lack of acceptance of our products;
- inefficiencies related to production and product launches that are greater than anticipated;
- changes in technology and technological risks;
- work stoppages and strikes at our facilities and that of our customers or suppliers;
- our dependence on the automotive and heavy truck industries, which are highly cyclical;
- the dependence of the automotive industry on consumer spending, which is subject to the impact of domestic and international economic conditions affecting car and light truck production;
- regulations and policies regarding international trade;
- financial and business downturns of our customers or vendors, including any production cutbacks or bankruptcies;
- increases in the price of, or limitations on the availability of aluminum, magnesium or steel, our primary raw materials, or decreases in the price of scrap steel;
- the successful launch and consumer acceptance of new vehicles for which we supply parts;
- the impact on financial statements of any known or unknown accounting errors or irregularities; and the magnitude of any adjustments in restated financial statements of our operating results;
- the occurrence of any event or condition that may be deemed a material adverse effect under our outstanding indebtedness or a decrease in customer demand which could cause a covenant default under our outstanding indebtedness;
- pension plan funding requirements; and
- other factors besides those listed here could also materially affect our business.

See "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018 and "Part II, Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q for a more complete discussion of these risks and uncertainties. Any or all of these risks and uncertainties could cause actual results to differ materially from those reflected in the forward-looking statements. These forward-looking statements reflect management's analysis only as of the date of this Quarterly Report on Form 10-Q.

We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of filing this Quarterly Report on Form 10-Q. In addition to the disclosures contained herein, readers should carefully review risks and uncertainties contained in other documents we file from time to time with the SEC.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Dollars in thousands, except per share data)

General

Shiloh Industries, Inc. is a global innovative solutions provider to the automotive and commercial vehicle market with a strategic focus on designing, engineering and manufacturing lightweight technologies that improve performance and benefit the environment. We offer a broad portfolio of lightweighting solutions in the industry through our BlankLight®, CastLight® and StampLight® brands and are uniquely qualified to supply product solutions utilizing multiple lightweighting solutions. This includes combining castings and stampings or innovative, multi-material products in aluminum, magnesium, steel and steel alloys. We design and manufacture components in body, chassis and powertrain systems with expertise in precision blanks, ShilohCore® acoustic laminates, aluminum and steel laser welded blanks, complex stampings, modular assemblies, aluminum and magnesium die casting, as well as precision machined components. We have approximately 4,000 dedicated employees with operations, sales and technical centers throughout Asia, Europe and North America.

Recent Trends and General Economic Conditions Affecting the Automotive Industry

Our business and operating results are directly affected by the relative strength of the North American and European automotive industries, which are driven by factors that continue to be critical to our success including winning new business awards, managing our overall global manufacturing footprint to ensure proper placement and workforce levels in line with business needs, maintaining competitive wages and benefits, maximizing efficiencies in manufacturing processes and reducing overall costs. In addition, our ability to adapt to key industry trends, such as shifts in consumer preferences to other vehicles in response to higher fuel costs and other economic and social factors, increasing technologically sophisticated content, increasing environmental standards and extended product life of automotive parts, also play a critical role in our success. Other factors that are critical to our success include changes in raw material costs, negotiation of price increases and cost reduction initiatives. In addition, recent trade actions initiated by the U.S. imposing tariffs on imports have been met with retaliatory tariffs by other countries, adding a level of tension and uncertainty to the global economic environment. These and other actions are likely to impact trade policies with other countries and the overall global economy. We are carefully monitoring capacity and availability of the alloys utilized in our production process. The automotive industry remains susceptible to these factors that impact consumer spending habits and could adversely impact consumer demand for vehicles.

We operate in an extremely competitive industry, driven by global vehicle production volumes. Business is typically awarded to the supplier offering the most favorable combination of cost, quality, technology and service. Customers continue to demand periodic cost reductions that require us to assess, redefine and improve operations, products, and manufacturing capabilities to maintain and improve profitability. Our management continues to develop and execute initiatives designed to meet challenges of the industry and to achieve our strategy for sustainable global profitable growth.

Capacity utilization levels are very important to profitability because of the capital-intensive nature of our operations. We continue to adapt our capacity to meet customer demand, both expanding capabilities in growth areas as well as reallocating capacity between manufacturing facilities as needs arise. We employ new technologies to differentiate our products from our competitors and to achieve higher quality and productivity. We believe that we have sufficient capacity to meet current and expected manufacturing needs.

Our products are included in many models of vehicles manufactured by nearly all OEMs that produce vehicles in Europe and North America. Our revenues are dependent upon the production of automobiles and light trucks in both Europe and North America. According to industry statistics, Europe and North America production volumes for the three months ended January 31, 2019 and 2018 were as follows:

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Production Volumes	Three Months Ended January 31,	
	2019	2018
	(Number of Vehicles in Thousands)	
Europe	5,202	5,660
North America	3,995	3,954
Total	9,197	9,614

Europe:	
Decrease from prior year	(458)
% Decrease from prior year	(8.1)%
North America	
Increase from prior year	41
% Increase from prior year	1.0 %
Total	
Decrease from prior year	(417)
% Decrease from prior year	(4.3)%

Europe:

Uncertainty in the continued economic improvement in Europe has continued to grow due to a number of factors which led to a decrease in product volume year over year. Implementation of fuel consumption and emissions standards such as the Worldwide Harmonized Light Vehicle Test Procedure ("WLTP") have caused disruption in the European automotive market requiring manufacturers to shift production to comply. The United Kingdom's decision to withdraw from the European Union could have an effect on the economy of the remaining European Union countries, as no trade deal has been signed. The European economy is showing signs of a slowdown with manufacturing slumping, especially with the end of Quantitative Easing by the European Central Bank. The end of the program, which was used to stimulate the economy and increase liquidity, will primarily affect Southern Europe. The European automotive market outlook has declined with this uncertainty.

North America:

Improving economic conditions during the past few years have contributed to strong light vehicle sales and production levels in North America. Overall economic conditions in North America have been relatively favorable with improving employment levels, strong consumer confidence levels and comparatively low/stable fuel prices. Production volumes for fiscal 2019 were comparable with 2018 due to continued low fuel prices.

We expect the current North American economic climate to continue for the remainder of the year and into 2020, albeit there is some uncertainty surrounding the potential effects of trade policies, restrictions and practices being implemented or considered by the United States government. Increasing interest rates, high levels of consumer debt and declining used car prices are also developments that could constrict future demand for new vehicles.

Most of our steel is purchased through customers' steel buying programs. Under these programs, the customer negotiates the price for steel with the steel suppliers. We pay for the steel based on these negotiated prices and pass on those costs to the customer. Although we take ownership of the steel, our customers are responsible for all steel price fluctuations under these programs. We also purchase steel directly from domestic primary steel producers and steel service centers. Current demand for construction and oil industry related steel products and stable automotive production have helped the market rebound from historic lows with steel pricing stabilizing. The impact is the combination of the change in steel prices that are reflected in the price of our products, the change in the cost to procure steel from the source and the change in our recovery of offal. Our strategy is to be economically neutral to steel pricing by having these factors offset each other. As the price of steel has risen, so have the scrap metal markets as they are highly correlated. We blank and process steel for some of our customers on a toll processing basis. Under these arrangements, we charge a tolling fee for the operations that we perform without acquiring ownership of the steel and being burdened with the attendant costs of ownership or risk of loss. Revenues from operations involving directly owned steel include a component of raw material cost whereas toll processing revenues do not.

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Critical Accounting Estimates

Preparation of our financial statements are in conformity with accounting principles generally accepted in the United States and requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and in the accompanying notes. We believe our estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. We have identified the following items as critical accounting policies and estimates utilized by management in the preparation of the Company's accompanying financial statements. These estimates were selected because of inherent imprecision that may result from applying judgment to the estimation process. The expenses and accrued liabilities or allowances related to these policies are initially based on our best estimates at the time they are recorded. Adjustments are charged or credited to income and the related balance sheet account when actual experience differs from the expected experience underlying the estimates. We make frequent comparisons of actual experience and expected experience in order to mitigate the likelihood that material adjustments will be required.

Income Taxes. The Company accounts for income taxes in accordance with ASC Topic 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the Company's net deferred tax assets. In determining the need for a valuation allowance, the historical and projected financial performance of the operation recording the net deferred tax asset is considered along with any other pertinent information. Since future financial results may differ from previous estimates, periodic adjustments to the Company's valuation allowance may be necessary.

The Company is subject to income taxes in the U.S. at the federal and state level and numerous non-U.S. jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is less than certain. Accruals for income tax contingencies are provided for in accordance with the requirements of ASC Topic 740. The Company's U.S. federal and certain state income tax returns and certain non-U.S. income tax returns are currently under various stages of audit by applicable tax authorities. Although the outcome of ongoing tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. At October 31, 2018, the Company has recorded a liability for its best estimate of the more-likely-than-not loss on certain of its tax positions, which is included in other non-current liabilities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Refer to Note 16, "Income Taxes," to the Condensed Financial Statements in Item 1 of this report for more information regarding income taxes.

Intangible Assets. Intangible assets with finite lives are amortized over their estimated useful lives. We amortize our acquired intangible assets with finite lives on a straight-line basis over periods ranging from three months to 15 years. See Note 8 to the consolidated financial statements for a description of the current intangible assets and their estimated amortization expense.

Finite-lived intangible assets are evaluated for impairment whenever events or changes in circumstances indicate their related carrying value may not be fully recordable.

Goodwill. Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a business combination. Goodwill relates to and is assigned directly to specific reporting units. Goodwill is not amortized but is subject to impairment assessment. In accordance with ASC 350, "Intangibles-Goodwill and Other," we assess goodwill for impairment on an annual basis, or more frequently, if an event occurs or circumstances change that would more likely than not reduce the fair value below the carrying amount. Our annual impairment assessment is performed as of September 30. Such assessment can be done on a qualitative or quantitative basis. When conducting a qualitative assessment, we consider relevant events and circumstances that affect the fair value or carrying amount of the reporting unit. A quantitative test is required only if we conclude that it is more likely than not that a reporting unit’s fair value is less than its carrying amount, or we elect not to perform a qualitative assessment of a reporting unit. We consider the extent to which each of the events and circumstances identified affect the comparison of the reporting unit's fair value or the carrying amount. Such events and circumstances could include macroeconomic conditions, industry and market considerations, overall financial performance, entity and reporting unit specific events, product brand level specific events and cost factors. We place more weight on the events and circumstances that may affect our determination of whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount.

We perform a quantitative goodwill impairment assessment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount exceeds the fair value, we recognize an impairment charge for the amount which the carrying amount exceeds the fair value, not to exceed the total amount of goodwill in that reporting unit.

Share-based Payments. We record compensation expense for the fair value of nonvested stock option awards and restricted stock awards over the remaining vesting period. We use the simplified method to calculate the expected term of the stock options outstanding at five to six years and have utilized historical weighted average volatility. We determine the volatility and risk-free rate assumptions used in computing the fair value using the Black-Scholes option-pricing model. The expected term for the restricted stock award is between three months and four years. In addition, we do not estimate a forfeiture rate at the time of grant, instead, we elected to recognize share-based compensation expense when actual forfeitures occur.

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions used are management’s best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, the recorded stock-based compensation expense could have been materially different from that depicted in the financial statements.

New restricted stock and restricted stock units grants are valued at the closing market price on the date of grant.

U.S. Pension and Other Post-retirement Costs and Liabilities. We have recorded pension and other post-retirement benefit liabilities that are developed from actuarial valuations for our U.S. operations. The pension plans were frozen in November of 2006 and therefore contributions by participants are not allowed. The determination of our pension liabilities requires key assumptions regarding discount rates used to determine the present value of future benefit payments and the expected return on plan assets. The discount rate is also significant to the development of other post-retirement liabilities. We determine these assumptions in consultation with, and after input from our actuaries.

The discount rate reflects the estimated rate at which the pension and other post-retirement liabilities could be settled at the end of the year. For our U.S. operations, we use the Principal Pension Discount Yield Curve ("Principal Curve") as the basis for determining the discount rate for reporting pension and retiree medical liabilities. At October 31, 2018, the resulting discount rate from the use of the Principal Curve was 4.35%, an increase of 0.70% that contributed to a decrease of the benefit obligation of $5,627. A change of 25 basis points in the discount rate at October 31, 2018 would increase expense on an annual basis by $6 or decrease expense on an annual basis by $9.

The assumed long-term rate of return on pension assets is applied to the market value of plan assets to derive a reduction to pension expense that approximates the expected average rate of asset investment return over ten or more years. A decrease in the expected long-term rate of return will increase pension expense whereas an increase in the expected long-term rate will reduce pension expense. Decreases in the level of plan assets will serve to increase the amount of pension expense whereas increases in the level of actual plan assets will serve to decrease the amount of pension expense. Any shortfall in the actual return on plan assets from the expected return will increase pension expense in future years due to the amortization of the shortfall, whereas any excess in the actual return on plan assets from the expected return will reduce pension expense in future periods due to the amortization of the excess. A change of 25 basis points in the assumed rate of return on pension assets would increase or decrease expense by $159.

Our investment policy for assets of the plans is to maintain an allocation generally of 30% to 70% in equity securities, 30% to 70% in debt securities and 0% to 10% in real estate. Equity security investments are structured to achieve an equal balance between growth and value stocks. We determine the annual rate of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. Our investment advisors and actuaries review this computed rate of return. Industry comparables and other outside guidance are also considered in the annual selection of the expected rates of return on pension assets.

For the year ended October 31, 2018, the actual return on pension plans’ assets for all of our plans was 0.70%, which is lower than the expected rate of return on plan assets of 6.50% used to derive pension expense. The long-term expected rate of return takes into account years with exceptional gains and years with exceptional losses.

Actual results that differ from these estimates may result in more or less future Company funding into the pension plans than is planned by management.

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Results of Operations
Three Months Ended January 31, 2019 Compared to Three Months Ended January 31, 2018

REVENUES. Revenues for the first quarter of fiscal 2019 were $258,933 compared to revenues of $247,666 in the first quarter of fiscal 2018, an increase of $11,267, or 4.5%. The Brabant acquisitions accounted for $19,757; offset by decreased revenues of $8,550 as a result of the closure of the Pendergrass facility.

GROSS PROFIT. Gross profit for the first quarter of fiscal 2019 was $13,691 compared to gross profit of $27,890 in the first quarter of fiscal 2018, a decrease of $14,199, or (50.9)%. Gross profit as a percentage of sales was 5.3% for the first quarter of 2019 and 11.3% for the first quarter of 2018. The decline in gross profit as a percentage of sales was primarily due to program launch costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses support the growth in sales opportunities, new technologies and new product launches. Expenses were $16,085 and $21,240 in the first quarter of fiscal 2019 and 2018, respectively. As a percentage of sales, these expenses were 6.2% of sales for the first quarter of fiscal 2019 and 8.6% of sales for the first quarter of fiscal 2018. The decrease reflects lower compensation costs.

AMORTIZATION OF INTANGIBLE ASSETS. Amortization of intangible assets expense was $521 for the first quarter of fiscal of 2019 and $565 for the first fiscal quarter of 2018.

RESTRUCTURING. Restructuring charges of $3,006 were recorded in the first quarter of fiscal 2019 compared to the $1,514 in the first quarter of fiscal 2018. We continue to incur restructuring charges based upon our strategic decision to provide a more efficient and focused footprint allowing us to operate with lower fixed costs. These costs primarily included employee, professional, legal and other costs.

INTEREST EXPENSE. Interest expense for the first quarter of fiscal 2019 was $3,355, compared to interest expense of $2,340 in the first quarter of fiscal 2018. The increase in interest expense was the result of higher average borrowed funds. Borrowed funds averaged $281,035 during the first quarter of fiscal 2019 and the weighted average interest rate was 5.03%. In the first quarter of fiscal 2018, borrowed funds averaged $184,046 and the weighted average interest rate of debt was 3.88%.

OTHER (INCOME) EXPENSE, NET. Other (income) expense, net was $(1,486) and $436 for the first quarter of fiscal 2019 and 2018, respectively, a difference of $1,922. Other (income) expense, net, reflects gain on the sale of a building.

PROVISION / BENEFIT FOR INCOME TAXES. The benefit for income taxes in the first quarter of fiscal 2019 was $3,087 on income before taxes of $7,785 for an effective tax rate of 39.7%. The benefit for income taxes in the first quarter of fiscal 2018 was $3,058 on loss before taxes of $1,800 for an effective tax rate of (169.9)%. The effective tax rate for the three months ended January 31, 2019 and 2018 varied from statutory rate primarily due to the effect of foreign currency losses without tax benefit in 2019 and 2018 as well as the Tax Reform Act for 2018.

NET INCOME (LOSS). Net (loss) for the first quarter of fiscal 2019 was $(4,698), or $(0.20) per share, diluted compared to net income for the first quarter of fiscal 2018 of $4,858, or $0.21 per share, diluted.

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Liquidity and Capital Resources

General:

Our ability to obtain adequate cash to fund our needs depends on our results of operations and the availability of financing. We believe that cash on hand, cash flow from operations and available borrowings under our Credit Agreement will be sufficient to fund capital expenditures and meet our operating obligations for the next twelve months. However, there can be no assurance to meet these expectations. For additional information, refer to Risk Factors described in Item 1A, included in Part 1 of this report and Part 1, Item 1A of Shiloh's Annual Report on Form 10-K for t the fiscal year ended October 31, 2018.

Cash Flows and Working Capital:

At January 31, 2019, total debt was $239,394 and total equity was $197,940, resulting in a capitalization rate of 54.7% debt, 45.3% equity. Current assets were $287,175 and current liabilities were $219,939, resulting in positive working capital of $67,236.

The following table summarizes the Company's cash flows from operating, investing and financing activities:

	Three Months Ended January 31, 2019	2018	2019 vs. 2018 change
Net cash provided by operating activities	$6,361	$11,640	$(5,279)
Net cash used in investing activities	$(4,803)	$(9,885)	$5,082
Net cash provided by (used in) financing activities	$(6,901)	$1,250	$(8,151)

Net Cash Provided By Operating Activities:

	Three Months Ended January 31, 2019	2018
Operational cash flow before changes in operating assets and liabilities	$2,234	$12,514
Changes in operating assets and liabilities:		
Accounts receivable, net	40,283	32,313
Inventories, net	704	(671)
Prepaids and other assets	1,059	(6,044)
Payables and other liabilities	(34,138)	(23,522)
Accrued income taxes	(3,781)	(2,950)
Total change in operating assets and liabilities	$4,127	$(874)
Net cash provided by operating activities	$6,361	$11,640

Cash inflows and outflows from changes in operating assets and liabilities:

- Cash inflows from changes in operating assets and liabilities was $4,127 for the three months ended January 31, 2019 and cash outflows was $874 for the three months ended January 31, 2018 and was negatively impacted by product launches with increased costs until production production stabilizes.
- Cash inflows from changes in accounts receivable for the three months ended January 31, 2019 and 2018, were $40,283 and $32,313, respectively. The cash inflows were due to continuing efforts to collect receivables and sales volume changes.
-

Cash inflows from changes in inventory for the three months ended January 31, 2019 were $704 and cash outflows from changes in inventory were $671 for the three months ended January 31, 2018. The difference was primarily driven by a change in customer mix and delivery.

- Cash inflows from changes in prepaids and other assets for the three months ended January 31, 2019 were $1,059 and cash outflows from changes in prepaids and other assets for the three months ended January 31, 2018 were $6,044. The difference was primarily driven by the timing of invoicing customer-funded tooling.

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- Cash outflows from changes in payables and other liabilities for the three months ended January 31, 2019 were $34,138 and cash outflows from changes in payables and other liabilities for the three months ended January 31, 2018 were $23,522. The difference was primarily driven by the matching of terms with our customers and vendors, offset partially by the timing of payments related to capital expenditures and customer-funded tooling.
- Cash outflows from changes in accrued income taxes for the three months ended January 31, 2019 and 2018 were $3,781 and $2,950, respectively. The changes were primarily driven by payment of income taxes in foreign jurisdictions.

Net Cash Used In Investing Activities:

Net cash used in investing activities for the three months ended January 31, 2019 and 2018 were $4,803 and $9,885, respectively, and consisted of capital expenditures of $15,661. Additionally, for the three months ended January 31, 2019, proceeds from the sale of assets generated $10,858, primarily from the sale of the Pendergrass facility. The expenditures are attributed to projects for new awards and product launches.

Net Cash Provided By / Used In Financing Activities:

Net cash used in financing activities for the three months ended January 31, 2019 was $6,901 and net cash provided by financing activities for the three months ended January 31, 2018 was $1,250. Financing need is the result of changes in cash flows from operating activities and capital expenditures. As of January 31, 2019, the Company's long-term indebtedness was $238,581. Refer to "Item 1. – Financial Statements – Notes to Consolidated Financial Statements – Note 9 – Financing Arrangements" of this Quarterly Report on Form 10-Q for more information.

Long-term debt and short-term borrowings:

As of January 31, 2019, we were in compliance with our long-term financial debt covenants. Refer to "Item 1. – Financial Statements – Notes to Consolidated Financial Statements – Note 9 – Financing Arrangements" of this Quarterly Report on Form 10-Q for more information.

We continue to closely monitor the business conditions affecting the automotive industry. In addition, we closely monitor our working capital needs and believe that the combination of cash from operations, cash balances and available credit facilities will be sufficient to satisfy our cash needs for our current level of operations and our planned operations for the foreseeable future.

Contractual Obligations

Our contractual obligations have not changed materially from those disclosed in "Part II – Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations" of our 2018 Form 10-K.

Effect of Inflation, Deflation

Inflation generally affects us by increasing the interest expense of floating rate indebtedness and by increasing the cost of labor, equipment and raw materials. The level of inflation has not had a material effect on our condensed consolidated financial results for the past three years.
In periods of decreasing prices, deflation occurs and may also affect the our results of operations. With respect to steel purchases, we purchase steel through customers' steel buying programs which protects recovery of the cost of steel

through the selling price of our products. For non-steel buying programs, we align the cost of steel purchases with the related selling price of the product. For our aluminum and magnesium die casting business, the cost of the materials is adjusted frequently to align with secured purchase commitments based on customer releases or based on referenced metal index plus additional material cost spreads agreed to by us and our customers.

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Item 3. Qualitative and Quantitative Market Risk Discussion

Market risk is the potential loss arising from adverse changes in market rates and prices. We are exposed to market risk throughout the normal course of our business operations due to purchases of metals, sales of scrap steel, our ongoing investing and financing activities, and exposure to foreign currency exchange rates. As such, we have established policies and procedures to govern our management of market risks. There have been no material changes to market risk exposures related to changes in commodity pricing, interest rates or currency exchange rates from those discussed in Item 7A of our 2018 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including the Principal Executive Officer ("PEO"), Principal Financial Officer ("PFO") and Principal Accounting Officer ("PAO"), as appropriate to allow for timely decisions regarding required disclosure. An evaluation was performed under the supervision and with the participation of our management, including the PEO, PFO and PAO, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(b) or 15d-15(b), as amended as of January 31, 2019. Based on their evaluation, our PEO, PFO and PAO have determined that our disclosure controls and procedures were effective as of January 31, 2019.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended January 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 19, Commitments and Contingencies, in Item I of this report which is incorporated by reference herein.

Item 1A. Risk Factors

We are exposed to certain risks and uncertainties that could have a material adverse impact on our business, financial position and operating results. There have been no other material changes to the Risk Factors described in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2018.

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Item 6. Exhibits

Exhibit #	Exhibit Description	Incorporated By Reference Form	File Number	Date of First Filing	Exhibit Number	Filed Herewith
3.1	Certificate of Amendment of Restated Certificate of Incorporation of the Registrant, dated March 1, 2019.					X
3.2	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant, dated March 9, 2016 (incorporated herein by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q filed on June 8, 2016).	10-Q	000-21964	June 8, 2016	3.1	
3.3	Certificate of Designation, dated December 31, 2001 (incorporated herein by reference to Exhibit 3.1(ii) to the Registrant’s Annual Report on Form 10-K for the fiscal year ended October 31, 2001).	10-K	000-21964	February 13, 2002	3.1(ii)	
3.4	Restated Certificate of Incorporation of the Registrant, dated June 23, 1993 (incorporated herein by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q filed on June 8, 2016).	10-Q	000-21964	June 8, 2016	3.1	
3.5	Amended and Restated By-Laws of the Registrant, as amended through December 18, 2018 (incorporated herein by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on December 21, 2018).	8-K	000-21964	December 21, 2018	3.1	
10.1	Shiloh Industries, Inc.'s Change in Control Severance Plan (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on December 21, 2018).	8-K	000-21964	December 21, 2018	10.1	
10.2	Participation Agreement, dated December 17, 2018, by and between Lillian Etzkorn and Shiloh Industries, Inc. (incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on December 21, 2018).	8-K	000-21964	December 21, 2018	10.2	
31.1	Principal Executive Officer’s Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X

31.2	Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema Document	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHILOH INDUSTRIES, INC.

By: /s/ LILLIAN ETZKORN
Lillian Etzkorn
Senior Vice President and Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)
Date: March 12, 2019