

Manitex International, Inc.
Form 10-Q
April 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

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: 001-32401

MANITEX INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan

(State or Other Jurisdiction of

Incorporation or Organization)

9725 Industrial Drive, Bridgeview, Illinois
(Address of Principal Executive Offices)

42-1628978

(I.R.S.
Employer

Identification
Number)

60455
(Zip Code)

(708) 430-7500

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(Registrant's Telephone Number, Including Area Code)

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting 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

Non-accelerated filer

Smaller reporting company

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

The number of shares of the registrant's common stock, no par, outstanding at February 10, 2018 was 16,662,386

MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

GENERAL

This Quarterly Report on Form 10-Q filed by Manitex International, Inc. speaks as of September 30, 2017 unless specifically noted otherwise. Unless otherwise indicated, Manitex International, Inc., together with its consolidated subsidiaries, is hereinafter referred to as “Manitex,” the “Registrant,” “us,” “we,” “our” or the “Company.”

Forward-Looking Information

Certain information in this Quarter Report includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995). These statements relate to, among other things, the Company’s expectations, beliefs, intentions, future strategies, future events or future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, performance or achievements express or implied by such forward-looking statements. In addition, when included in this Quarterly Report or in documents incorporated herein by reference the words “may,” “expects,” “should,” “intends,” “anticipates,” “believes,” “plans,” “projects,” “estimates” and the negatives thereof or analogous or similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statement is not forward-looking. We have based these forward-looking statements on current expectations and projections about future events. These statements are not guarantees of future performance. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties, many of which are beyond our control, include, without limitation, those described below and in our 2016 Annual Report on Form 10-K/A for the fiscal year ended December 31, 2016, in the section entitled “Item 1A. Risk Factors”:

- a future substantial deterioration in economic conditions, especially in the United States and Europe;
- government spending, fluctuations in the construction industry, and capital expenditures in the oil and gas industry;
- our level of indebtedness and our ability to meet financial covenants required by our debt agreements;
- our ability to negotiate extensions of our credit agreements and to obtain additional debt or equity financing when needed;
- the cyclical nature of the markets we operate in;
- the impact that the restatement of our previously issued financial statements could have on our business reputation and relations with our customers and suppliers;
- increase in interest rates;
- our increasingly international operations expose us to additional risks and challenges associated with conducting business internationally;
- our customers’ diminished liquidity and credit availability;
- the performance of our competitors;
- shortages in supplies and raw materials or the increase in costs of materials;
- potential losses under residual value guarantees;

product liability claims, intellectual property claims, and other liabilities;
the volatility of our stock price;
future sales of our common stock;
the willingness of our stockholders and directors to approve mergers, acquisitions, and other business transactions;
currency transaction (foreign exchange) risks and the risk related to forward currency contracts;
compliance with changing laws and regulations;
a substantial portion of our revenues are attributed to limited number of customers which may decrease or cease purchasing any time;

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Impairment in the carrying value of goodwill could negatively affect our operating results;
Difficulties in implementing new systems, integrating acquired businesses, managing anticipated growth, and responding to technological change;
A disruption or breach in our information technology systems;
Certain provisions of the Michigan Business Corporation Act and the Company's Articles of Incorporation, as amended, Amended and Restated Bylaws, and the Company's Preferred Stock Purchase Rights may discourage or prevent a change in control of the Company;
Potential negative effect related to the SEC inquiry into our Company;
Potential risk of being delisted if we are unable to file our Annual Report and Quarterly Reports in a timely manner;
and
Other factors.

The risks described in our Annual Report on Form 10-K/A, for the fiscal year ended December 31, 2016, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. We do not undertake, and expressly disclaim, any obligation to update this forward-looking information, except as required under applicable law.

MANITEX INTERNATIONAL, INC.

FORM 10-Q INDEX

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EXPLANATORY NOTE

The corrections contained in these financial statements restated for the prior comparative period, which we refer to herein as the “Restatement,” were prepared following an independent review by the Audit Committee (the “Audit Committee”) of the Company’s Board of Directors into certain accounting matters, which is further described herein.

The Company’s Current Report on Form 8-K filed on November 6, 2017, in 2016 the Company sold 39 cranes for total sales revenues of approximately \$15 million to a single broker customer in a series of transactions (the “Transactions”) that were each structured as a customary “bill and hold” arrangement. The revenue for the Transactions was originally recognized in 2016. Ten of these units that were sold for an aggregate value of approximately \$3 million were returned during 2016 (and were subsequently sold to other customers), such that for 2016, a net of 29 cranes were sold for approximately \$12 million. In addition, the Company made various payments to the broker and its wholly-owned subsidiary that were expensed in 2016 and 2017. Furthermore, the debt taken on by the broker customer to purchase the cranes was effectively guaranteed by the Company pursuant to certain related agreements. In connection with its review of its financial results for the quarter ended September 30, 2017, the Company became aware that the prior accounting treatment for the Transactions was not correct. Specifically, the Company has concluded that the relationship with the Broker and its wholly-owned subsidiary qualified as a Variable Interest Entity (“VIE”) and should therefore have resulted in a different accounting treatment resulting in the debt of the VIE being reflected in the Company’s consolidated balance sheet. The Company has concluded that the revenue recognition criteria for 2016 sales were not met and payments to the Broker were not expenses of the Company. In addition, disclosures were incomplete.

In connection with the foregoing matters, on November 2, 2017, the Audit Committee of the Board of Directors of the Company, in consultation with the Company’s management and UHY LLP, the Company’s independent registered public accounting firm, determined that the Company’s previously issued financial statements for the quarters ended March 31, June 30 and September 30, 2016, year ended December 31, 2016 and quarters ended March 31 and June 30, 2017 included in the Company’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q for such periods and together with all three, six and nine-month financial information contained therein (collectively, the “Non-Reliance Periods”) can no longer be relied upon.

Description of the Restatement related to SVW

When the earlier “Explanatory Note” refers to a broker and its wholly-owned subsidiary, the reference is to SVW Crane & Equipment Company and its wholly owned subsidiary Rental Consulting Service Company (collectively “SVW”)

The following describes the impact of corrections that affect the three and nine months ended September 30, 2016. Information concerning 2016 impact is discussed in the Company’s amended 10-K/A for the year ended December 31, 2016.

Effect of Recording SVW Debt

As disclosed in Note 11, SVW has five notes outstanding with four financial institutions, each of which was effectively guaranteed by the Company. At September 30, 2017 the value of these notes totaled \$6.3 million, net of debt issuance costs of \$.2 million. Given SVW's treatment as a VIE, and the fact that the Company effectively guaranteed it, this debt has been consolidated into the restated financial statement.

Effect of Recording Sales to Third Party

Recognizing sales when SVW related inventory was sold to third parties.

Effect of Recording Crane Rentals

Income on the rental of SVW related inventory to third parties has been recorded as revenues for the corresponding.

Effect of Treating Funds Sent to SVW's Wholly-Owned Subsidiary as Advances

During the three and nine months ended September 30, 2017 there were no payments that the Company had originally classified as expenses paid to SVW's wholly-owned subsidiary. Given SVW's treatment as a VIE prior payments have been reclassified as intercompany advances.

Recording of Payments Made by SVW to Lenders

The balance sheet table in Note 2, Restatement of Previously Issued Financial Statements, shows the impact of payments made in connection with the aforementioned SVW debt.

Cumulative Income Tax Effect

This includes the impact on the income taxes for the three and nine months ended September 30, 2017 related to the discontinued operations and SVW restatements discussed above.

Description of the Restatement not related to SVW

Other

The Company disclosed a partial residual value guarantee to support a customer's financing of equipment purchased from the Company that was previously not disclosed (see Note 15). A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date if certain conditions are met by the customer. The Company has issued partially residual guarantees that have maximum exposure of approximately \$1.6 million. The Company, however, does not have any reason to believe that any exposure from such a guarantee is either probable or estimable at this time, as such, no liability has been recorded. The Company's ability to recover losses from its guarantees may be affected by economic conditions in used equipment markets at the time of loss.

This also includes minor rounding and reclassification adjustments not included in previous categories.

Effect of Reclassifying ASV to Discontinued Operations

For the three and nine months ended September 30, 2016, the Company owned a 51% interest in ASV Holdings, Ins., which was formerly known as A.S.V., LLC ("ASV Holdings"). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company's 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection within its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. The Company held a 21.2% interest in ASV Holdings, but no longer has a controlling interest in ASV holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting

with quarter ended June 30, 2017. Since this 10-Q/A is being filed after the above described events, prior period financial statements included in this 10-Q/A have been restated to reflect ASV Holdings as a discontinued operation.

Additional entries not related to SVW

Adjustments were made to reverse a sale transaction, adjust a deferred gain, increase an inventory reserve and to record additional rent expense and other corrections and reclassification. These adjustments were identified in prior periods but were immaterial for recording at that time. As the Company has identified the restatement adjustments for recording in prior periods, management made the determination that it would also record these previously passed adjustments as part of the restatement of the financial statements.

See Note 2 to the consolidated financial statements which details the impact of the restatement on the Consolidated Statement of Operations for the three and nine months ended September 30, 2016, and Consolidated Statement of Cash Flow for the nine months ended September 30, 2016.

Internal Control and Disclosure Controls Considerations

Our Chief Executive Officer has determined that there were deficiencies in our internal control over financial reporting that constitute material weaknesses, as defined by SEC regulations, at September 30, 2017, with respect to procedures for:

1. We did not maintain an adequate process for the intake of new contracts, customers and vendors, particularly for contracts involving unique transaction structures or unusual obligations on the part of the Company, to ensure that all contracts are appropriately reviewed and approved, and the associated financial reporting requirements associated with such contracts and transactions structures are properly identified and complied with in accordance with Generally Accepted Accounting Principles.

2. We did not maintain adequate entity-level controls with respect to ensuring adequate supporting documentation of journal entries and proper review and approval of journal entries and disbursements that were unusual in nature and of significant amounts.

3. We did not maintain an adequate review process with respect to the accounting of bill-and-hold transactions and ensure proper revenue recognition.

4. We did not maintain a formal and consistent policy for establishing inventory reserves for excess and obsolete inventory.

5. We did not maintain an adequate communication policy with respect to compliance with the Company's Code of Ethics

and availability of the Company's whistleblower hotline to report compliance issues

Accordingly, our Chief Executive Officer has concluded that our internal control over financial reporting and disclosure controls and procedures, as defined by SEC regulations, were not effective at September 30, 2017, as discussed in Part I, Item 4 of this Form 10-Q.

PART 1—FINANCIAL INFORMATION

Item 1—Financial Statements

MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30,	As Restated December 31,
	2017	2016
	Unaudited	
ASSETS		
Current assets		
Cash	\$ 2,968	\$ 4,541
Cash - restricted	352	773
Trade receivables (net)	44,800	32,982
Other receivables	2,508	1,082
Inventory (net)	63,422	69,487
Prepaid expense and other	4,322	4,624
Current assets of discontinued operations	—	46,645
Total current assets	118,372	160,134
Total fixed assets (net)	22,287	21,839
Intangible assets (net)	31,247	30,985
Goodwill	43,014	39,669
Equity investment in ASV Holdings, Inc.	14,844	—
Other long-term assets	1,548	1,605
Deferred tax asset	545	545
Long-term assets of discontinued operations	—	72,177
Total assets	\$ 231,857	\$ 326,954
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable	\$ 31,967	\$ 26,204
Current portion of capital lease obligations	362	338
Accounts payable	36,455	33,801
Accounts payable related parties	1,569	2,098
Accrued expenses	10,372	10,278
Other current liabilities	2,635	2,150
Current liabilities of discontinued operations	—	23,631
Total current liabilities	83,360	98,500
Long-term liabilities		
Revolving term credit facilities	12,575	19,957
Notes payable (net)	29,724	32,832
Capital lease obligations, (net of current portion)	5,589	6,004
Convertible note related party (net)	6,968	6,862
Convertible note (net)	14,257	14,098

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Deferred gain on sale of property	1,001	1,058
Deferred tax liability	3,559	3,242
Other long-term liabilities	3,737	4,127
Long-term liabilities of discontinued operations	—	42,645
Total long-term liabilities	77,410	130,825
Total liabilities	160,770	229,325
Commitments and contingencies		
Equity		
Preferred Stock—Authorized 150,000 shares, no shares issued or outstanding at		
September 30, 2017 and December 31, 2016	—	—
Common Stock—no par value 25,000,000 shares authorized, 16,585,062 and 16,200,294 shares issued and		
outstanding at September 30, 2017 and December 31, 2016, respectively	97,468	94,324
Paid in capital	2,743	2,918
Retained deficit	(27,761)	(20,505)
Accumulated other comprehensive loss	(1,363)	(4,272)
Equity attributable to shareholders of Manitex International, Inc.	71,087	72,465
Equity attributable to noncontrolling interests	—	25,164
Total equity	71,087	97,629
Total liabilities and equity	\$ 231,857	\$ 326,954

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except for share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017 Unaudited	As Restated 2016 Unaudited	2017 Unaudited	As Restated 2016 Unaudited
Net revenues	\$56,464	\$39,131	\$148,634	\$132,106
Cost of sales	46,591	32,589	121,965	108,658
Gross profit	9,873	6,542	26,669	23,448
Operating expenses				
Research and development costs	619	725	1,902	2,203
Selling, general and administrative expenses	8,282	8,985	25,797	27,473
Total operating expenses	8,901	9,710	27,699	29,676
Operating income (loss)	972	(3,168)	(1,030)	(6,228)
Other income (expense)				
Interest expense:				
Interest expense	(1,716)	(1,384)	(4,498)	(4,658)
Interest expense related to write off of debt issuance costs	—	—	—	(1,439)
Foreign currency transaction loss	(799)	(82)	(1,138)	(991)
Other income	18	281	361	883
Total other expense	(2,497)	(1,185)	(5,275)	(6,205)
Income (loss) before income taxes and income (loss) in equity interest				
from continuing operations	(1,525)	(4,353)	(6,305)	(12,433)
Income tax expense (benefit) from continuing operations	281	(691)	416	(958)
Income (loss) from equity investments, net of taxes	284	(5,673)	284	(5,752)
Net loss from continuing operations	(1,522)	(9,335)	(6,437)	(17,227)
Discontinued operations				
Loss from operations of discontinued operations (including loss on disposal for the nine months 2017 of \$1,133 and losses on disposal of \$9,502 and \$7,290 for the three and nine months 2016, respectively)	—	(9,608)	(573)	(4,745)
Income tax expense (benefit)	(15)	4,145	(28)	1,259
Loss from discontinued operations	15	(13,753)	(545)	(6,004)
Net loss	(1,507)	(23,088)	(6,982)	(23,231)
Net (income) attributable to noncontrolling interest from discontinued	—	(294)	(274)	(566)

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operations				
Net loss attributable to shareholders of				
Manitex International, Inc.	\$ (1,507)	\$ (23,382)	\$ (7,256)	\$ (23,797)
Earnings (loss) Per Share				
Basic				
Earnings (loss) from continuing operations attributable to				
shareholders of Manitex International, Inc.	\$ (0.09)	\$ (0.58)	\$ (0.39)	\$ (1.07)
Loss from discontinued operations attributable to				
shareholders of Manitex International, Inc.	\$ 0.00	\$ (0.87)	\$ (0.05)	\$ (0.41)
Net earnings (loss) attributable to shareholders of				
Manitex International, Inc.	\$ (0.09)	\$ (1.45)	\$ (0.44)	\$ (1.48)
Diluted				
Earnings (loss) from continuing operations attributable to				
shareholders of Manitex International, Inc.	\$ (0.09)	\$ (0.58)	\$ (0.39)	\$ (1.07)
Loss from discontinued operations attributable to				
shareholders of Manitex International, Inc.	\$ 0.00	\$ (0.87)	\$ (0.05)	\$ (0.41)
Net earnings (loss) attributable to shareholders of				
Manitex International, Inc.	\$ (0.09)	\$ (1.45)	\$ (0.44)	\$ (1.48)
Weighted average common shares outstanding				
Basic	16,573,927	16,127,346	16,532,683	16,119,578
Diluted	16,573,927	16,127,346	16,532,683	16,119,578

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	As	As	As	As
	Restated	Restated	Restated	Restated
	2017	2016	2017	2016
	Unaudited	Unaudited	Unaudited	Unaudited
Net loss:	\$(1,507)	\$(23,088)	\$(6,982)	\$(23,231)
Other comprehensive income (loss)				
Foreign currency translation adjustments	795	1,481	2,909	2,569
Total other comprehensive income	795	1,481	2,909	2,569
Comprehensive loss	(712)	(21,607)	(4,073)	(20,662)
Comprehensive (income) attributed to noncontrolling interest	—	(294)	(274)	(566)
Total comprehensive loss attributable to shareholders of				
Manitex International, Inc.	\$(712)	\$(21,901)	\$(4,347)	\$(21,228)

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended	
	September 30,	
	As	
	Restated	
	2017	2016
	Unaudited	Unaudited
Cash flows from operating activities:		
Net loss	\$(6,982)	\$(23,231)
Adjustments to reconcile net loss to cash used for operating activities:	.	
Depreciation and amortization	3,908	5,311
Loss on sale of discontinued operations	1,133	7,290
Changes in allowances for doubtful accounts	41	2
Changes in inventory reserves	(449)	570
Revaluation of contingent acquisition liability	(346)	(915)
Write down of goodwill	—	275
Deferred income taxes	(10)	(190)
Amortization and write off of deferred debt issuance costs	402	1,903
Amortization of debt discount	388	404
Change in value of interest rate swaps	(421)	(778)
(Earnings) loss from equity investments	(284)	5,752
Share-based compensation	517	900
Adjustment to deferred gain on sales and lease back	—	(141)
Loss (gain) on disposal of assets	160	(13)
Reserves for uncertain tax provisions	54	32
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(10,401)	(1,189)
(Increase) decrease in inventory	9,323	(7,483)
(Increase) decrease in prepaid expenses	356	979
(Increase) decrease in other assets	66	194
Increase (decrease) in accounts payable	(845)	(5,511)
Increase (decrease) in accrued expense	(642)	(2,711)
Increase (decrease) in other current liabilities	247	(365)
Increase (decrease) in other long-term liabilities	(382)	(250)
Discontinued operations - cash provided by (used for) operating activities	3,665	(6,898)
Net cash used for operating activities	(502)	(26,063)
Cash flows from investing activities:		
Proceeds from the sale of discontinued operations (Note 18)	12,892	14,000
Proceeds from the sale of fixed assets	15	187
Purchase of property and equipment	(761)	(946)
Investment in intangibles other than goodwill	(64)	(103)

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Discontinued operations - cash (used for) provided by investing activities	(84)	1,688
Net cash provided by investing activities	11,998	14,826
Cash flows from financing activities:		
Payments on revolving term credit facilities	(7,382)	(13,687)
Net borrowings on working capital facilities	4,198	7,181
New borrowings—other	754	12,961
Debt issuance costs incurred	(50)	(1,206)
Note payments	(8,451)	(5,269)
Shares repurchased for income tax withholding on share-based compensation	(128)	(55)
Proceeds from stock offering	2,426	—
Proceeds from sale and lease back	896	4,080
Payments on capital lease obligations	(793)	(417)
Discontinued operations - cash (used for) provided by financing activities	(5,058)	4,422
Net cash used for financing activities	(13,588)	8,010
Net decrease in cash and cash equivalents	(2,092)	(3,227)
Effect of exchange rate changes on cash	98	1,359
Cash and cash equivalents at the beginning of the year	5,314	5,918
Cash and cash equivalents at end of period	\$3,320	\$4,050

See Note 1 for supplemental cash flow disclosures

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(In thousands, except share and per share data)

1. Nature of Operations and Basis of Presentation

The Condensed Consolidated Balance Sheet at September 30, 2017 and the related Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2017 and 2016 (as restated) and Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2017 and 2016 (as restated) have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial condition, results of operations and cash flows of the Company for the interim periods. Interim results may not be indicative of results to be realized for the entire year. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2016. The Condensed Consolidated Balance Sheet as of December 31, 2016 (as restated) was derived from our audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP"). Certain amounts for prior periods have been reclassified to conform to the current period financial statement presentation. All references in this report to financial results of periods ending prior to the third quarter of 2017 reflect such results as restated pursuant to the previously announced restatement of such periods.

The Company is a leading provider of engineered lifting solutions and operates as a single business segment. Operating activities are conducted through the following wholly-owned subsidiaries: Manitex, Inc. ("Manitex"), Badger Equipment Company ("Badger"), PM Group S.p.A. and Subsidiaries ("PM Group"), Manitex Valla S.r.l. ("Valla"), Sabre Manufacturing, LLC ("Sabre"), Crane and Machinery, Inc. ("C&M"), and Crane and Machinery Leasing, Inc. ("C&M Leasing").

The condensed consolidated financial statements include the accounts of Manitex International, Inc. and subsidiaries in which it has a greater than 50% voting interest (collectively, the "Company"). All significant intercompany accounts, profits and transactions have been eliminated in consolidation.

Consolidated Variable Interest Entity

Even though it has no ownership interest in SVW Crane & Equipment Company (together with its wholly owned subsidiary, Rental Consulting Service Company, "SVW"), the Company has the power to direct the activities that most significantly impact SVW's economic performance. Additionally, the Company was the primary beneficiary of the SVW relationship. SVW obtained third party financing, which was effectively guaranteed by the Company, on specific cranes the Company manufactured and remitted the loan proceeds to the Company. Other than its business

transactions described herein, SVW had no other substantial business operations. The Company has determined that SVW is a Variable Interest Entity (“VIE”) that under current accounting guidance needs to consolidate in the Company’s financial results.

Non-Cash Transactions

Non-cash transactions for the periods ended September 30, 2017 and 2016 are as follows:

	Nine Months Ended	
	September 30,	
	As	Restated
	2017	2016
Non cash transactions		
Issuance of common stock in connection with Terex		
note repayment	\$ —	\$ 150
Equipment held for sale financed on a capital lease	896	—
Stock issued to purchase Winona facility	154	—

Discontinued Operations

ASV Segment

ASV is located in Grand Rapids, Minnesota and manufactures a line of high quality compact track and skid steer loaders. The products are used in site clearing, general construction, forestry, golf course maintenance and landscaping industries, with general construction being the largest.

Prior to the quarter ended June 30, 2017, the Company owned a 51% interest in ASV Holdings, Inc., which was formerly known as A.S.V., LLC (“ASV Holdings”). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company’s 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection with its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. As of September 30, 2017, the Company held a 21.2% interest in ASV Holdings, but no longer had a controlling interest in ASV Holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting with quarter ended June 30, 2017. Periods ending before June 30, 2017 reflect ASV as discontinued operation. Subsequent to September 30, 2017, the Company sold additional shares of ASV. See Note 18 for additional discussion related to the accounting treatment of the investment in ASV after the sale of the additional shares.

Sales of Subsidiaries

During the year ended December 31, 2016, the Company sold two of its wholly owned subsidiaries: CVS Ferrari, S.r.L (“CVS”) and Manitex Liftking ULC (“Manitex Liftking” or “Liftking”). CVS was sold on December 22, 2016 and Liftking was sold on September 30, 2016, and each are presented as a discontinued operation.

Change in Reporting Segments

Prior to the quarter ended June 30, 2017, the Company reported its operations in three segments: the Lifting Equipment segment, the ASV segment and the Equipment Distribution segment. Since 2015, the Company has sought to redefine itself strategically and operationally, including through a series of divestitures. The most recent such divestiture occurred in May 2017, with the sale of a portion of the Company’s investment in ASV Holdings. As a result of this sale, the Company has deconsolidated ASV Holdings from its financial reporting, and ASV Holdings is no longer a reporting segment.

The previously reported Equipment Distribution operations was comprised of C&M and C&M Leasing. C&M was acquired by the Company in 2008 and at that time operated primarily as a distributor of Terex Corporation (“Terex”) rough terrain and truck cranes. Subsequent to 2008, C&M added a used equipment business, which involved buying both lifting and non-lifting construction equipment and then refurbishing and remarketing that equipment. Recently, the C&M operations evolved and the used equipment sales operations were discontinued.

C&M remains a distributor of Terex rough terrain and truck cranes; however C&M’s primary business is the distribution of products manufactured by the Company. C&M Leasing’s primary business is the facilitation of sales of products manufactured by the Company through its rent to own program. As C&M and C&M Leasing’s primary business is the facilitation of Company manufactured product sales, discrete financial information is not available. Further, the Company’s Chief Operating Decision Maker (“CODM”) reviews C&M and C&M Leasing operations only to determine their impact on the entire Company. As such, the operations of C&M and C&M Leasing no longer constitute a separate reporting segment.

2. Restatement of Previously issued financial statements

The Company has restated its quarterly Consolidated Statements of Operations, Statement of Comprehensive Income (Loss) and the Statements of Cash Flows for the three and nine months ended September 30, 2016. In addition, the Company has restated the Balance Sheets for the periods ended December 31, 2016. See the Company's restated 10-K/A for the restated balance sheet as of December 31, 2016.

Background

As previously described in the Company's Current Report on Form 8-K filed on November 6, 2017, in 2016 the Company sold 39 cranes for total sales revenues of approximately \$15 million to a single broker customer in a series of transactions (the "Transactions") that were each structured as a customary "bill and hold" arrangement. The revenue for the Transactions was originally recognized in 2016. Ten of these units that were sold for an aggregate value of approximately \$3 million were returned during 2016 (and were subsequently sold to other customers), such that for 2016, a net of 29 cranes were sold for approximately \$12 million. In addition, the Company made various payments that were expensed in 2016 and 2017 to the broker and its wholly-owned subsidiary. Furthermore, the debt taken on by the Broker customer to purchase the cranes was affectively guaranteed by the Company pursuant to certain related agreements. In connection with its review of its financial results for the quarter ended September 30, 2017, the Company became aware that the prior accounting treatment for the Transactions was not correct. Specifically, the Company has concluded that the relationship with the Broker and its wholly-owned subsidiary qualified as a Variable Interest Entity ("VIE") and should therefore have resulted in a different accounting treatment. The Company has concluded that the revenue recognition criteria for 2016 sales were not met and payments to the Broker were not expenses of the Company. In addition, disclosures were incomplete.

Description of the Restatement related to SVW

The following describes the impact of corrections that affect the three and nine months ended September 30, 2016. Information concerning 2016 impact is discussed in the Company's amended 10-K/A for the year ended December 31, 2016.

Effect of Recording Sales to Third Party

Recognizing sales when SVW related inventory was sold to third parties.

(Statement of Operations – Column C)

Effect of Recording Crane Rentals

Income on the rental of SVW related inventory to third parties has been recorded as revenues for the corresponding.

(Statement of Operations – Column C)

Effect of Treating Funds Sent to SVW's Wholly-Owned Subsidiary as Advances

During the three and nine months ended September 30, 2016 there were no payments that the Company had originally classified as expenses paid to SVW's wholly-owned subsidiary. Given SVW's treatment as a VIE these payments have been reclassified as intercompany advances. (Statement of Operations – Column D)

Recording of Payments Made by SVW to Lenders

This includes the impact of payments made in connection with the aforementioned SVW debt. (Statement of Operations – Column E)

Cumulative Income Tax Effect

This includes the impact on the income taxes for the quarter and nine months ended September 30, 2016 related to the discontinued operations and SVW restatements discussed above. (Statement of Operations – Column F)

Description of the Restatement not related to SVW

Other

The Company disclosed a partial residual value guarantee to support a customer's financing of equipment purchased from the Company that was previously not disclosed (see Note 15). A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date if certain conditions are met by the customer. The Company has issued partially residual guarantees that have maximum exposure of approximately \$1.6 million. The Company, however, does not have any reason to believe that any exposure from such a guarantee is either probable or estimable at this time, as such no liability has been recorded. The Company's ability to recover any losses that may occur related its guarantees may be affected by economic conditions in used equipment markets at the time of loss.

This includes minor rounding and reclassification adjustments not included in previous categories.

(Statement of Operations – Column G)

Effect of Reclassifying ASV to Discontinued Operations

For the three and nine months ended September 30, 2016, the Company owned a 51% interest in ASV Holdings, Ins., which was formerly known as A.S.V., LLC ("ASV Holdings"). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company's 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection within its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. The Company held a 21.2% interest in ASV Holdings, but no longer has a controlling interest in ASV holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting with quarter ended June 30, 2017. Since this 10-Q/A is being filed after the above described events, prior period financial statements included in this 10-Q/A have been restated to reflect ASV Holdings as a discontinued operation. (Statement of Operations - Column B)

Additional entries not related to SVW

Adjustments were made to: reverse a sale transaction, adjust a deferred gain, increase an inventory reserve and to record additional rent expense and other corrections and reclassifications not related to SVW. These adjustments were identified in prior periods but were immaterial for recording at that time. As the Company has identified the restatement adjustments for recording in prior periods, management made the determination that it would also record these previously passed adjustments as part of the restatement of the financial statements. (Statement of Operations – Column G, Statement of Cash Flows – Column K)

See the Company's Amended Annual Report for the year ended December 31, 2016 for the table that shows the impact that the restatement had on the Company's Balance Sheet for the year ended December 31, 2016.

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The following tables reflect adjustments (restatements) to correct errors identified in connection with the Company's review of its financial results for the quarters ended September 30, 2016.

Consolidated Statement of Operations For the three months ended September 30, 2016 (in thousands, except for share data) (unaudited)								
A	B	C	D	E	F	G	H	
As	Effect of							
Previously	Reclassifying							
Reported on	Entities	Reversal of	Effect of	Recording	Guarantees			
Form 10-Q	Discontinued	Sales to	Funds Set	Made by	USVW	Tax		
Form 10-Q	Operations	SVSW as	Advanced	Effect	Other	As Restated		
Net revenues	\$74,131	\$(34,506)	\$(495)	\$ —	\$ —	\$ —	\$1	\$39,131
Cost of sales	62,476	(29,512)	(142)	—	—	—	(233)	32,589
Gross profit	11,655	(4,994)	(353)	—	—	—	234	6,542
Operating expenses								—
Research and development costs	1,238	(513)	—	—	—	—		725
Selling, general and administrative expenses	11,378	(2,403)	—	—	—	—	10	8,985
Total operating expenses	12,616	(2,916)	—	—	—	—	10	9,710
Operating (loss) income	(961)	(2,078)	(353)	—	—	—	224	(3,168)
Other income (expense)								
Interest income (expense)	(2,667)	1,399	—	—	(116)	—	—	(1,384)
Interest expense related to write off of debt								
issuance costs	—	—	—	—	—	—	—	—
Foreign currency transaction loss	(103)	22	—	—	—	—	(1)	(82)
Other income	2	278	—	—	—	—	1	281
Total other income (expense)	(2,768)	1,699	—	—	(116)	—	—	(1,185)
(Loss) income before income taxes and loss in non- marketable equity interest from continuing operations	(3,729)	(379)	(353)	—	(116)	—	224	(4,353)
Income tax (benefit) expense from continuing	(3,813)	543	—	—	—	2,579	—	(691)

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operations								
Loss in non-marketable equity interest, net of taxes	(5,673)	—	—	—	—	—	—	(5,673)
Net (loss) income from								
continuing operations	(5,589)	(922)	(353)	—	(116)	(2,579)	224	(9,335)
Discontinued operations:								
Income (loss) from operations of								
discontinued operations	(9,987)	379	—	—	—	—	—	(9,608)
Income tax expense	4,688	(543)	—	—	—	—	—	4,145
(Loss) income on discontinued operations	(14,675)	922	—	—	—	—	—	(13,753)
Net (loss) income	(20,264)	—	(353)	—	(116)	(2,579)	224	(23,088)
Net loss (income) attributable to noncontrolling interest	(294)	—	—	—	—	—	—	(294)
Net (loss) income attributable to								
shareholders of Manitex International, Inc.	\$(20,558)	\$—	\$(353)	\$—	\$(116)	\$(2,579)	\$224	\$(23,382)
Earnings (loss) Per Share								
Basic								
(Loss) earnings from continuing operations attributable to								
shareholders of Manitex International, Inc.	\$(0.36)							\$(0.58)
Loss from discontinued operations attributable to shareholders of								
Manitex International, Inc.	\$(0.91)							\$(0.87)
(Loss) earnings attributable to								
shareholders of Manitex International, Inc.	\$(1.27)							\$(1.45)

Diluted		—
(Loss) earnings from continuing operations attributable to shareholders of Manitex International, Inc.	\$(0.36)	\$(0.58)
Loss from discontinued operations attributable to shareholders of Manitex International, Inc.	\$(0.91)	\$(0.87)
(Loss) earnings attributable to shareholders of Manitex International, Inc.	\$(1.27)	\$(1.45)
Weighted average common shares outstanding		
Basic	16,127,346	16,127,346
Diluted	16,127,346	16,127,346

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Consolidated Statement of Operations
For the nine months ended September
30, 2016

(in thousands, except for share data)
(unaudited)

	A	B	C	D	E	F	G	H
	As	Effect of Reclassifying		Effect of	Recording	Payments		
	Previously	Entities into		Treating	SVW	as	SVW	
	Reported on	Discontinued	Reversal of	Funds Sent	Made by	SVW	Tax	
	Form 10-Q	Operations	Sales to SVW	SVW as	Advances	Effect	Other	As Restated
Net revenues	\$272,769	\$ (127,541)	\$ (13,123)	\$ —	\$ —	\$ —	\$ 1	\$ 132,106
Cost of sales	225,824	(106,796)	(10,388)	—	—	—	18	108,658
Gross profit	46,945	(20,745)	(2,735)	—	—	—	(17)	23,448
Operating expenses								
Research and development costs	4,091	(1,888)	—	—	—	—	—	2,203
Selling, general and administrative expenses	38,574	(11,111)	—	—	—	—	10	27,473
Total operating expenses	42,665	(12,999)	—	—	—	—	10	29,676
Operating (loss) income	4,280	(7,746)	(2,735)	—	—	—	(27)	(6,228)
Other income (expense)								
Interest income (expense)	(9,407)	4,865	—	—	(116)	—	—	(4,658)
Interest expense related to write off of								
debt issuance costs	(1,439)	—	—	—	—	—	—	(1,439)
Foreign currency transaction loss	(580)	(410)	—	—	—	—	(1)	(991)
Other income (loss)	2,834	(1,952)	—	—	—	—	1	883
Total other income (expense)	(8,592)	2,503	—	—	(116)	—	—	(6,205)
(Loss) income before income taxes and loss								
in non-marketable equity interest from								
continuing operations	(4,312)	(5,243)	(2,735)	—	(116)	—	(27)	(12,433)
Income tax (benefit) expense from								
continuing operations	(4,421)	3,428	—	—	—	34	1	(958)
Loss in non-marketable equity interest, net of taxes	(5,752)	—	—	—	—	—	—	(5,752)
Net (loss) income from	(5,643)	(8,671)	(2,735)	—	(116)	(34)	(28)	(17,227)

continuing operations									
Discontinued operations:									
Income (loss) from operations of									
discontinued operations	(9,987)	5,242	—	—	—	—	—	(4,745)	
Income tax expense	4,688	(3,429)	—	—	—	—	—	1,259	
(Loss) income on discontinued operations	(14,675)	8,671	—	—	—	—	—	(6,004)	
Net (loss) income	(20,318)	—	(2,735)	—	(116)	(34)	(28)	(23,231)	
Net loss (income) attributable to									
noncontrolling interest	(566)	—	—	—	—	—	—	(566)	
Net (loss) income attributable to									
shareholders of Manitex International, Inc.	\$(20,884)	\$—	\$(2,735)	\$—	\$(116)	\$(34)	\$(28)	\$(23,797)	
Earnings (loss) Per Share Basic									
(Loss) earnings from continuing operations attributable to									
shareholders of Manitex International, Inc.	\$(0.38)							\$(1.07)	
Loss from discontinued operations attributable to shareholders of Manitex International, Inc.	\$(0.91)							\$(0.41)	
(Loss) earnings attributable to shareholders of Manitex International, Inc.	\$(1.29)							\$(1.48)	

Diluted		—
(Loss) earnings from continuing operations attributable to shareholders of Manitex International, Inc.	\$(0.38)	\$(1.07)
Loss from discontinued operations attributable to shareholders of Manitex International, Inc.	\$(0.91)	\$(0.41)
(Loss) earnings attributable to shareholders of Manitex International, Inc.	\$(1.29)	\$(1.48)
Weighted average common shares outstanding		
Basic	16,119,578	16,119,578
Diluted	16,119,578	16,119,578

Consolidated Statement of Cash
Flows
For the nine months ended
September 30, 2016
(in thousands)

	I	J	K	L	(unaudited) M
				Other	
				Corrections	
				and	
	As	Impact of		Reclasifications	
	Previously	SVW		Including	
	Reported on	Related	Income	Discontinued	As
	Form 10-Q	Corrections	Tax	Operations	Restated
	(1)		Impac		
Cash flows from operating activities:					
Net (loss) income	(20,318)	(2,851)	(35)	(27)	(23,231)
Adjustments to reconcile net income to cash (used) provide by for operating activities:					—
Depreciation and amortization	8,886	—	—	(3,575)	5,311
Loss (gain) on sale of discontinued operations	9,050	—	—	(1,760)	7,290
Changes in allowances for doubtful accounts	117	—	—	(115)	2
Loss (gain) on disposal of assets	(2,236)	—	—	2,223	(13)
Changes in inventory reserves	920	—	—	(350)	570
Deferred income taxes	(193)	—	—	3	(190)
Amortization of deferred financing cost	2,333	—	—	(430)	1,903
Revaluation of contingent acquisition liability	(915)	—	—	—	(915)
Write down of goodwill	275	—	—	—	275
Amortization of debt discount	405	—	—	(1)	404
Change in value of interest rate swaps	(778)	—	—	—	(778)
Loss in non-marketable equity interest	-	—	—	—	—
Share-based compensation	900	—	—	—	900
Deferred gain on sale and lease back	(124)	—	—	(17)	(141)
Reserves for uncertain tax provisions	48	—	—	(16)	32
(Earnings) loss from equity investment	5,752	—	—	—	5,752
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(11,622)	1,844	—	8,589	(1,189)
(Increase) decrease in inventory	(4,410)	(10,387)	—	7,314	(7,483)
(Increase) decrease in prepaid expenses	884	(143)	35	203	979
(Increase) decrease in other assets	194	—	—	—	194
Increase (decrease) in accounts payable	(5,270)	—	—	(241)	(5,511)
Increase (decrease) in accrued expense	(3,111)	—	—	400	(2,711)
Increase (decrease) in other current liabilities	2,379	—	—	(2,744)	(365)
Increase (decrease) in other long-term liabilities	(251)	—	—	1	(250)

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Discontinued operations - cash provided by (used) for operating activities					
activities	1,509	—	—	(8,407)	(6,898)
Net cash (used) for provided by operating activities	(15,576)	(11,537)	—	1,050	(26,063)
Cash flows from investing activities:					
Acquisition of businesses, net of cash acquired	—	—	—	—	—
Sale of intellectual property	2,205	—	—	—	—
Proceeds from the sale of fixed assets	187	—	—	—	187
Purchase of property and equipment	(1,611)	—	—	665	(946)
Investment in intangibles other than goodwill	(103)	—	—	—	(103)
Proceeds from the sale of discontinued operations	14,000	—	—	—	14,000
Discontinued operations - cash used for investing activities	157	—	—	1,531	1,688
Net cash provided by for investing activities	14,835	—	—	—	—