UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

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: 000-03134

Park-Ohio Holdings Corp.

(Exact name of registrant as specified in its charter)

Ohio	**34-1867219**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6065 Parkland Boulevard, Cleveland, Ohio	**44124**
(Address of principal executive offices)	**(Zip Code)**

(440) 947-2000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $1.00 Per Share	PKOH	The NASDAQ Stock Market LLC

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 twelve 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 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 ☐ 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	☑
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 accountings 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

Number of shares outstanding of registrant's Common Stock, par value $1.00 per share, as of April 30, 2020: 12,459,358 shares.

Park-Ohio Holdings Corp. and Subsidiaries

Index

Part I. Financial Information

Item 1. *Financial Statements*

Park-Ohio Holdings Corp. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited) March 31, 2020	December 31, 2019
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 56.8	$ 56.0
Accounts receivable, net	248.9	261.3
Inventories, net	330.1	327.2
Prepaid and other current assets	85.1	81.2
Total current assets	720.9	725.7
Property, plant and equipment, net	231.3	237.6
Operating lease right-of-use assets	60.7	64.3
Goodwill	106.9	108.4
Intangible assets, net	87.8	90.6
Other long-term assets	84.7	83.8
Total assets	$ 1,292.3	$ 1,310.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 162.6	$ 175.0
Current portion of long-term debt and short-term debt	15.3	16.8
Current portion of operating lease liabilities	11.4	11.9
Accrued expenses and other	104.1	101.3
Total current liabilities	293.4	305.0
Long-term liabilities, less current portion:		
Long-term debt	560.2	545.2
Long-term operating lease liabilities	50.5	53.6
Other long-term liabilities	56.6	57.0
Total long-term liabilities	667.3	655.8
Park-Ohio Holdings Corp. and Subsidiaries shareholders' equity	317.5	335.6
Noncontrolling interests	14.1	14.0
Total equity	331.6	349.6
Total liabilities and shareholders' equity	$ 1,292.3	$ 1,310.4

Refer to the accompanying notes to these unaudited condensed consolidated financial statements.

Park-Ohio Holdings Corp. and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,	
	2020	2019
	(In millions, except per share data)	
Net sales	$ 366.3	$ 420.1
Cost of sales	312.4	354.8
Gross profit	53.9	65.3
Selling, general and administrative expenses	40.9	42.8
Operating income	13.0	22.5
Other components of pension income and other postretirement benefits expense, net	1.8	1.3
Interest expense, net	(8.0)	(8.2)
Income before income taxes	6.8	15.6
Income tax expense	(5.5)	(3.9)
Net income	1.3	11.7
Net income attributable to noncontrolling interests	(0.1)	(0.5)
Net income attributable to Park-Ohio Holdings Corp. common shareholders	$ 1.2	$ 11.2
Earnings per common share attributable to Park-Ohio Holdings Corp. common shareholders:		
Basic	$ 0.10	$ 0.92
Diluted	$ 0.10	$ 0.90
Weighted-average shares used to compute earnings per share:		
Basic	12.2	12.2
Diluted	12.3	12.4

Refer to the accompanying notes to these unaudited condensed consolidated financial statements.

Park-Ohio Holdings Corp. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended March 31,	
	2020	2019
	(In millions)	
Net income	$ 1.3	$ 11.7
Other comprehensive (loss) income, net of tax:		
Currency translation	(16.6)	0.7
Pension and other postretirement benefits	0.5	5.3
Total other comprehensive (loss) income	(16.1)	6.0
Total comprehensive (loss) income, net of tax	(14.8)	17.7
Comprehensive loss attributable to noncontrolling interests	(0.1)	(0.5)
Comprehensive (loss) income attributable to Park-Ohio Holdings Corp. common shareholders	$ (14.9)	$ 17.2

Refer to the accompanying notes to these unaudited condensed consolidated financial statements.

Park-Ohio Holdings Corp. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

	Common Stock							
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
	(In whole shares)	(In millions)						
Balance at January 1, 2020	15,706,398	$ 15.7	$ 129.8	$ 298.2	$ (71.1)	$ (37.0)	$ 14.0	$ 349.6
Other comprehensive income (loss)	—	—	—	1.2	—	(16.1)	0.1	(14.8)
Stock-based compensation expense	—	—	1.4	—	—	—	—	1.4
Stock-based compensation activity	1,000	—	—	—	—	—	—	—
Dividends	—	—	—	(1.6)	—	—	—	(1.6)
Purchases of treasury stock (180,827 shares)	—	—	—	—	(2.9)	—	—	(2.9)
Payments of withholding taxes on share awards	—	—	—	—	(0.1)	—	—	(0.1)
Balance at March 31, 2020	15,707,398	$ 15.7	$ 131.2	$ 297.8	$ (74.1)	$ (53.1)	$ 14.1	$ 331.6

	Common Stock							
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total
	(In whole shares)	(In millions)						
Balance at January 1, 2019	15,555,275	$ 15.6	$ 125.7	$ 265.9	$ (67.3)	$ (40.9)	$ 13.6	$ 312.6
Other comprehensive income	—	—	—	11.2	—	6.0	0.5	17.7
Stock-based compensation expense	—	—	1.9	—	—	—	—	1.9
Stock-based compensation activity	38,000	—	—	—	—	—	—	—
Dividends	—	—	—	(1.6)	—	—	(0.3)	(1.9)
Payments of withholding taxes on share awards	—	—	—	—	(1.0)	—	—	(1.0)
Balance at March 31, 2019	15,593,275	$ 15.6	$ 127.6	$ 275.5	$ (68.3)	$ (34.9)	$ 13.8	$ 329.3

	Three Months Ended March 31,	
	2020	2019
Dividends per common share	$ 0.125	$ 0.125

Refer to the accompanying notes to these unaudited condensed consolidated financial statements.

Park-Ohio Holdings Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2020	2019
	(In millions)	
OPERATING ACTIVITIES		
Net income	$ 1.3	$ 11.7
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation and amortization	8.9	9.2
Stock-based compensation expense	1.4	1.9
Changes in operating assets and liabilities:		
Accounts receivable	8.1	(23.0)
Inventories	(7.3)	(11.2)
Prepaid and other current assets	(4.9)	6.9
Accounts payable and accrued expenses	(9.5)	11.2
Other	(1.9)	(0.1)
Net cash (used) provided by operating activities	(3.9)	6.6
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(4.9)	(10.6)
Proceeds from sale of an asset	1.4	—
Net cash used by investing activities	(3.5)	(10.6)
FINANCING ACTIVITIES		
Proceeds from revolving credit facility, net	15.5	1.3
Payments on term loans and other debt	(2.3)	(2.2)
Proceeds from term loans and other debt	0.2	1.1
Proceeds from (payments on) finance lease facilities, net	0.6	(1.6)
Dividends	(1.6)	(1.9)
Purchase of treasury shares	(2.1)	—
Payments of withholding taxes on share awards	(0.1)	(1.0)
Net cash provided (used) by financing activities	10.2	(4.3)
Effect of exchange rate changes on cash	(2.0)	0.1
Increase (decrease) in cash and cash equivalents	0.8	(8.2)
Cash and cash equivalents at beginning of period	56.0	55.7
Cash and cash equivalents at end of period	$ 56.8	$ 47.5
Interest paid	$ 1.5	$ 2.1
Income taxes paid	$ 0.8	$ 2.0

Refer to the accompanying notes to these unaudited condensed consolidated financial statements.

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2020

NOTE 1 — Basis of Presentation

The condensed consolidated financial statements include the accounts of Park-Ohio Holdings Corp. and its subsidiaries (collectively, "we," "our" or the "Company"). All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. The balance sheet at December 31, 2019 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 — New Accounting Pronouncements

Accounting Pronouncements Adopted

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses of Financial Instruments," which replaced the current incurred loss impairment model with a methodology that reflected expected credit losses. Under the new methodology, entities will measure expected credit losses on financial instruments held at amortized cost, including trade receivables, based on historical experience, current conditions and reasonable forecasts. The Company adopted this standard as of January 1, 2020. The adoption of the standard had an immaterial impact on the Company. For the three-month period ended March 31, 2020, the provision and write-offs were not material, and the allowance approximated $4.7 million as of March 31, 2020.

Recent Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which was issued in response to concerns about structural risks of interbank offered rates, and, particularly, the risk of cessation of the London Interbank Offered Rate. Adoption of this guidance is required for interim and annual periods beginning after December 31, 2022. The Company is currently evaluating the expected impact of this standard.

No other recently issued ASUs are expected to have a material impact on our results of operations, financial condition or liquidity.

NOTE 3 - Revenue

We disaggregate our revenue by product line and geographic region of our customer, as we believe these best depict how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by economic factors. See details in the tables below.

	Three Months Ended March 31,	
	2020	2019
	(In millions)	
PRODUCT LINE		
Supply Technologies	$ 121.9	$ 144.8
Engineered specialty fasteners and other products	18.9	20.5
Supply Technologies Segment	140.8	165.3
Fuel, rubber and plastic products	84.7	89.6
Aluminum products	43.5	48.7
Assembly Components Segment	128.2	138.3
Industrial equipment	66.1	80.6
Forged and machined products	31.2	35.9
Engineered Products Segment	97.3	116.5
Total revenues	$ 366.3	$ 420.1

	Supply Technologies Segment	Assembly Components Segment	Engineered Products Segment	Total Revenues
		(In millions)		
Three Months Ended March 31, 2020				
GEOGRAPHIC REGION				
United States	$ 90.0	$ 90.7	$ 53.2	$ 233.9
Europe	23.7	4.2	15.7	43.6
Asia	9.5	4.3	15.8	29.6
Mexico	14.5	10.2	2.2	26.9
Canada	2.9	18.4	6.4	27.7
Other	0.2	0.4	4.0	4.6
Total	$ 140.8	$ 128.2	$ 97.3	$ 366.3
Three Months Ended March 31, 2019				
GEOGRAPHIC REGION				
United States	$ 110.4	$ 101.7	$ 68.1	$ 280.2
Europe	26.5	4.3	20.4	51.2
Asia	11.3	5.2	14.9	31.4
Mexico	13.7	9.0	3.0	25.7
Canada	3.2	17.7	7.6	28.5
Other	0.2	0.4	2.5	3.1
Total	$ 165.3	$ 138.3	$ 116.5	$ 420.1

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2020

NOTE 4 — Segments

Our operating segments are defined as components of the enterprise for which separate financial information is available and evaluated on a regular basis by our chief operating decision maker to allocate resources and assess performance.

For purposes of measuring business segment performance, the Company utilizes segment operating income, which is defined as revenues less expenses identifiable to the product lines within each segment. The Company does not allocate items that are non-operating; unusual in nature; or are corporate costs, which include but are not limited to executive and share-based compensation and corporate office costs. Segment operating income reconciles to consolidated income before income taxes by deducting corporate costs; certain non-cash and/or non-operating items; Other components of pension income and other postretirement benefits expense, net; and interest expense, net.

Results by business segment were as follows:

	Three Months Ended March 31,	
	2020	2019
	(In millions)	
Net sales:		
Supply Technologies	$ 140.8	$ 165.3
Assembly Components	128.2	138.3
Engineered Products	97.3	116.5
	$ 366.3	$ 420.1
Segment operating income:		
Supply Technologies	$ 9.2	$ 13.1
Assembly Components	6.3	8.3
Engineered Products	3.8	8.1
Total segment operating income	19.3	29.5
Corporate costs	(6.3)	(7.0)
Operating income	13.0	22.5
Other components of pension income and other postretirement benefits expense, net	1.8	1.3
Interest expense, net	(8.0)	(8.2)
Income before income taxes	$ 6.8	$ 15.6

NOTE 5 — Acquisition

On May 31, 2019, the Company acquired EFCO, Inc. d/b/a Erie Press Systems ("EP") for $9.1 million, including potential contingent consideration. The purchase price allocation for EP was finalized as of December 31, 2019. The purchase agreement stipulates potential contingent consideration of up to an additional $1.0 million based on two-year cumulative earnings before interest and taxes. The estimated fair value of the contingent consideration, valued using level 3 inputs, was approximately $1.0 million as of March 31, 2020.

NOTE 6 — Inventories

Inventories, net consist of the following:

	March 31, 2020	December 31, 2019
	(In millions)	
Raw materials and supplies	$ 95.2	$ 92.6
Work in process	55.2	51.3
Finished goods	177.7	181.3
LIFO reserve	2.0	2.0
Inventories, net	$ 330.1	$ 327.2

NOTE 7 — Accrued Warranty Costs

The Company estimates warranty claims that may be incurred based on current and historical data of products sold. Actual warranty expense could differ from the estimates made by the Company based on product performance. The following table presents changes in the Company's product warranty liability for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	2019
	(In millions)	
Beginning balance	$ 6.4	$ 6.2
Claims paid	(0.2)	(0.8)
Warranty expense	0.6	1.3
Ending balance	$ 6.8	$ 6.7

NOTE 8 — Income Taxes

The Company's tax provision for interim periods is determined using an estimate of its annual effective rate, adjusted for discrete items, if any, in each period.

Income tax expense for the three months ended March 31, 2020 was $5.5 million, representing an effective rate of 80.9%, compared to income tax expense of $3.9 million, or 25.0%, for the three months ended March 31, 2019. The increase in the rate in the first quarter of 2020 was driven by an earnings mix that yields an increase in the Global Intangible Low Taxed Income ("GILTI") inclusion, and also reduces the benefit of foreign tax credits and the Foreign Derived Intangible Income ("FDII") deduction.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, a substantial tax-and-spending package intended to provide additional economic stimulus to address the impact of the COVID-19 pandemic. Significant impacts of the CARES Act include the ability to carry back an NOL for 5 years and an increase of the Internal Revenue Code Section 163(j) interest expense disallowance limitations from 30% to 50% of adjusted taxable income, which will allow the Company to deduct additional interest expense for the 2019 and 2020 tax years. The Company is assessing the potential impact of global relief packages and the CARES Act, including the effect upon the Company's 2019 income tax return to be filed later in 2020, as well as the 2020 tax provision. Management continues to evaluate the impact of the CARES Act.

NOTE 9 — Financing Arrangements

Debt consists of the following:

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2020

	Maturity Date	Interest Rate at March 31, 2020	Carrying Value at March 31, 2020	Carrying Value at December 31, 2019
			(In millions)	
Senior Notes	April 15, 2027	6.625%	$ 350.0	$ 350.0
Revolving credit facility	November 26, 2024	2.12%	188.2	173.2
Industrial Equipment Group European Facilities	December 21, 2021	3.25%	4.5	4.6
Finance Leases	Various	Various	17.9	17.2
Other	Various	Various	21.1	23.5
Total debt			581.7	568.5
Less current portion of long-term debt and short-term debt			(15.3)	(16.8)
Less unamortized debt issuance costs			(6.2)	(6.5)
Total long-term debt, net			$ 560.2	$ 545.2

In 2018, Park-Ohio Industries, Inc. ("Park-Ohio"), the operating subsidiary of Park-Ohio Holdings Corp., entered into Amendment No. 1 to Seventh Amended and Restated Credit Agreement (the "Credit Agreement") with a group of banks to increase the availability under the revolving credit facility from $350.0 million to $375.0 million, the Canadian revolving subcommitment from $35.0 million to $40.0 million and the European revolving subcommitment from $25.0 million to $30.0 million. Furthermore, Park-Ohio has the option, pursuant to the Credit Agreement, to increase the availability under the revolving credit facility by an aggregate incremental amount up to $100.0 million. In 2019, Park-Ohio entered into Amendment No. 4 to the Credit Agreement, extending the maturity of the Credit Agreement to November 26, 2024.

We had outstanding bank guarantees and letters of credit of approximately $31.5 million at March 31, 2020 and $33.8 million at December 31, 2019 under the Credit Agreement.

In 2017, Park-Ohio completed the issuance, in a private placement, of $350.0 million aggregate principal amount of 6.625% Senior Notes due 2027 (the "Notes"). The Notes are unsecured senior obligations of Park-Ohio and are guaranteed on an unsecured senior basis by the 100% owned material domestic subsidiaries of Park-Ohio.

In 2016, the Company, through its subsidiary, IEGE Industrial Equipment Holding Company Limited, entered into a financing agreement with Banco Bilbao Vizcaya Argentaria, S.A. The financing agreement provides the Company a loan up to $27.4 million as of March 31, 2020, as well as a revolving credit facility for up to $11.0 million to fund working capital and general corporate needs. The Company had $4.5 million outstanding on the loan as of March 31, 2020. No amounts have been drawn on the revolving credit facility as of March 31, 2020.

In 2015, the Company entered into a finance lease agreement (the "Lease Agreement"). The Lease Agreement provides the Company up to $50.0 million for finance leases. Finance lease obligations of $17.9 million were borrowed under the Lease Agreement to acquire machinery and equipment as of March 31, 2020.

In 2015, the Company, through its Southwest Steel Processing LLC subsidiary, entered into a financing agreement with the Arkansas Development Finance Authority. The financing agreement provides the Company the ability to borrow up to $11.0 million for expansion of its manufacturing facility in Arkansas. The financing agreement matures in September 2025. The Company had $8.1 million of borrowings outstanding under this agreement as of March 31, 2020, which is included in Other above.

The following table represents fair value information of the Notes, classified as Level 1 using estimated quoted market prices.

	March 31, 2020	December 31, 2019
	(In millions)	
Carrying amount	$ 350.0	$ 350.0
Fair value	$ 281.8	$ 358.3

NOTE 10 — Leases

We lease manufacturing facilities, warehouse space, office space, machinery and equipment, information technology equipment and vehicles under operating leases. We also lease one building and machinery and equipment under finance leases. For operating leases with terms greater than 12 months, we record the operating right-of-use asset and related lease liability at the present value of lease payments over the lease term. In certain real estate leases, we have options to renew lease terms, generally at our sole discretion. We evaluate renewal options at the lease commencement date to determine if we are reasonably certain to exercise the option on the basis of economic factors.

The discount rate implicit in our operating leases is generally not determinable, and therefore the Company determines the discount rate for each lease based on its incremental borrowing rate. The incremental borrowing rate is calculated based on lease term, currency and collateral adjustments.

During the three months ended March 31, 2020, the Company obtained right-of-use assets in exchange for new operating lease liabilities of $1.5 million.

Balance Sheet as of March 31, 2020 and December 31, 2019

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2020

	Classification on the Balance Sheet	March 31, 2020	December 31, 2019
		(in millions)	
Assets			
Operating lease assets	Operating lease right-of-use assets	$ 60.7	$ 64.3
Finance lease assets	Property, plant and equipment, net	28.2	27.1
Total lease assets		$ 88.9	$ 91.4
Liabilities			
Current			
Operating	Current portion of operating lease liabilities	$ 11.4	$ 11.9
Finance	Current portion of long-term debt and short-term debt	6.7	7.0
Noncurrent			
Operating	Long-term operating lease liabilities	50.5	53.6
Finance	Long-term debt	11.2	10.2
Total lease liabilities		$ 79.8	$ 82.7
Weighted-average remaining lease term (in years)			
Operating leases		6.9	7.1
Finance leases		4.0	3.9
Weighted-average discount rate			
Operating leases		5.3%	5.4%
Finance leases		3.9%	3.7%

Lease Expense for the three months ended March 31, 2020 and 2019

Operating lease expense is recognized on a straight-line basis over the lease term, with variable payments recognized in the period those payments are incurred.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Finance lease expense	(in millions)	
Amortization of right-of-use assets	$ 1.1	$ 1.0
Interest on lease liabilities	0.2	0.2
Operating lease expense	3.9	4.6
Other lease expense (1)	1.8	1.0
Total lease expense	$ 7.0	$ 6.8

(1) - Other lease expense includes variable lease costs and short-term lease costs.

Cash Flow Information

	March 31,			
	2020		2019	
Cash paid for amounts included in the measurement of lease liabilities	(in millions)			
Operating cash flows for operating leases	$	(3.9)	$	(4.4)
Operating cash flows for finance leases	$	(0.2)	$	(0.2)
Financing cash flows for finance leases	$	0.6	$	(1.6)

NOTE 11 — Stock-Based Compensation

A summary of restricted share activity for the three months ended March 31, 2020 is as follows:

	2020					
	Time-Based			Performance-Based		
	Number of Shares	Weighted Average Grant Date Fair Value		Number of Shares	Weighted Average Grant Date Fair Value	
	(In whole shares)			(In whole shares)		
Outstanding - beginning of year	471,634	$	32.06	50,000	$	32.55
Granted	6,000		35.13	—		—
Vested	(15,667)		36.83	—		—
Canceled or expired	(5,000)		37.55	—		—
Outstanding - end of period	456,967	$	31.96	50,000	$	32.55

Total stock-based compensation expense included in Selling, general and administrative expenses for the three months ended March 31, 2020 and 2019 were $1.4 million and $1.9 million, respectively. As of March 31, 2020, there was $7.3 million of unrecognized compensation cost related to non-vested stock-based compensation, which cost is expected to be recognized over a weighted-average period of 2.2 years.

NOTE 12 — Commitments and Contingencies

The Company is subject to various pending and threatened legal proceedings arising in the ordinary course of business. The Company records a liability for loss contingencies in the consolidated financial statements when a loss is known or considered probable and the amount can be reasonably estimated. Our provisions are based on historical experience, current information and legal advice, and they may be adjusted in the future based on new developments. Estimating probable losses requires the analysis of multiple forecasted factors that often depend on judgments and potential actions by third parties. Although it is not possible to predict with certainty the ultimate outcome or cost of these matters, the Company believes they will not have a material adverse effect on our consolidated financial statements.

Our subsidiaries are involved in a number of contractual and warranty-related disputes. We believe that appropriate liabilities for these contingencies have been recorded; however, actual results may differ materially from our estimates.

In addition to the routine lawsuits and asserted claims noted above, we are also a co-defendant in approximately 119 cases asserting claims on behalf of approximately 222 plaintiffs alleging personal injury as a result of exposure to asbestos. In every asbestos case in which we are named as a party, the complaints are filed against multiple named defendants. Historically, we have been dismissed from asbestos cases. We intend to vigorously defend these cases and believe we will continue to be successful in being dismissed from such cases.

While it is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation, and although our results of operations and cash flows for a particular period could be adversely affected by asbestos-related lawsuits, claims and proceedings, management believes that the ultimate resolution of these matters will not have a material adverse effect on our financial condition, liquidity or results of operations.

NOTE 13 — Pension and Postretirement Benefits

The components of net periodic benefit (income) costs recognized during interim periods were as follows:

	Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2020	2019	2020	2019
	(In millions)			
Service costs	$ 1.1	$ 0.9	$ —	$ —
Interest costs	0.5	0.7	—	0.1
Expected return on plan assets	(2.9)	(2.7)	—	—
Recognized net actuarial loss	0.5	0.6	0.1	—
Net periodic benefit (income) expense	$ (0.8)	$ (0.5)	$ 0.1	$ 0.1

NOTE 14 — Accumulated Other Comprehensive (Loss) Income

The components of and changes in accumulated other comprehensive loss for the three months ended March 31, 2020 and 2019 were as follows:

	Cumulative Translation Adjustment	Pension and Postretirement Benefits	Total	Cumulative Translation Adjustment	Pension and Postretirement Benefits	Total
	(In millions)					
	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
Beginning balance	$ (22.4)	$ (14.6)	$ (37.0)	$ (21.3)	$ (19.6)	$ (40.9)
Currency translation (a)	(16.6)	—	(16.6)	0.7	—	0.7
Pension and OPEB activity, net of tax	—	0.5	0.5	—	5.3	5.3
Ending balance	$ (39.0)	$ (14.1)	$ (53.1)	$ (20.6)	$ (14.3)	$ (34.9)

(a) No income taxes were provided on currency translation as foreign earnings are considered permanently reinvested.

NOTE 15 — Weighted-Average Number of Shares Used in Computing Earnings Per Share

The following table sets forth the weighted-average number of shares used in the computation of earnings per share:

	Three Months Ended March 31,	
	2020	2019
	(In millions)	
Weighted-average basic shares outstanding	12.2	12.2
Plus: Dilutive impact of employee stock awards	0.1	0.2
Weighted-average diluted shares outstanding	12.3	12.4

Certain restricted stock awards are anti-dilutive and therefore excluded from the computation of diluted earnings per share. Anti-dilutive shares were 0.2 million and 0.0 million for the three months ended March 31, 2020 and 2019, respectively.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Our condensed consolidated financial statements include the accounts of Park-Ohio Holdings Corp. and its subsidiaries (collectively, "we," "our," or the "Company"). All significant intercompany transactions have been eliminated in consolidation.

EXECUTIVE OVERVIEW

We are a diversified international company providing world-class customers with a supply chain management outsourcing service, capital equipment used on their production lines, and manufactured components used to assemble their products. We operate through three reportable segments: Supply Technologies, Assembly Components and Engineered Products.

Supply Technologies provides our customers with Total Supply Management™, a proactive solutions approach that manages the efficiencies of every aspect of supplying production parts and materials to our customers' manufacturing floor, from strategic planning to program implementation. Total Supply Management™ includes such services as engineering and design support, part usage and cost analysis, supplier selection, quality assurance, bar coding, product packaging and tracking, just-in-time and point-of-use delivery, electronic billing services and ongoing technical support. Our Supply Technologies business services customers in the following principal industries: heavy-duty truck; sports and recreational equipment; aerospace and defense; semiconductor equipment; electrical distribution and controls; consumer electronics; bus and coaches; automotive, agricultural and construction equipment; HVAC; lawn and garden; plumbing; and medical.

Assembly Components manufactures products oriented towards fuel efficiency and reduced emission standards. Assembly Components designs, develops and manufactures aluminum products and highly efficient, high pressure direct fuel injection fuel rails and pipes; fuel filler pipes that route fuel from the gas cap to the gas tank; flexible multi-layer plastic and rubber assemblies used to transport fuel from the vehicle's gas tank and then, at extreme high pressure, to the engine's fuel injector nozzles. Our product offerings include gasoline direct injection systems and fuel filler assemblies, and industrial hose and injected molded rubber and plastic components. Additional products include cast and machined aluminum engine, transmission, brake, suspension and other components, such as pump housings, clutch retainers/pistons, control arms, knuckles, master cylinders, pinion housings, brake calipers, oil pans and flywheel spacers. Our products are primarily used in the following industries: automotive, including automotive and light-vehicle; agricultural equipment; construction equipment; heavy-duty truck; and marine original equipment manufacturers ("OEMs"), on a sole-source basis.

Engineered Products operates a diverse group of niche manufacturing businesses that design and manufacture a broad range of highly-engineered products, including induction heating and melting systems, pipe threading systems and forged and machined products. Engineered Products also produces and provides services and spare parts for the equipment it manufactures. The principal customers of Engineered Products are OEMs, sub-assemblers and end users in the following industries: ferrous and non-ferrous metals; silicon; coatings; forging; foundry; heavy-duty truck; construction equipment; automotive; oil and gas; locomotive and rail manufacturing; and aerospace and defense.

Sales and segment operating income for these three segments are provided in Note 4 to the condensed consolidated financial statements, included elsewhere herein.

COVID-19 Pandemic

In March 2020, the World Health Organization categorized the novel coronavirus ("COVID-19") as a pandemic, and it continues to spread throughout the United States and other countries across the world. To limit the spread of COVID-19, governments have taken various actions, including the issuance of stay-at-home orders and social distancing guidelines, causing some businesses to suspend operations and a reduction in demand for many products from direct or ultimate customers. Accordingly, businesses have adjusted, reduced or suspended operating activities. This has negatively impacted several of the markets we serve, including the North American automotive market, which shut down production in mid-March 2020. While a number of our plants are operating as essential businesses, some of our plants have suspended or cut back on operating levels and shifts, and additional suspensions and cutbacks may occur as the impacts from COVID-19 and related responses continue to develop.

As a result of curtailed operations, we have taken actions in many of our operations to reduce the work force mostly through furloughs, although reductions in some positions are expected to be permanent. We will continue to review if and when additional such actions may be appropriate throughout the Company. The hope is to begin calling back furloughed workers when and if businesses begin to return to previously-expected demand levels. We also temporarily suspended our quarterly cash dividend to further enhance our liquidity.

While we expect the effects of the pandemic and the related responses to negatively impact our results of operations, cash flows and financial position, the uncertainty over the duration and severity of the economic and operational impacts of COVID-19 means we cannot reasonably estimate the related financial impact at this time.

Although there is significant uncertainty related to the anticipated impact of the recent COVID-19 outbreak on our future results, we believe our diversified portfolio of global businesses, our liquidity position of $237 million as of March 31, 2020, and the recent steps we have taken to reduce costs, leave us well-positioned to manage our business through this crisis as it continues to unfold.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2020 Compared with Three Months Ended March 31, 2019

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
	(Dollars in millions, except per share data)			
Net sales	$ 366.3	$ 420.1	$ (53.8)	(12.8)%
Cost of sales	312.4	354.8	(42.4)	(12.0)%
Gross profit	53.9	65.3	(11.4)	(17.5)%
Gross margin	*14.7%*	*15.5%*		
Selling, general and administrative ("SG&A”) expenses	40.9	42.8	(1.9)	(4.4)%
SG&A expenses as a percentage of net sales	*11.2%*	*10.2%*		
Operating income	13.0	22.5	(9.5)	(42.2)%
Other components of pension income and other postretirement benefits expense, net	1.8	1.3	0.5	38.5 %
Interest expense, net	(8.0)	(8.2)	0.2	(2.4)%
Income before income taxes	6.8	15.6	(8.8)	(56.4)%
Income tax expense	(5.5)	(3.9)	(1.6)	41.0 %
Net income	1.3	11.7	(10.4)	(88.9)%
Net income attributable to noncontrolling interests	(0.1)	(0.5)	0.4	(80.0)%
Net income attributable to Park-Ohio Holdings Corp. common shareholders	$ 1.2	$ 11.2	$ (10.0)	(89.3)%
Earnings per common share attributable to Park-Ohio Holdings Corp. common shareholders:				
Basic	$ 0.10	$ 0.92	$ (0.82)	(89.1)%
Diluted	$ 0.10	$ 0.90	$ (0.80)	(88.9)%

*Calculation not meaningful

Net Sales

Net sales decreased 12.8%, to $366.3 million in the first three months of 2020 compared to $420.1 million in the same period in 2019. This decrease was primarily due to lower demand from several end markets primarily driven by the COVID-19 pandemic. Several customer plant closures and changes in production schedules affected our businesses, primarily in our Assembly Components and Supply Technologies segments.

The factors explaining the changes in segment net sales for the three months ended March 31, 2020 compared to the corresponding 2019 period are contained in the "Segment Results" section below.

Cost of Sales & Gross Profit

Cost of sales decreased 12.0% to $312.4 million in the first three months of 2020, compared to $354.8 million in the same period in 2019. The decrease in cost of sales was primarily due to the decrease in net sales described above.

Gross margin was 14.7% in the first three months of 2020 compared to 15.5% in the corresponding period in 2019. The decrease in cost of sales and decrease in gross margin was due primarily to lower profit flow-through from the lower sales volumes and unfavorable product mix. These decreases were partially offset by the benefits of cost-reduction actions that the company implemented in response to current market conditions. The first quarter of 2019 includes $1.4 million of plant closure and consolidation costs.

SG&A Expenses

SG&A expenses were $40.9 million, or 11.2% of net sales, in the first three months of 2020, compared to $42.8 million, or 10.2% of net sales, in the same period in 2019. The decrease in SG&A expense dollars was due primarily to lower Corporate expenses and the benefit of cost-reduction actions implemented across the company in response to lower sales levels, partially offset by the SG&A expenses of Erie Press, which we acquired in May 2019.

SG&A expenses as a percentage of net sales increased in the first quarter of 2020 due primarily to fixed SG&A expenses over the lower revenue base in the current quarter compared to a year ago.

Other Components of Pension Income and Other Postretirement Benefits Expense ("OPEB"), Net

Other components of pension income and OPEB expense, net was $1.8 million in the first three months of 2020 compared to $1.3 million in the corresponding period in 2019. This increase was driven by higher returns on plan assets in 2019, which will be amortized over future periods starting in 2020.

Interest Expense, net

Interest expense, net was $8.0 million in the first three months of 2020 compared to $8.2 million in 2019. The decrease was due to lower interest rates on outstanding borrowings during the 2020 period.

Income Tax Expense

Income tax expense for the three months ended March 31, 2020 was $5.5 million, representing an effective rate of 80.9%, compared to income tax expense of $3.9 million, or 25.0%, for the three months ended March 31, 2019. The increase in the rate in the first quarter of 2020 was driven by an earnings mix that yields an increase in the Global Intangible Low Taxed Income ("GILTI") inclusion, and also reduces the benefit of foreign tax credits and the Foreign Derived Intangible Income ("FDII") deduction.

SEGMENT RESULTS

For purposes of business segment performance measurement, the Company utilizes segment operating income, which is defined as revenues less expenses identifiable to the product lines within each segment. The Company does not allocate items that are non-operating or unusual in nature or are corporate costs, which include but are not limited to executive and share-based compensation and corporate office costs.

Supply Technologies Segment

	Three Months Ended March 31,	
	2020	2019
	(Dollars in millions)	
Net sales	$ 140.8	$ 165.3
Segment operating income	$ 9.2	$ 13.1
Segment operating income margin	6.5%	7.9%

Net sales decreased 14.8% in the three months ended March 31, 2020 compared to the 2019 period due primarily to lower customer demand in certain end markets, including the Company’s automotive market, primarily affecting our fastener manufacturing business; the Company's truck and truck-related market, which was down 32% year-over-year; the Company’s consumer products market, which was down 22% year-over-year; and the Company's aerospace and defense market, which was down 30% year-over-year. These decreases were partially offset by higher customer demand in the Company’s semiconductor market, which was up 47% year-over-year. Sales were negatively impacted by the COVID-19 pandemic in certain end markets, primarily automotive, during the first quarter.

Segment operating income decreased by $3.9 million and segment operating income margin was down 140 basis points in the 2020 period compared to the same period a year ago. These net decreases were driven by lower profit flow-through from lower sales levels and unfavorable sales mix, offset by the benefits of cost-reduction actions implemented in response to current market conditions.

Assembly Components Segment

	Three Months Ended March 31,	
	2020	2019
	(Dollars in millions)	
Net sales	$ 128.2	$ 138.3
Segment operating income	$ 6.3	$ 8.3
Segment operating income margin	4.9%	6.0%

Net sales decreased 7.3% in the three months ended March 31, 2020 compared to the 2019 period due primarily to customer plant closures and reduced vehicle production, which began late in the first quarter in response to the COVID-19 pandemic.

Segment operating income in the 2019 period decreased by $2.0 million, and segment operating income margin decreased by 110 basis points, compared to the corresponding 2019 period. These decreases were due primarily to the unfavorable impact of the lower sales described above, which were partially offset by the benefits of cost-reduction actions that the company is implemented in response to current market conditions caused by the pandemic. During the first quarter of 2019, this segment incurred $1.4 million of plant closure and consolidation costs.

Engineered Products Segment

	Three Months Ended March 31,	
	2020	2019
	(Dollars in millions)	
Net sales	$ 97.3	$ 116.5
Segment operating income	$ 3.8	$ 8.1
Segment operating income margin	3.9%	7.0%

Net sales were 16.5% lower in the 2020 period compared to the 2019 period. The decrease was due to lower customer demand for new capital equipment and lower demand in certain key end markets in our forged and machined products business, including oil and gas and aerospace and defense. These decreases were partially offset by the sales from our Erie Press acquisition in May 2019.

Segment operating income in the 2020 period decreased by $4.3 million and segment operating income margin decreased by 310 basis points compared to the corresponding 2019 period. These decreases were driven by the lower sales levels, unfavorable sales mix, the negative impacts of the COVID-19 pandemic on certain product lines, and manufacturing inefficiencies at certain plants. The decreases were partially offset by the benefits of cost-reduction actions that the company has implemented in response to current market conditions.

Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

	Three Months Ended March 31,		
	2020	2019	$ Change
Net cash (used) provided by:	(In millions)		
Operating activities	$ (3.9)	$ 6.6	$ (10.5)
Investing activities	(3.5)	(10.6)	7.1
Financing activities	10.2	(4.3)	14.5
Effect of exchange rate changes on cash	(2.0)	0.1	(2.1)
Increase (decrease) in cash and cash equivalents	$ 0.8	$ (8.2)	$ 9.0

Operating Activities

The use of net cash for operating activities in the 2020 period, compared to cash provided by operating activities in the corresponding period in 2019, was driven by our lower profitability in the current year.

Investing Activities

Capital expenditures were $4.9 million in the three months ended March 31, 2020 and were primarily to provide increased capacity for future growth in our Assembly Components segment and to maintain existing operations. In the first quarter of 2019, we had $10.6 million of capital expenditures. In the first quarter of 2020, we had proceeds of $1.4 million from the sale of an asset.

Financing Activities

During the three months ended March 31, 2020, we had net borrowing on our revolving credit and other facilities of $14.0 million to fund our net use of cash for operating activities in the period, our capital expenditures and our common share repurchases. In the comparable period of 2019, we had net debt repayments of $1.4 million. In both the 2020 and 2019 periods, we paid cash dividends to shareholders of $1.6 million.

We do not have off-balance sheet arrangements, financing or other relationships with unconsolidated entities or other persons, other than the letters of credits disclosed in Note 9 to the condensed consolidated financial statements, included elsewhere herein.

Liquidity

Our liquidity needs are primarily for working capital, capital expenditures, dividends and acquisitions. Our primary sources of liquidity have been funds provided by operations, funds available from existing bank credit arrangements and the sale of our debt securities. Our existing financial resources (working capital and available bank borrowing arrangements) and anticipated cash flow from operations are expected to be adequate to meet anticipated cash requirements for at least the next twelve months, including but not limited to our ability to maintain current operations and fund capital expenditure requirements, service our debt, pay dividends, pursue acquisitions, and repurchase common shares.

As of March 31, 2020, we had total liquidity of $236.8 million, which included $180.0 million of unused borrowing availability and cash and cash equivalents of $56.8 million. We also temporarily suspended our quarterly cash dividend to further enhance our liquidity.

The Company had cash and cash equivalents held by foreign subsidiaries of $40.6 million at March 31, 2020 and $45.4 million at December 31, 2019. We do not expect restrictions on repatriation of cash held outside the U.S. to have a material effect on our overall liquidity, financial condition or results of operations for the foreseeable future.

The Company has two components to its assertion regarding reinvestment of foreign earnings outside of the United States. For all foreign subsidiaries except RB&W Corporation of Canada ("RB&W"), all earnings are permanently reinvested outside of the United States. For RB&W, dividend distributions may be made, but only to the extent of current earnings in excess of cash required to fund its business operations; all accumulated earnings are permanently reinvested.

Senior Notes

In April 2017, Park-Ohio Industries, Inc. ("Park-Ohio"), the operating subsidiary of Park-Ohio Holdings Corp., completed the sale, in a private placement, of $350.0 million aggregate principal amount of 6.625% Senior Notes due 2027 (the "Notes"). The net proceeds from the issuance of the Notes were used to repay in full our previously outstanding 8.125% Senior Notes due 2021 and our outstanding term loan, and to repay a portion of the borrowings then outstanding under our revolving credit facility.

Credit Agreement

In June 2018, Park-Ohio entered into Amendment No. 1 to its Seventh Amended and Restated Credit Agreement (the "Credit Agreement"). The amendment to the Credit Agreement, among other things, provided increases in the availability under the revolving credit facility from $350.0 million to $375.0 million, the Canadian revolving subcommitment from $35.0 million to $40.0 million and the European revolving subcommitment from $25.0 million to $30.0 million. Furthermore, the Company has the option, pursuant to the Credit Agreement, to increase the availability under the revolving credit facility by an aggregate incremental amount up to $100.0 million. In 2019, Park-Ohio entered into Amendment No. 4 to the Credit Agreement, extending the maturity of the Credit Agreement to November 26, 2024.

Finance Leases

In August 2015, the Company entered into a Capital Lease Agreement (the "Lease Agreement"). The Lease Agreement provides the Company up to $50.0 million for finance leases. Finance lease obligations of $17.9 million were borrowed under the Lease Agreement to acquire machinery and equipment as of March 31, 2020.

Covenants

The future availability of bank borrowings under the revolving credit facility provided by the Credit Agreement is based on (1) our calculated availability under the Credit Agreement and, (2) if such calculated availability decreases below $46.875 million, our ability to meet a debt service ratio covenant. If our calculated availability is less than $46.875 million, our debt service coverage ratio must be greater than 1.0. At March 31, 2020, our calculated availability under the Credit Agreement was $169.0 million; therefore, the debt service ratio covenant did not apply.

Failure to maintain calculated availability of at least $46.875 million and meet the debt service ratio covenant could materially impact the availability and interest rate of future borrowings. Our debt service coverage ratio could be materially impacted by negative economic trends, including the negative trends caused by the COVID-19 pandemic. To make certain permitted payments as defined under the Credit Agreement, including but not limited to acquisitions and dividends, we must meet defined availability thresholds ranging from $37.5 million to $46.875 million, and a defined debt service coverage ratio of 1.15.

We were also in compliance with the other covenants contained in the revolving credit facility as of March 31, 2020. While we expect to remain in compliance throughout 2020, declines in sales volumes in the future, including further declines caused by the COVID-19 pandemic, could adversely impact our ability to remain in compliance with certain of these financial covenants. Additionally, to the extent our customers are adversely affected by declines in the economy in general, including the decline caused by the COVID-19 pandemic, they may be unable to pay their accounts payable to us on a timely basis or at all, which could make our accounts receivable ineligible for purposes of the revolving credit facility and could reduce our borrowing base and our ability to borrow under such facility.

Dividends

The Company paid dividends to shareholders of $1.6 million during the three months ended March 31, 2020. In response to the COVID-19 outbreak, the Company has temporarily suspended paying a quarterly dividend to our common shareholders.

Seasonality; Variability of Operating Results

The timing of orders placed by our customers has varied with, among other factors, orders for customers' finished goods, customer production schedules, competitive conditions and general economic conditions. The variability of the level and timing of orders has, from time to time, resulted in significant periodic and quarterly fluctuations in the operations of our businesses. Such variability is particularly evident in our capital equipment business, included in the Engineered Products segment, which typically ships large systems at a relatively lower pace than our other businesses.

Critical Accounting Policies

Our critical accounting policies are described in "Item. 7 Management's Discussion and Analysis of Financial Condition and Results of Operations," and in the notes to our consolidated financial statements for the year ended December 31, 2019, both contained in our Annual Report on Form 10-K for the year ended December 31, 2019. There were no new critical accounting policies or updates to existing critical accounting policies as a result of new accounting pronouncements in this Quarterly Report on Form 10-Q.

The application of our critical accounting policies may require management to make judgments and estimates about the amounts reflected in the condensed consolidated financial statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "believes", "anticipates", "plans", "expects", "intends", "estimates" and similar expressions are intended to identify forward-looking statements.

These forward-looking statements, including statements regarding future performance of the Company, that are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors that could cause actual results to differ materially from expectations include, but are not limited to, the following: the ultimate impact the COVID-19 pandemic has on our business, results of operations, financial position and liquidity; our substantial indebtedness; the uncertainty of the global economic environment; general business conditions and competitive factors, including pricing pressures and product innovation; demand for our products and services; the impact of labor disturbances affecting our customers; raw material availability and pricing; fluctuations in energy costs; component part availability and pricing; changes in our relationships with customers and suppliers; the financial condition of our customers, including the impact of any bankruptcies; our ability to successfully integrate recent and future acquisitions into existing operations; the amounts and timing, if any, of purchases of our common stock; changes in general economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions and changing government policies, laws and regulations, including those related to the current global uncertainties and crises, such as tariffs and surcharges; adverse impacts to us, our suppliers and customers from acts of terrorism or hostilities; public health issues, including the outbreak of COVID-19 and its impact on our facilities and operations and our customers and suppliers; our ability to meet various covenants, including financial covenants, contained in the agreements governing our indebtedness; disruptions, uncertainties or volatility in the credit markets that may limit our access to capital; potential disruption due to a partial or complete reconfiguration of the European Union; increasingly stringent domestic and foreign governmental regulations, including those affecting the environment or import and export controls and other trade barriers; inherent uncertainties involved in assessing our potential liability for environmental remediation-related activities; the outcome of pending and future litigation and other claims and disputes with customers; our dependence on the automotive and heavy-duty truck industries, which are highly cyclical; the dependence of the automotive industry on consumer spending; our

ability to negotiate contracts with labor unions; our dependence on key management; our dependence on information systems;
our ability to continue to pay cash dividends, and the other factors we describe under "Item 1A. Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. In light of these and other uncertainties, the inclusion of a forward-looking statement herein should not be regarded as a representation by us that our plans and objectives will be achieved.

Item 3. *Quantitative and Qualitative Disclosure About Market Risk*

We are exposed to market risk, including changes in interest rates. As of March 31, 2020, we are subject to interest rate risk on borrowings under the floating rate revolving credit facility provided by our Credit Agreement. A 100-basis-point increase in the interest rate would have resulted in an increase in interest expense on these borrowings of approximately $0.5 million during the three-month period ended March 31, 2020.

Our foreign subsidiaries generally conduct business in local currencies. We face translation risks related to the changes in foreign currency exchange rates. Amounts invested in our foreign operations are translated in U.S. dollars at the exchange rates in effect at the balance sheet date. The resulting translation adjustments are recorded as a component of Accumulated other comprehensive loss in the Shareholders' equity section of the accompanying Condensed Consolidated Balance Sheets. Sales and expenses at our foreign operations are translated into U.S. dollars at the applicable monthly average exchange rates. Therefore, changes in exchange rates may either positively or negatively affect our net sales and expenses from foreign operations as expressed in U.S. dollars.

Our largest exposures to commodity prices relate to metal and natural gas prices, which have fluctuated widely in recent years. We do not have any commodity swap agreements, forward purchase or hedge contracts.

Item 4. *Controls and Procedures*

Evaluation of disclosure controls and procedures.

Under the supervision of and with the participation of our management, including our chief executive officer and chief financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting.

During the quarter ended March 31, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. *Legal Proceedings*

We are subject to various pending and threatened lawsuits in which claims for monetary damages are asserted in the ordinary course of business. While any litigation involves an element of uncertainty, in the opinion of management, liabilities, if any, arising from currently pending or threatened litigation are not expected to have a material adverse effect on our financial condition, liquidity or results of operations.

In addition to the routine lawsuits and asserted claims noted above, we were a party to the lawsuits and legal proceedings described below as of March 31, 2020:

We were a co-defendant in approximately 119 cases asserting claims on behalf of approximately 222 plaintiffs alleging personal injury as a result of exposure to asbestos. These asbestos cases generally relate to production and sale of asbestos-containing products and allege various theories of liability, including negligence, gross negligence and strict liability, and seek compensatory and, in some cases, punitive damages.

In every asbestos case in which we are named as a party, the complaints are filed against multiple named defendants. In substantially all of the asbestos cases, the plaintiffs either claim damages in excess of a specified amount, typically a minimum amount sufficient to establish jurisdiction of the court in which the case was filed (jurisdictional minimums generally range from $25,000 to $75,000), or do not specify the monetary damages sought. To the extent that any specific amount of damages is sought, the amount applies to claims against all named defendants.

There are three asbestos cases, involving 19 plaintiffs, that plead specified damages against named defendants. In each of the three cases, the plaintiff is seeking compensatory and punitive damages based on a variety of potentially alternative causes of action. In two cases, the plaintiff has alleged three counts at $3.0 million compensatory and punitive damages each; one count at $3.0 million compensatory and $1.0 million punitive damages; one count at $1.0 million. In the third case, the plaintiff has alleged compensatory and punitive damages, each in the amount of $20.0 million, for three separate causes of action, and $5.0 million compensatory damages for the fifth cause of action.

Historically, we have been dismissed from asbestos cases on the basis that the plaintiff incorrectly sued one of our subsidiaries or because the plaintiff failed to identify any asbestos-containing product manufactured or sold by us or our subsidiaries. We intend to vigorously defend these asbestos cases, and believe we will continue to be successful in being dismissed from such cases. However, it is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this uncertainty, and although our results of operations and cash flows for a particular period could be adversely affected by asbestos-related lawsuits, claims and proceedings, management believes that the ultimate resolution of these matters will not have a material adverse effect on our financial condition, liquidity or results of operations. Among the factors management considered in reaching this conclusion were: (a) our historical success in being dismissed from these types of lawsuits on the bases mentioned above; (b) many cases have been improperly filed against one of our subsidiaries; (c) in many cases the plaintiffs have been unable to establish any causal relationship to us or our products or premises; (d) in many cases, the plaintiffs have been unable to demonstrate that they have suffered any identifiable injury or compensable loss at all or that any injuries that they have incurred did in fact result from alleged exposure to asbestos; and (e) the complaints assert claims against multiple defendants and, in most cases, the damages alleged are not attributed to individual defendants. Additionally, we do not believe that the amounts claimed in any of the asbestos cases are meaningful indicators of our potential exposure because the amounts claimed typically bear no relation to the extent of the plaintiff's injury, if any.

Our cost of defending these lawsuits has not been material to date and, based upon available information, our management does not expect its future costs for asbestos-related lawsuits to have a material adverse effect on our results of operations, liquidity or financial position.

Item 1A. ***Risk Factors***

In addition to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, the Company has also identified the following:

The COVID-19 outbreak has impacted and could in the future materially and adversely affect our business.

The novel strain of the coronavirus identified in China in late 2019 and now affecting the global community has impacted and is expected to continue to impact our operations, and the full nature and extent of the impact is highly uncertain and may be beyond our control. Among other things, uncertainties relating to COVID-19 include the duration of the outbreak, the severity of the virus, and the actions, or perception of actions that may be taken, to contain or treat its impact, by governments and others, including declarations of states of emergency, business closures, manufacturing restrictions and a prolonged period of travel, commercial and/or other similar restrictions and limitations.

As a result of COVID-19 and the measures implemented that are designed to contain its spread, our customers have been and could continue to be negatively impacted as a result of disruption in demand, which could negatively impact our sales and have a material adverse effect on our business, results of operations and financial condition. Similarly, as a result of COVID-19 and measures implemented that are designed to contain its spread, our suppliers may not have the materials, capacity, or capability to enable the manufacture of our products according to our schedule and specifications. Because of impacts to suppliers' operations, we may need to seek alternate suppliers, which may be more expensive, may not be available or may result in delays in shipments to us and subsequently to our customers, each of which would affect our results of operations.

The COVID-19 pandemic has also disrupted our internal operations, including by heightening the risk that a significant portion of our workforce will suffer illness or otherwise not be permitted or be unable to work and exposing us to cyber and other risks associated with a large number of our employees working remotely. Certain of our facilities have experienced temporary work disruptions as a result of the COVID-19 pandemic, and we cannot predict whether these will continue or our facilities will experience more significant or frequent disruptions in the future. Furthermore, we may need to reduce our workforce as a result of declines in our business caused by the COVID-19 pandemic, and any such reduction would cause us to incur costs. Moreover, there can be no assurance that we would be able to rehire our workforce in the event our business experiences a subsequent recovery.

The impact of the COVID-19 pandemic continues to evolve and its duration and ultimate disruption to our customers and to our supply chain, and related financial impact to us, cannot be estimated at this time. Should such disruption continue for an extended period of time, the impact could have a more severe adverse effect on our business, results of operations and financial condition. Additionally, weaker economic conditions generally could result in impairment in value of our tangible or intangible assets, or our ability to raise additional capital, if needed.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

The table below summarizes the information regarding our repurchases of the Company's common stock during the quarter ended March 31, 2020.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (1)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Program (1)
January 1 — January 31, 2020	1,248 (2)	$ 33.92	—	355,616
February 1 — February 29, 2020	3,378 (2)	29.00	—	355,616
March 1 — March 31, 2020	180,827 (2)	16.26	180,827	819,173
Total	185,453	$ 16.61	180,827	819,173

(1) On March 11, 2020, we announced a share repurchase program whereby we may repurchase up to 1.0 million shares of our outstanding common stock.
(2) Consists of an aggregate total of 4,626 shares of common stock we acquired from recipients of restricted stock awards at the time of vesting of such awards in order to settle recipient withholding tax liabilities.

Item 6. ***Exhibits***

The following exhibits are included herein:

31.1	Principal Executive Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification requirement under Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

PARK-OHIO HOLDINGS CORP.

(Registrant)

By:	/s/ Patrick W. Fogarty
Name:	Patrick W. Fogarty
Title:	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Date: May 7, 2020

Exhibit 31.1

PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATIONS
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew V. Crawford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Park-Ohio Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By:	/s/ Matthew V. Crawford
Name:	Matthew V. Crawford
Title:	Chairman, Chief Executive Officer and President

Dated: May 7, 2020

Exhibit 31.2

PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATIONS
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick W. Fogarty, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Park-Ohio Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By:	/s/ Patrick W. Fogarty
Name:	Patrick W. Fogarty
Title:	Vice President and Chief Financial Officer

Dated: May 7, 2020

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Park-Ohio Holdings Corp. (the "Company”) on Form 10-Q for the period ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

By:	/s/ Matthew V. Crawford
Name:	Matthew V. Crawford
Title:	Chairman, Chief Executive Officer and President
By:	/s/ Patrick W. Fogarty
Name:	Patrick W. Fogarty
Title:	Vice President and Chief Financial Officer

Dated: May 7, 2020

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.