

**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, 2021

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 | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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, 2021: 12,577,739 shares.

Park-Ohio Holdings Corp. and Subsidiaries

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Part I. Financial Information

Item 1. *Financial Statements*

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

| | (Unaudited) March 31, 2021 | December 31, 2020 |
|--|----------------------------------|----------------------|
| | (In millions) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 58.9 | \$ 55.0 |
| Accounts receivable, net | 247.8 | 248.1 |
| Inventories, net | 333.4 | 310.9 |
| Prepaid and other current assets | 89.1 | 92.4 |
| Total current assets | 729.2 | 706.4 |
| Property, plant and equipment, net | 234.9 | 236.6 |
| Operating lease right-of-use assets | 67.1 | 68.6 |
| Goodwill | 110.0 | 110.9 |
| Intangible assets, net | 84.1 | 86.8 |
| Other long-term assets | 92.9 | 91.2 |
| Total assets | \$ 1,318.2 | \$ 1,300.5 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 177.7 | \$ 166.7 |
| Current portion of long-term debt and short-term debt | 8.6 | 11.6 |
| Current portion of operating lease liabilities | 13.1 | 12.9 |
| Accrued expenses and other | 120.5 | 115.9 |
| Total current liabilities | 319.9 | 307.1 |
| Long-term liabilities, less current portion: | | |
| Long-term debt | 523.6 | 517.8 |
| Long-term operating lease liabilities | 54.8 | 56.7 |
| Other long-term liabilities | 60.8 | 61.0 |
| Total long-term liabilities | 639.2 | 635.5 |
| Park-Ohio Holdings Corp. and Subsidiaries shareholders' equity | 346.6 | 344.2 |
| Noncontrolling interests | 12.5 | 13.7 |
| Total equity | 359.1 | 357.9 |
| Total liabilities and shareholders' equity | \$ 1,318.2 | \$ 1,300.5 |

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

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

| | Three Months Ended March 31, | |
|---|---|-------------|
| | 2021 | 2020 |
| | (In millions, except per share data) | |
| Net sales | \$ 359.6 | \$ 366.3 |
| Cost of sales | 307.6 | 312.4 |
| Gross profit | 52.0 | 53.9 |
| Selling, general and administrative expenses | 39.7 | 40.9 |
| Operating income | 12.3 | 13.0 |
| Other components of pension income and other postretirement benefits expense, net | 2.4 | 1.8 |
| Interest expense, net | (7.4) | (8.0) |
| Income before income taxes | 7.3 | 6.8 |
| Income tax expense | (1.9) | (5.5) |
| Net income | 5.4 | 1.3 |
| Net loss (income) attributable to noncontrolling interests | 0.1 | (0.1) |
| Net income attributable to Park-Ohio Holdings Corp. common shareholders | \$ 5.5 | \$ 1.2 |
| Income per common share attributable to Park-Ohio Holdings Corp. common shareholders: | | |
| Basic | \$ 0.46 | \$ 0.10 |
| Diluted | \$ 0.45 | \$ 0.10 |
| Weighted-average shares used to compute income per share: | | |
| Basic | 12.0 | 12.2 |
| Diluted | 12.3 | 12.3 |

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, | |
|--|------------------------------|-----------|
| | 2021 | 2020 |
| | (In millions) | |
| Net income | \$ 5.4 | \$ 1.3 |
| Other comprehensive income (loss), net of tax: | | |
| Currency translation | (4.3) | (16.6) |
| Pension and other postretirement benefits | 0.2 | 0.5 |
| Total other comprehensive income (loss) | (4.1) | (16.1) |
| Total comprehensive income (loss), net of tax | 1.3 | (14.8) |
| Comprehensive loss (income) attributable to noncontrolling interests | 0.1 | (0.1) |
| Comprehensive income (loss) attributable to Park-Ohio Holdings Corp. common shareholders | \$ 1.4 | \$ (14.9) |

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 | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total |
|---|--------------------------|---------------|---|------------------------------|---------------------------|---|-------------------------------------|--------------|
| | Shares | Amount | | | | | | |
| | (In whole shares) | | | | | (In millions) | | |
| Balance at January 1, 2021 | 16,148,791 | \$ 16.1 | \$ 135.5 | \$ 290.5 | \$ (79.8) | \$ (18.1) | \$ 13.7 | \$ 357.9 |
| Other comprehensive income (loss) | — | — | — | 5.5 | — | (4.1) | (0.1) | 1.3 |
| Stock-based compensation expense | — | — | 1.6 | — | — | — | — | 1.6 |
| Stock-based compensation activity | (6,667) | — | — | — | — | — | — | — |
| Dividends | — | — | — | (1.6) | — | — | — | (1.6) |
| Increase in Park-Ohio ownership interest | — | — | 1.1 | — | — | — | (1.1) | — |
| Payments of withholding taxes on share awards | — | — | — | — | (0.1) | — | — | (0.1) |
| Balance at March 31, 2021 | 16,142,124 | \$ 16.1 | \$ 138.2 | \$ 294.4 | \$ (79.9) | \$ (22.2) | \$ 12.5 | \$ 359.1 |

| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total |
|---|--------------------------|---------------|---|------------------------------|---------------------------|---|-------------------------------------|--------------|
| | Shares | Amount | | | | | | |
| | (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 |

| | Three Months Ended March 31, | |
|----------------------------|-------------------------------------|-------------|
| | 2021 | 2020 |
| | \$ | \$ |
| 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, | |
|--|------------------------------|---------|
| | 2021 | 2020 |
| | (In millions) | |
| OPERATING ACTIVITIES | | |
| Net income | \$ 5.4 | \$ 1.3 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 9.4 | 8.9 |
| Stock-based compensation expense | 1.6 | 1.4 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1.4) | 8.1 |
| Inventories | (22.9) | (7.3) |
| Prepaid and other current assets | 2.2 | (4.9) |
| Accounts payable and accrued expenses | 17.1 | (9.5) |
| Other | (1.5) | (1.9) |
| Net cash provided (used) by operating activities | 9.9 | (3.9) |
| INVESTING ACTIVITIES | | |
| Purchases of property, plant and equipment | (6.6) | (4.9) |
| Proceeds from sale of an asset | — | 1.4 |
| Net cash used by investing activities | (6.6) | (3.5) |
| FINANCING ACTIVITIES | | |
| Proceeds from revolving credit facility, net | 5.7 | 15.5 |
| Payments on other debt | (2.8) | (2.3) |
| Proceeds from other debt | 1.8 | 0.2 |
| (Payments on) proceeds from finance lease facilities, net | (1.5) | 0.6 |
| Dividends | (1.6) | (1.6) |
| Purchases of treasury shares | — | (2.1) |
| Payments of withholding taxes on share awards | (0.1) | (0.1) |
| Net cash provided by financing activities | 1.5 | 10.2 |
| Effect of exchange rate changes on cash | (0.9) | (2.0) |
| Increase in cash and cash equivalents | 3.9 | 0.8 |
| Cash and cash equivalents at beginning of period | 55.0 | 56.0 |
| Cash and cash equivalents at end of period | \$ 58.9 | \$ 56.8 |
| Interest paid | \$ 1.1 | \$ 1.5 |
| Income taxes paid | \$ 1.8 | \$ 0.8 |

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, 2021

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, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. The balance sheet at December 31, 2020 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, 2020.

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*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. The guidance is effective upon issuance and may be adopted on any date on or after March 12, 2020. However, the relief is temporary and generally cannot be applied to contract modifications that occur after December 31, 2022 or hedging relationships entered into or evaluated after that date. 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 metrics 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.

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2021

| PRODUCT LINE | Three Months Ended March 31, | |
|---|------------------------------|----------|
| | 2021 | 2020 |
| | (In millions) | |
| Supply Technologies | \$ 136.5 | \$ 136.5 |
| Engineered specialty fasteners and other products | 21.2 | 21.2 |
| Supply Technologies Segment | 157.7 | 157.7 |
| Fuel, rubber and plastic products | 82.4 | 82.4 |
| Aluminum products | 43.6 | 43.6 |
| Assembly Components Segment | 126.0 | 126.0 |
| Industrial equipment | 55.4 | 55.4 |
| Forged and machined products | 20.5 | 20.5 |
| Engineered Products Segment | 75.9 | 75.9 |
| Total revenues | \$ 359.6 | \$ 359.6 |

| | Supply Technologies Segment | Assembly Components Segment | Engineered Products Segment | Total Revenue |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|
| (In millions) | | | | |
| Three Months Ended March 31, 2021 | | | | |
| GEOGRAPHIC REGION | | | | |
| United States | \$ 97.1 | \$ 87.6 | \$ 38.1 | \$ 222.8 |
| Europe | 28.9 | 3.8 | 13.4 | 46.1 |
| Asia | 11.1 | 6.8 | 13.2 | 31.1 |
| Mexico | 16.7 | 10.7 | 3.9 | 31.3 |
| Canada | 2.9 | 16.6 | 3.7 | 23.2 |
| Other | 1.0 | 0.5 | 3.6 | 5.1 |
| Total | \$ 157.7 | \$ 126.0 | \$ 75.9 | \$ 359.6 |

| | | | | |
|-----------------------------------|----------|----------|---------|----------|
| 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 |

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2021

For over time arrangements, contract liabilities primarily relate to advances or deposits received from the Company's customers before revenue is recognized. These amounts, which totaled \$37.7 million and \$37.4 million at March 31, 2021 and December 31, 2020, respectively, are recorded in Accrued expenses and other in the Condensed Consolidated Balance Sheets.

For over time arrangements, contract assets primarily relate to revenue recognized in advance of billings to customers under long-term contracts accounted for under percentage of completion. These amounts, which totaled \$52.9 million and \$56.9 million at March 31, 2021 and December 31, 2020, respectively, are recorded in Prepaid and other current assets in the Condensed Consolidated Balance Sheets.

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 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; 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, | |
|---|-------------------------------------|-----------------|
| | 2021 | 2020 |
| | (In millions) | |
| Net sales: | | |
| Supply Technologies | \$ 157.7 | \$ 140.8 |
| Assembly Components | 126.0 | 128.2 |
| Engineered Products | 75.9 | 97.3 |
| | <u>\$ 359.6</u> | <u>\$ 366.3</u> |
| Segment operating income (loss): | | |
| Supply Technologies | \$ 12.2 | \$ 9.2 |
| Assembly Components | 6.4 | 6.3 |
| Engineered Products | (1.3) | 3.8 |
| Total segment operating income | <u>17.3</u> | <u>19.3</u> |
| Corporate costs | <u>(5.0)</u> | <u>(6.3)</u> |
| Operating income | <u>12.3</u> | <u>13.0</u> |
| Other components of pension income and other postretirement benefits expense, net | 2.4 | 1.8 |
| Interest expense, net | <u>(7.4)</u> | <u>(8.0)</u> |
| Income before income taxes | <u>\$ 7.3</u> | <u>\$ 6.8</u> |

NOTE 5 — Plant Closure and Consolidation

In the first three months of 2021, the Company recorded expenses totaling \$0.6 million in its Assembly Components segment in connection with actions taken to close and consolidate its extrusion operations in Tennessee and its fuel operations

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2021

in Michigan, and to complete other cost reduction actions in this segment. The expenses, which are included in cost of sales in the Condensed Consolidated Statements of Operations, are comprised of severance costs of \$0.2 million and other facility-related costs of \$0.4 million. The Company expects to incur additional costs related to these initiatives of approximately \$2.6 million in the remainder of 2021.

The Company recorded expenses related to plant closure and consolidation in its Engineered Products segment totaling \$0.7 million, which are included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations, in the three months ended March 31, 2021. The Company expects to incur additional costs related to these initiatives of approximately \$1.0 million in the remainder of 2021.

NOTE 6 — Inventories

Inventories, net consist of the following:

| | March 31, 2021 | December 31, 2020 |
|----------------------------|-----------------------|--------------------------|
| | (In millions) | |
| Raw materials and supplies | \$ 106.1 | \$ 93.8 |
| Work in process | 40.7 | 42.3 |
| Finished goods | 186.6 | 174.8 |
| Inventories, net | <u>\$ 333.4</u> | <u>\$ 310.9</u> |

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, 2021 and 2020:

| | Three Months Ended March 31, | |
|-------------------|-------------------------------------|---------------|
| | 2021 | 2020 |
| | (In millions) | |
| Beginning balance | \$ 6.4 | \$ 6.4 |
| Claims paid | (0.3) | (0.2) |
| Warranty expense | 0.4 | 0.6 |
| Ending balance | <u>\$ 6.5</u> | <u>\$ 6.8</u> |

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.

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 a net operating loss for five 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.

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2021

Income tax expense for the three months ended March 31, 2021 was \$1.9 million, representing an effective rate of 26.0%, compared to \$5.5 million, or 81%, for the three months ended March 31, 2020. The rate in the 2021 period is higher than the U.S. statutory rate of 21% due primarily to income subject to foreign tax at tax rates higher than the U.S. statutory rate and state taxes. The rate in the 2020 period is higher than the U.S. statutory rate of 21% due to 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.

NOTE 9 — Financing Arrangements

Debt consists of the following:

| | Maturity Date | Interest Rate at March 31, 2021 | Carrying Value at | |
|--|-------------------|------------------------------------|-------------------|-------------------|
| | | | March 31, 2021 | December 31, 2020 |
| (In millions) | | | | |
| Senior Notes | April 15, 2027 | 6.625 % | \$ 350.0 | \$ 350.0 |
| Revolving credit facility | November 26, 2024 | 1.32 % | 149.4 | 143.7 |
| Finance Leases | Various | Various | 17.1 | 18.7 |
| Other | Various | Various | 20.6 | 22.3 |
| Total debt | | | 537.1 | 534.7 |
| Less current portion of long-term debt and short-term debt | | | (8.6) | (11.6) |
| Less unamortized debt issuance costs | | | (4.9) | (5.3) |
| Total long-term debt, net | | | \$ 523.6 | \$ 517.8 |

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 under the Credit Agreement of approximately \$36.0 million at March 31, 2021 and \$34.9 million at December 31, 2020.

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 \$29.3 million as of March 31, 2021, as well as a revolving credit facility for up to \$11.7 million to fund working capital and general corporate needs. No amounts were outstanding under the loan agreement or the revolving credit facility as of March 31, 2021.

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 \$17.1 million were borrowed under the Lease Agreement to acquire machinery and equipment as of March 31, 2021.

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2021

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 \$6.8 million of borrowings outstanding under this agreement as of March 31, 2021, 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, 2021 | December 31, 2020 |
|-----------------|----------------|-------------------|
| | (In millions) | |
| Carrying amount | \$ 350.0 | \$ 350.0 |
| Fair value | \$ 355.6 | \$ 361.8 |

NOTE 10 — Stock-Based Compensation

A summary of restricted share activity for the three months ended March 31, 2021 is as follows:

| | 2021 | | | |
|---------------------------------|-------------------|--|-------------------|--|
| | 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 | 741,006 | \$ 22.02 | 50,000 | \$ 32.55 |
| Granted | — | — | — | — |
| Vested | (12,167) | 35.06 | — | — |
| Canceled or expired | (6,667) | 22.74 | — | — |
| Outstanding - end of period | 722,172 | \$ 21.79 | 50,000 | \$ 32.55 |

Stock-based compensation is included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations. Total stock-based compensation expense for the three months ended March 31, 2021 and 2020 was \$1.6 million and \$1.4 million, respectively. As of March 31, 2021, there was \$8.4 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 2.0 years.

NOTE 11 — 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.

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2021

In addition to the routine lawsuits and asserted claims noted above, we are also a co-defendant in approximately 121 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 12 — Pension and Postretirement Benefits

The components of net periodic benefit (income) expense costs recognized for the three months ended March 31, 2021 and 2020 were as follows:

| | Pension Benefits | | Postretirement Benefits | |
|---------------------------------------|-------------------------------------|-----------------|-------------------------------------|---------------|
| | Three Months Ended March 31, | | Three Months Ended March 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| Service costs | \$ 1.1 | \$ 1.1 | \$ — | \$ — |
| Interest costs | 0.3 | 0.5 | — | — |
| Expected return on plan assets | (3.1) | (2.9) | — | — |
| Recognized net actuarial loss | 0.2 | 0.5 | 0.1 | 0.1 |
| Net periodic benefit (income) expense | <u>\$ (1.5)</u> | <u>\$ (0.8)</u> | <u>\$ 0.1</u> | <u>\$ 0.1</u> |

NOTE 13 — Accumulated Other Comprehensive (Loss) Income

The components of and changes in accumulated other comprehensive loss for the three months ended March 31, 2021 and 2020 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, 2021 | | | Three Months Ended March 31, 2020 | | |
| Beginning balance | \$ (8.3) | \$ (9.8) | \$ (18.1) | \$ (22.4) | \$ (14.6) | \$ (37.0) |
| Currency translation ^(a) | (4.3) | — | (4.3) | (16.6) | — | (16.6) |
| Pension and OPEB activity, net of tax | — | 0.2 | 0.2 | — | 0.5 | 0.5 |
| Ending balance | <u>\$ (12.6)</u> | <u>\$ (9.6)</u> | <u>\$ (22.2)</u> | <u>\$ (39.0)</u> | <u>\$ (14.1)</u> | <u>\$ (53.1)</u> |

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

NOTE 14 — 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:

Park-Ohio Holdings Corp. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2021

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2021 | 2020 |
| | (In millions) | |
| Weighted-average basic shares outstanding | 12.0 | 12.2 |
| Plus: Dilutive impact of employee stock awards | 0.3 | 0.1 |
| Weighted-average diluted shares outstanding | 12.3 | 12.3 |

Certain restricted stock awards are anti-dilutive and therefore excluded from the computation of diluted earnings per share. Anti-dilutive shares were 0.0 million and 0.2 million for the three months ended March 31, 2021 and 2020, respectively.

NOTE 15 — Subsequent Events

On April 1, 2021, the Company acquired NYK Component Solutions Limited ("NYK") for \$5.7 million in cash, net of cash acquired, plus potential contingent consideration of up to an additional \$2.0 million. NYK, which will be included in our Supply Technologies segment, is headquartered in Southampton, United Kingdom and is a leading distributor of circular connectors and accessories for use in aerospace, defense, and other industrial applications. NYK provides complementary products to our existing products in Supply Technologies.

On April 23, 2021, the Company's Board of Directors declared a quarterly dividend of \$0.125 per common share. The dividend will be paid on May 21, 2021 to shareholders of record as of the close of business on May 7, 2021 and will result in a cash outlay of approximately \$1.6 million.

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 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 around the world. The pandemic has negatively impacted several of the markets we serve. In response to the COVID-19 pandemic, we continue to take actions to reduce our operating costs, including plant consolidation; severance; and discretionary spending cuts. We also continue to aggressively manage both working capital and capital spending. Although there continues to be uncertainty related to the anticipated impact of the COVID-19 pandemic outbreak on our future results, we believe our diversified portfolio of global businesses, our liquidity position of \$264.4 million as of March 31, 2021, 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.

Subsequent Events

On April 1, 2021, the Company acquired NYK Component Solutions Limited ("NYK") for \$5.7 million in cash, net of cash acquired, plus potential contingent consideration of up to an additional \$2.0 million. NYK, which will be included in our Supply Technologies segment, is headquartered in Southampton, United Kingdom and is a leading distributor of circular connectors and accessories for use in aerospace, defense, and other industrial applications. NYK provides complementary products to our existing products in Supply Technologies.

On April 23, 2021, the Company's Board of Directors declared a quarterly dividend of \$0.125 per common share. The dividend will be paid on May 21, 2021 to shareholders of record as of the close of business on May 7, 2021 and will result in a cash outlay of approximately \$1.6 million.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2021 Compared with Three Months Ended March 31, 2020

| | Three Months Ended March 31, | | | |
|---|--|----------|-----------|----------|
| | 2021 | 2020 | \$ Change | % Change |
| | (Dollars in millions, except per share data) | | | |
| Net sales | \$ 359.6 | \$ 366.3 | \$ (6.7) | (1.8)% |
| Cost of sales | 307.6 | 312.4 | (4.8) | (1.5)% |
| Gross profit | 52.0 | 53.9 | (1.9) | (3.5)% |
| Gross margin | 14.5 % | 14.7 % | | |
| Selling, general and administrative ("SG&A") expenses | 39.7 | 40.9 | (1.2) | (2.9)% |
| SG&A expenses as a percentage of net sales | 11.0 % | 11.2 % | | |
| Operating income | 12.3 | 13.0 | (0.7) | (5.4)% |
| Other components of pension income and other postretirement benefits expense, net | 2.4 | 1.8 | 0.6 | 33.3 % |
| Interest expense, net | (7.4) | (8.0) | 0.6 | (7.5)% |
| Income before income taxes | 7.3 | 6.8 | 0.5 | 7.4 % |
| Income tax expense | (1.9) | (5.5) | 3.6 | (65.5)% |
| Net income | 5.4 | 1.3 | 4.1 | 315.4 % |
| Net loss (income) attributable to noncontrolling interests | 0.1 | (0.1) | 0.2 | * |
| Net income attributable to Park-Ohio Holdings Corp. common shareholders | \$ 5.5 | \$ 1.2 | \$ 4.3 | 358.3 % |
| Income per common share attributable to Park-Ohio Holdings Corp. common shareholders: | | | | |
| Basic | \$ 0.46 | \$ 0.10 | \$ 0.36 | * |
| Diluted | \$ 0.45 | \$ 0.10 | \$ 0.35 | * |

*Calculation not meaningful

Net Sales

Net sales decreased 1.8% to \$359.6 million in the first three months of 2021 compared to \$366.3 million in the same period in 2020. This decrease was primarily due to lower customer demand for our products in our Engineered Products segment, which more than offset higher customer demand in our Supply Technologies and Assembly Components segments.

The factors explaining the changes in segment net sales for the three months ended March 31, 2021 compared to the corresponding 2020 period are contained in the "Segment Results" section below.

Cost of Sales & Gross Profit

Cost of sales decreased 1.5% to \$307.6 million in the first three months of 2021 compared to \$312.4 million in the same period in 2020. The decrease in cost of sales was primarily due to the decrease in net sales described above.

Gross margin was 14.5% in the first nine months of 2021 compared to 14.7% in the corresponding period in 2020. The decrease was due primarily to the lower profit flow-through from lower sales in the 2021 period, and \$0.6 million of expenses related to plant closure, consolidation and severance recorded in cost of goods sold in the first quarter of 2021.

SG&A Expenses

SG&A expenses were \$39.7 million, or 11.0% of net sales, in the first three months of 2021, compared to \$40.9 million, or 11.2% of net sales, in the same period in 2020. SG&A expenses were down 2.9% compared to the same period a year ago, driven by the benefit from cost reduction actions implemented across the Company. The amount in 2021 included \$0.7 million of expenses related to plant closure and consolidation.

Other Components of Pension Income and OPEB, Net

Other components of pension income and OPEB expense, net was \$2.4 million in the first three months of 2021 compared to \$1.8 million in the corresponding period in 2020. This increase was driven by higher returns on plan assets and lower interest costs in the 2021 period compared to the same period a year ago.

Interest Expense, net

Interest expense, net was \$7.4 million in the first three months of 2021 compared to \$8.0 million in the 2020 period. The decrease was due to lower average outstanding borrowings and lower average interest rates during the 2021 period compared to the same period a year ago. The lower outstanding borrowings reflect our efforts to pay-down indebtedness with our free cash flow.

Income Tax Expense

Income tax expense for the three months ended March 31, 2021 was \$1.9 million, representing an effective rate of 26%, compared to income tax expense of \$5.5 million, or 81%, for the three months ended March 31, 2020. The rate in the 2021 period is higher than the U.S. statutory rate of 21% due primarily to income subjected to foreign tax at tax rates higher than the U.S. statutory rate and state taxes. The rate in the 2020 period is higher than the U.S. statutory rate of 21% due to 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, | | | |
|---------------------------------|------------------------------|-------|------|-------|
| | 2021 | | 2020 | |
| | (Dollars in millions) | | | |
| Net sales | \$ | 157.7 | \$ | 140.8 |
| Segment operating income | \$ | 12.2 | \$ | 9.2 |
| Segment operating income margin | | 7.7 % | | 6.5 % |

Net sales increased 12.0% in the three months ended March 31, 2021 compared to the 2020 period due primarily to higher customer demand in certain end markets, including the Company's truck and truck-related market, which was up 26% year-over-year; the Company's power sports market, which was up 37% year-over-year; and the Company's medical market, which was up 48% year-over-year. These increases were partially offset by lower customer demand in the Company's commercial aerospace market.

Segment operating income increased by \$3.0 million and segment operating income margin was up 120 basis points in the 2021 period compared to the same period a year ago. These increases were driven by the higher sales levels and the benefit of cost reduction actions.

Assembly Components Segment

| | Three Months Ended March 31, | |
|---------------------------------|------------------------------|----------|
| | 2021 | 2020 |
| | (Dollars in millions) | |
| Net sales | \$ 126.0 | \$ 128.2 |
| Segment operating income | \$ 6.4 | \$ 6.3 |
| Segment operating income margin | 5.1 % | 4.9 % |

Net sales decreased 1.7% in the three months ended March 31, 2021 compared to the 2020 period, as the segment has essentially returned to pre-pandemic demand levels.

Segment operating income in the 2021 period increased by \$0.1 million, and segment operating income margin increased by 20 basis points compared to the corresponding period of 2020. These increases were due primarily to the benefit of cost reduction actions. In the 2021 period, this segment incurred expenses of \$0.6 million related to plant closing and consolidation and other actions to reduce costs. In the 2020 period, this segment incurred expenses of \$0.1 million related to plant closing and consolidation.

Engineered Products Segment

| | Three Months Ended March 31, | |
|---------------------------------|------------------------------|---------|
| | 2021 | 2020 |
| | (Dollars in millions) | |
| Net sales | \$ 75.9 | \$ 97.3 |
| Segment operating (loss) income | \$ (1.3) | \$ 3.8 |
| Segment operating income margin | (1.7)% | 3.9 % |

Net sales were 22.0% lower in the 2021 period compared to the 2020 period. The decrease was due primarily to lower customer demand in certain key end markets in our forged and machined products business, including our oil and gas, aerospace, rail and agriculture markets; as well as lower demand for our capital equipment products, as many customers delayed buying decisions in response to the COVID-19 pandemic.

Segment operating (loss) income in the 2021 period decreased by \$5.1 million compared to the corresponding 2020 period. This decrease was driven by the lower sales levels and expenses related to plant closure and consolidation. In the 2021 period, this segment incurred expenses of \$0.7 million related to plant closing and consolidation and other actions to reduce costs. In the 2020 period, this segment incurred expenses of \$0.1 million related to severance. 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, | | |
|---|------------------------------|----------|-----------|
| | 2021 | 2020 | \$ Change |
| Net cash provided (used) by: | (In millions) | | |
| Operating activities | \$ 9.9 | \$ (3.9) | \$ 13.8 |
| Investing activities | (6.6) | (3.5) | (3.1) |
| Financing activities | 1.5 | 10.2 | (8.7) |
| Effect of exchange rate changes on cash | (0.9) | (2.0) | 1.1 |
| Increase in cash and cash equivalents | \$ 3.9 | \$ 0.8 | \$ 3.1 |

Operating Activities

Cash generated by operating activities in the 2021 period was higher than in the prior year period, driven by both higher profitability and lower working capital usage in the three months ended March 31, 2021.

Investing Activities

Capital expenditures were \$6.6 million in the three months ended March 31, 2021 and were primarily to provide increased capacity for future growth in our Assembly Components segment and to maintain existing operations. Capital expenditures were lower in the 2020 period, as we curtailed spending in response to the pandemic.

Financing Activities

During the three months ended March 31, 2021, we had net debt borrowings of \$3.2 million and paid dividends to shareholders of \$1.6 million in the first three months of 2021. In the 2020 period, we had net debt borrowings of \$14.0 million to fund our net use of cash for operating activities, capital expenditures, dividends and share repurchases.

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, 2021, we had total liquidity of \$264.4 million, which included \$205.5 million of unused borrowing availability and cash and cash equivalents of \$58.9 million.

The Company had cash and cash equivalents held by foreign subsidiaries of \$48.1 million at March 31, 2021 and \$44.7 million at December 31, 2020. 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. First, for all foreign subsidiaries except RB&W Corporation of Canada ("RB&W"), all earnings are permanently reinvested outside of the United States. Second, 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 \$17.1 million were borrowed under the Lease Agreement to acquire machinery and equipment as of March 31, 2021.

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, 2021, our calculated availability under the Credit Agreement was \$182.6 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, 2021. While we expect to remain in compliance throughout 2021, 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, 2021. On April 23, 2021, the Company's Board of Directors declared a quarterly dividend of \$0.125 per common share. The dividend will be paid on May 21, 2021 to shareholders of record as of the close of business on May 7, 2021 and will result in a cash outlay of approximately \$1.6 million.

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, 2020, both contained in our Annual Report on Form 10-K for the year ended December 31, 2020. 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 timing and amount of any such 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, 2020. 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, 2021, 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 \$0.4 million during the three-month period ended March 31, 2021.

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, 2021, 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, 2021:

We were a co-defendant in approximately 121 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 four asbestos cases, involving 20 plaintiffs, that plead specified damages against named defendants. In each of the four 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. In the fourth case, the plaintiff has alleged compensatory and punitive damages, each in the amount of \$10.0 million, for ten separate causes 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

There have been no material changes in the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

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, 2021.

| 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, 2021 | 897 (2) | \$ 31.42 | — | 541,085 |
| February 1 — February 28, 2021 | 3,038 (2) | 29.70 | — | 541,085 |
| March 1 — March 31, 2021 | — (2) | — | — | 541,085 |
| Total | 3,935 | \$ 30.09 | — | 541,085 |

(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 3,935 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 | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL 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.

| | |
|--------|--|
| | <div>PARK-OHIO HOLDINGS CORP.<hr/>(Registrant)</div> |
| By: | <div>/s/ Patrick W. Fogarty<hr/></div> |
| Name: | Patrick W. Fogarty |
| Title: | Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) |

Date: May 5, 2021

**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 5, 2021

**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 5, 2021

**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, 2021, 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 5, 2021

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.