Commercial Vehicle Group, Inc.
Form 10-Q
November 05, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-34365

COMMERCIAL VEHICLE GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	41-1990662 (I.R.S. Employer Identification No.)
7800 Walton Parkway New Albany, Ohio (Address of principal executive offices)	43054 (Zip Code)

(614) 289-5360
(Registrant’s telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Non-accelerated filer	¨	Smaller reporting company ¨
		Emerging growth company ¨

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares outstanding of the Registrant's common stock, par value $.01 per share, at November 5, 2018 was 30,895,366 shares.

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q

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ITEM 1 – FINANCIAL STATEMENTS
COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (Unaudited)	December 31, 2017 (Unaudited)
	(In thousands)	
Assets		
Current Assets:		
Cash	$57,525	$52,244
Accounts receivable, net of allowances of $6,039 and $5,242, respectively	151,196	108,595
Inventories	93,195	99,015
Other current assets	14,137	14,792
Total current assets	316,053	274,646
Property, plant and equipment, net of accumulated depreciation of $142,376 and $147,553, respectively	63,000	64,630
Goodwill	7,374	8,045
Intangible assets, net of accumulated amortization of $9,138 and $8,533, respectively	12,987	14,548
Deferred income taxes	11,742	20,273
Other assets, net	3,814	2,246
Total assets	$414,970	$384,388
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$91,582	$86,608
Accrued liabilities and other	34,400	33,944
Current portion of long-term debt	3,217	3,191
Total current liabilities	129,199	123,743
Long-term debt	161,340	163,758
Pension and other post-retirement benefits	14,534	15,450
Other long-term liabilities	4,582	6,695
Total liabilities	309,655	309,646
Stockholders' Equity:		
Preferred stock, $0.01 par value (5,000,000 shares authorized; no shares issued and outstanding)	—	—
Common stock, $0.01 par value (60,000,000 shares authorized; 30,219,278 shares issued and outstanding, as of September 2018 and December 2017, respectively)	304	304
Treasury stock, at cost: 1,175,795 shares, as of September 2018 and December 2017	(9,114)	(9,114)
Additional paid-in capital	242,167	239,870
Retained deficit	(79,452)	(115,083)
Accumulated other comprehensive loss	(48,590)	(41,235)
Total stockholders' equity	105,315	74,742
Total liabilities and stockholders' equity	$414,970	$384,388

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

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
Revenues	$ 225,010	$ 198,349	$ 674,135	$ 566,893
Cost of Revenues	192,535	173,199	574,655	497,539
Gross Profit	32,475	25,150	99,480	69,354
Selling, General and Administrative Expenses	15,694	14,136	45,429	45,557
Amortization Expense	321	332	980	990
Operating Income	16,460	10,682	53,071	22,807
Interest and Other Expense	3,659	3,482	9,047	14,786
Income Before Provision for Income Taxes	12,801	7,200	44,024	8,021
Provision for Income Taxes	218	2,437	8,393	2,498
Net Income	$ 12,583	$ 4,763	$ 35,631	$ 5,523
Earnings per Common Share:				
Basic	$ 0.42	$ 0.16	$ 1.18	$ 0.18
Diluted	$ 0.41	$ 0.16	$ 1.17	$ 0.18
Weighted Average Shares Outstanding:				
Basic	30,219	29,875	30,219	29,874
Diluted	30,638	30,487	30,575	30,379

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

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(In thousands)		(In thousands)	
Net income	$12,583	$ 4,763	$35,631	$ 5,523
Other comprehensive (loss) income:				
Foreign currency exchange translation adjustments	(1,529)	1,130	(5,363)	5,209
Minimum pension liability, net of tax	(1,060)	(546)	(1,992)	(1,830)
Other comprehensive (loss) income	(2,589)	584	(7,355)	3,379
Comprehensive income	$9,994	$ 5,347	$28,276	$ 8,902

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

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Treasury Stock	Additional Paid In Capital	Retained Deficit	Accumulated Other Comp. Loss	Total CVG Stockholders' Equity
	Shares	Amount					
	(Unaudited) (In thousands)						
Balance - December 31, 2017	30,219	$ 304	$(9,114)	$ 239,870	$ (115,083)	$ (41,235)	$ 74,742
Share-based compensation expense	—	—	—	2,297	—	—	2,297
Total comprehensive income	—	—	—	—	35,631	(7,355)	28,276
Balance - September 30, 2018	30,219	$ 304	$(9,114)	$ 242,167	$ (79,452)	$ (48,590)	$ 105,315

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

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	(In thousands)	
Cash Flows from Operating Activities:		
Net Income	$35,631	$ 5,523
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	11,787	11,431
Allowance for accounts receivable	6,448	3,739
Non-cash amortization of debt financing costs	1,054	891
Shared-based compensation expense	2,297	1,842
Deferred income taxes	9,042	88
Non-cash gain on derivative contracts	(2,842)	(979)
Change in other operating items:		
Accounts receivable	(51,076)	(32,404)
Inventories	4,507	(15,086)
Prepaid expenses	(4,462)	(1,755)
Accounts payable	6,653	28,751
Other operating activities, net	1,000	(4,351)
Net cash provided by (used in) operating activities	20,039	(2,310)
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(9,823)	(10,290)
Proceeds from disposal/sale of property, plant and equipment	18	254
Net cash used in investing activities	(9,805)	(10,036)
Cash Flows from Financing Activities:		
Borrowing of Revolving Credit Facility	80,500	—
Repayment of Revolving Credit Facility	(80,500)	—
Repayment of Term Loan	(3,281)	(1,094)
Borrowing of Term Loan	—	175,000
Repayment of 7.875% notes	—	(235,000)
Prepayment charge for redemption of 7.875% notes	—	(1,543)
Term Loan discount	—	(3,500)
Payment of debt issuance cost	—	(4,242)
Net cash used in financing activities	(3,281)	(70,379)
Effect of Foreign Currency Exchange Rate Changes on Cash	(1,672)	2,797
Net Increase (Decrease) in Cash	5,281	(79,928)
Cash:		
Beginning of period	52,244	130,160
End of period	$57,525	$ 50,232
Supplemental Cash Flow Information:		
Cash paid for interest	$10,421	$ 13,767
Cash paid for income taxes, net	$2,081	$ 2,568

Unpaid purchases of property and equipment included in accounts payable	$132	$ 321

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

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COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
1. Description of Business and Basis of Presentation

Commercial Vehicle Group, Inc. (through its subsidiaries) is a leading supplier of a full range of cab related products and systems for the global commercial vehicle market, including the medium- and heavy-duty truck (“MD/HD Truck”) market, the medium- and heavy-duty construction vehicle market, and the bus, agriculture, military, specialty transportation, mining, industrial equipment and off-road recreational markets. References herein to the "Company", "CVG", "we", "our", or "us" refer to Commercial Vehicle Group, Inc. and its subsidiaries.

We have manufacturing operations in the United States, Mexico, United Kingdom, Czech Republic, Ukraine, China, India and Australia. Our products are primarily sold in North America, Europe, and the Asia-Pacific region.

Our products include seats and seating systems (“Seats”); trim systems and components (“Trim”); cab structures, sleeper boxes, body panels and structural components; mirrors, wipers and controls; and electrical wire harness and panel assemblies designed for applications primarily in commercial vehicles.

We are differentiated from automotive industry suppliers by our ability to manufacture low volume, customized products on a sequenced basis to meet the requirements of our customers. We believe our products are used by a majority of the North American MD/HD Truck and certain leading global construction and agriculture original equipment manufacturers (“OEMs”).

We have prepared the unaudited condensed consolidated financial statements included herein pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). The information furnished in the unaudited condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of the results of operations and statements of financial position for the interim periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with our fiscal 2017 consolidated financial statements and the notes thereto included in Part II, Item 8 of our Annual Report on Form 10-K ("2017 Form 10-K") as filed with the SEC on March 12, 2018. Unless otherwise indicated, all amounts are in thousands, except share and per share amounts. Certain immaterial reclassifications in the Statements of Cash Flows have been made to prior year amounts to conform to current year presentation.

SEGMENTS

Operating segments are defined as components of an enterprise that are evaluated regularly by the Company’s chief operating decision maker, which is our President and Chief Executive Officer. The Company has two reportable segments: the Global Truck and Bus Segment (“GTB Segment”) and the Global Construction and Agriculture Segment (“GCA Segment”). Each of these segments consists of a number of manufacturing facilities. Certain of our facilities manufacture and sell products through both of our segments. Each manufacturing facility that sells products through both segments is reflected in the financial results of the segment that has the greatest amount of sales from that manufacturing facility. Our segments are more specifically described below.

The GTB Segment manufactures and sells the following products:

- Seats, Trim, sleeper boxes, cab structures, structural components and body panels. These products are sold primarily to the MD/HD Truck markets in North America;
- Seats to the truck and bus markets in Asia-Pacific and Europe;
- Mirrors and wiper systems to the truck, bus, agriculture, construction, rail and military markets in North America;
- Trim to the recreational and specialty vehicle markets in North America; and
- Aftermarket seats and components in North America.

The GCA Segment manufactures and sells the following products:

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- Electrical wire harness assemblies and Seats to the construction, agricultural, industrial, automotive, mining and military markets in North America, Europe and Asia-Pacific;
- Seats to the truck and bus markets in Asia-Pacific and Europe;
- Wiper systems to the construction and agriculture markets in Europe;
- Office seating in Europe and Asia-Pacific; and
- Aftermarket seats and components in Europe and Asia-Pacific.

Corporate expenses consist of certain overhead and shared costs that are not directly attributable to the operations of a segment. For purposes of business segment performance measurement, some of these costs that are for the benefit of the operations are allocated based on a combination of methodologies. The costs that are not allocated to a segment are considered stewardship costs and remain at corporate in our segment reporting.

2. Recently Issued Accounting Pronouncements

In August 2018 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-15, "Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." ASU 2018-15 aligns the capitalization of implementation costs incurred in a hosting arrangement that is a service contract consistent with the capitalization of implementation costs incurred to develop internal-use software. The Company will adopt ASU 2018-15 as of the fourth quarter of 2018 on a prospective basis and does not expect a material impact.

In August 2018 the FASB issued ASU No. 2018-14, "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans," which modifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement benefit plans. The Company will adopt ASU 2018-14 as of December 31, 2018 and does not expect a material impact.

In August 2018 the FASB issued ASU No. 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement," which modifies disclosure requirements on fair value measurements by removing some disclosures around transfers within Level 1 and 2 assets, modifications to disclosures pertaining to investments that calculate net asset value and additional disclosures pertaining to Level 3 investments. The Company will adopt ASU 2018-13 as of December 31, 2018 and does not expect a material impact.

In July 2018 the FASB issued ASU No. 2018-09, "Codification Improvements," which clarified reporting of comprehensive income, extinguishment of debt when the fair value option is elected, accounting for freestanding derivatives, recognition of excess tax benefits for compensation expense, allocation of the consolidated tax provision to an acquired entity post-acquisition, offsetting of derivatives and clarifications in measurement of fair value. In accordance with ASU 2018-09, the Company will adopt portions of the guidance immediately and other portions as of January 1, 2019. We do not expect a material impact.

In August 2017 the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities," which simplifies hedge accounting to better align risk management activities and financial reporting for hedging relationships and clarifies the presentation of recognized gains and losses from derivatives. The Company anticipates early adoption of ASU 2017-12 as of the fourth quarter of 2018. As we do not currently use hedge accounting for our derivatives, we will begin reporting gains and losses in interim periods in Other Comprehensive Income and will recognize gains and losses in the same line item as the hedged transaction when the derivatives settle.

In February 2016 the FASB issued ASU No. 2016-02, "Leases (Topic 842)" followed by ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements" in July 2018. ASU 2016-02 is intended to increase transparency and comparability among companies by recognizing lease assets and liabilities and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018.

In accordance with ASU 2016-02, we plan to elect not to recognize lease assets and lease liabilities for leases with a term of twelve months or less. The ASU requires a modified retrospective transition method, or a transition method option under ASU 2018-11, with the option to elect a package of practical expedients that permits the Company to: a. not reassess whether expired or existing contracts contain leases, b. not reassess lease classification for existing or expired leases and c. not consider whether previously capitalized initial direct costs would be appropriate under the new standard. The Company will elect to apply the package of practical expedients.

ASU 2018-11 provides another transition method option by allowing entities to apply the new leasing standard on the date of adoption and recognizing a cumulative-effect transition adjustment to the opening balance of retained earnings in the period of adoption. The Company expects to implement the transition method option in ASU 2018-11.

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The Company is assessing the impact of this pronouncement and anticipates it will impact the presentation of our lease assets and liabilities and associated disclosures by the recognition of lease assets and liabilities that are not included in the Consolidated Balance Sheets under existing accounting guidance. We are reviewing our lease arrangements, including facility leases and machinery and equipment leases. The lease terms generally are not complex in nature. We are reviewing other arrangements which could contain embedded lease arrangements to be considered under the revised guidance. We have not finalized our assessment but believe this standard will have a significant impact on our consolidated balance sheets. The standard is not expected to have a material impact on the Company's results of operations or cash flows.

Accounting Pronouncements Implemented in the Current Year

Revenue Recognition Guidance

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers,” followed by a series of standards and clarifications, including: ASU No. 2016-08, "Principal Versus Agent Considerations (Reporting Revenue Gross versus Net)", ASU No. 2016-10, "Identifying Performance Obligations and Licensing" and ASU No. 2016-12, "Narrow-Scope Improvements and Practical Expedients". These ASUs supersede the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification.

Under previous and current guidance, we typically recognize revenue when products are shipped and control has transferred to the customer. We assessed the timing of revenue recognition in light of the customized nature of some of our products and provisions of some of our customer contracts and generally did not note an enforceable right to payment that would require us to recognize revenue prior to the product being shipped to the customer. We assessed certain pricing provisions contained in some of our customer contracts and determined they do not represent a material right to the customer. We evaluated how we account for customer owned tooling, engineering and design services, and pre-production costs and determined this accounting should not change under the new guidance. Finally, we evaluated our standard warranties and determined they did not represent a material right to the customer. We did not record a transition adjustment as a result of the implementation and there was no impact on the quarter ending September 30, 2018. We adopted ASC 606, Revenue from Contracts with Customers, with an effective date of January 1, 2018. As a result, the Company expanded its disclosure regarding our accounting policy for revenue recognition and disaggregation of revenue as detailed in Note 3.

Income Tax Guidance

In March 2018, the FASB issued ASU No. 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin ("SAB") No. 118". ASU No. 2018-05 amends Topic 740 for income tax accounting implications resulting from the Tax Cuts and Jobs Act ("U.S. Tax Reform") as discussed in SAB 118. ASU 2018-05 was effective December 22, 2017. The measurement period to finalize our calculations as they relate to U.S. Tax Reform cannot extend beyond one year of the enactment date. In December 2017, the Company determined the U.S. Tax Reform gave rise to a provision of $4.0 million on the deemed repatriation of accumulated untaxed earnings of foreign subsidiaries which was recorded in that period. At December 31, 2017, the assessment of the $4.0 million tax provision on the accumulated untaxed earnings of foreign subsidiaries was estimated. Any adjustments to provisional amounts are included in income from operations as an adjustment to tax expense in the period the amounts are determined. During the quarter ended September 30, 2018, a $2.9 million adjustment was made to reduce the provisional $4.0 million tax expense recorded for the year ended December 31, 2017. The adjustment represents our best estimate at this time and will remain provisional in nature as the Company continues to refine its calculation based on, among other things, its evaluation of recently issued and expected future guidance. Consequently, the Company may record further adjustments to this provisional tax amount during the quarter ending December 31, 2018.

3. Revenue Recognition

Contractual Arrangements

Revenue is measured based on terms and considerations specified in contracts with customers. We have long-term contracts with some customers that govern overall terms and conditions accompanied by individual purchase orders that define specific order quantities and/or price. We have many customers that operate under terms outlined in purchase orders without a long-term contract. We generally do not have customer contracts with minimum order quantity requirements.

Amount and Timing of Revenue Recognition

The transaction price is based on the consideration to which the Company will be entitled in exchange for transferring control of a product to the customer. This is defined in a purchase order or in a separate pricing arrangement and represents the stand-alone selling price. Our payment terms vary by the type and location of our customer and the products offered. None of the Company's contracts as of September 30, 2018, contained a significant financing component. We typically do not have multiple performance obligations requiring us to allocate a transaction price.

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We recognize revenue at the point in time when we satisfy a performance obligation by transferring control of a product to a customer, usually at a designated shipping point and in accordance with customer specifications. We make estimates for potential customer returns or adjustments based on historical experience, which reduce revenues.

Other Matters

Shipping and handling costs billed to customers are recorded in revenues and costs associated with outbound freight are generally accounted for as a fulfillment cost and are included in cost of revenues. We generally do not provide for extended warranties or material customer incentives. Our customers typically do not have a general right of return for our products.

We had outstanding customer accounts receivable, net of allowances of $151.2 million as of September 30, 2018 and $108.6 million as of December 31, 2017. We generally do not have other assets or liabilities associated with customer contracts. In general, we do not make significant judgments or have variable consideration that impact our recognition of revenue.

Our products include Seats, Trim, structures, electrical wire harness assemblies, cab structures, mirrors, wipers and controls. We sell these products into multiple geographic regions including North America, Europe and Asia-Pacific and to multiple customer end markets including medium- and heavy-duty Truck OEMs, Bus OEMs, Construction OEMs, the aftermarket and other markets. The nature, timing and uncertainty of our recognition of revenue and associated cash flows across the varying product lines, geographic regions and customer end markets are substantially consistent. Refer to Note 14 for revenue disclosures by reportable segments.

4. Fair Value Measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 - Unobservable inputs reflecting management’s assumptions about the inputs used in pricing the asset or liability.

Our financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. The carrying value of these instruments approximates fair value as a result of the short duration of such instruments.

Our derivative assets and liabilities represent foreign exchange contracts and an interest rate swap agreement that are measured at fair value using observable market inputs. Based on these inputs, the derivative assets and liabilities are classified as Level 2. The fair values of our derivative assets and liabilities are categorized as follows:

		September 30, 2018				December 31, 2017			
		Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Derivative assets	Foreign exchange contract [1]	$168	$ —	$168	$ —	$20	$ —	$ 20	$ —
	Interest rate swap agreement [2]	$2,343	$ —	$2,343	$ —	$515	$ —	$ 515	$ —
Derivative liabilities	Foreign exchange contract [3]	$7	$ —	$7	$ —	$627	$ —	$ 627	$ —
	Interest rate swap agreement [4]	$—	$ —	$—	$ —	$246	$ —	$ 246	$ —

1 Presented in the Condensed Consolidated Balance Sheets in other current assets and based on observable market transactions of spot and forward rates.

2 Presented in the Condensed Consolidated Balance Sheets in other assets and based on observable market transactions of forward rates.

3

Presented in the Condensed Consolidated Balance Sheets in accrued liabilities and other, and based on observable market transactions of spot and forward rates.

[4] Presented in the Condensed Consolidated Balance Sheets in accrued liabilities and other, and based on observable market transactions of forward rates.

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The fair value of long-term debt obligations is based on a fair value model utilizing observable inputs. Based on these inputs, our long-term debt is classified as Level 2. The carrying amounts and fair values of our long-term debt obligations are as follows:

	September 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan and security agreement [1]	$164,557	$166,252	$166,949	$169,972

[1] Presented in the Condensed Consolidated Balance Sheets as the current portion of long-term debt of $3.2 million and long-term debt of $161.3 million as of September 30, 2018, and current portion of long-term debt of $3.2 million and long-term debt of $163.8 million as of December 31, 2017.

There are no fair value measurements of our long-lived assets and definite-lived intangible assets measured on a non-recurring basis as of September 30, 2018 and 2017.

5. Stockholders’ Equity

Common Stock — Our authorized capital stock consists of 60,000,000 shares of common stock with a par value of $0.01 per share; of which, 30,219,278 shares were issued and outstanding as of September 30, 2018 and as of December 31, 2017.

Preferred Stock — Our authorized capital stock also consists of 5,000,000 shares of preferred stock with a par value of $0.01 per share; no preferred shares were outstanding as of September 30, 2018 and December 31, 2017.

Earnings Per Share — Basic earnings per share is determined by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share, and all other diluted per share amounts presented, is determined by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period as determined by the Treasury Stock Method. Diluted earnings per share for the three and nine months ended September 30, 2018 and 2017 includes the effects of potential common shares issuable upon the vesting of restricted stock, when dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	$12,583	$4,763	$35,631	$5,523
Weighted average number of common shares outstanding	30,219	29,875	30,219	29,874
Dilutive effect of restricted stock grants after application of the Treasury Stock Method	419	612	356	505
Dilutive shares outstanding	30,638	30,487	30,575	30,379
Basic earnings per share	$0.42	$0.16	$1.18	$0.18
Diluted earnings per share	$0.41	$0.16	$1.17	$0.18

There are no antidilutive outstanding restrictive stock awards impacting the diluted earnings per shares for the three and nine months ended September 30, 2018 and 2017.

Dividends — We have not declared or paid any cash dividends in the past. The terms of our debt and credit facilities (as described in Note 12) restrict the payment or distribution of our cash or other assets, including cash dividend payments.

6. Share-Based Compensation

The company's outstanding share-based compensation is comprised solely of restricted stock awards.

Restricted Stock Awards –- Restricted stock awards are a grant of shares of common stock that may not be sold, encumbered or disposed of and that may be forfeited in the event of certain terminations of employment prior to the end of a restricted period set by the Compensation Committee of the Board of Directors. A participant granted

restricted stock generally has all of the rights of a stockholder, unless the Compensation Committee determines otherwise.
The following table summarizes information about outstanding restricted stock grants as of September 30, 2018:

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Grant	Shares ('000)	Vesting Schedule	Unearned Compensation ('000)	Remaining Periods (in months)
October 2015	596	3 equal annual installments commencing on October 20, 2016	$ 44.4	1
January/March 2016	63	3 equal annual installments commencing on October 20, 2016	$ 2.3	1
October 2016	411	3 equal annual installments commencing on October 20, 2017	$ 695.3	13
July 2017	6	3 equal annual installments commencing on October 20, 2017	$ 17.3	13
October 2017	303	3 equal annual installments commencing on October 20, 2018	$ 1,938.1	25
October 2017	46	fully vests as of October 20, 2018	$ 37.5	1
May 2018	64	fully vests as of May 20, 2019	$ 315.0	7

As of September 30, 2018, there was approximately $3.0 million of unearned compensation expense related to non-vested restricted stock awards granted under our equity incentive plans. We have elected to report forfeitures as they occur as opposed to estimating future forfeitures in our share-based compensation expense.

The following table summarizes information about the non-vested restricted stock grants for the nine months ended September 30, 2018 and 2017:

	Nine Months Ended September 30,			
	2018		2017	
	Shares (000's)	Weighted-Average Grant-Date Fair Value	Shares (000's)	Weighted-Average Grant-Date Fair Value
Nonvested at December 31	787	$ 6.84	981	$ 4.70
Granted	64	8.41	6	8.77
Vested	—	—	(6)	4.89
Forfeited	(16)	7.12	(39)	4.84
Nonvested at September 30	835	$ 6.96	942	$ 4.72

7. Performance Awards

Awards, defined as cash, shares or other awards, may be granted to employees under the Commercial Vehicle Group, Inc. 2014 Equity Incentive Plan (the "2014 EIP"). The cash award is earned and payable based upon the Company's relative Total Shareholder Return in terms of ranking as compared to the Peer Group over a three-year period (the "Performance Period"). Total Shareholder Return is determined by the percentage change in value (positive or negative) over the applicable measurement period as measured by dividing (A) the sum of (i) the cumulative value of dividends and other distributions paid on the Common Stock for the applicable measurement period, and (ii) the difference (positive or negative) between each such company's starting stock price and ending stock price, by (B) the starting stock price. The award is to be paid out at the end of the Performance Period in cash only if the employee is employed through the end of the Performance Period. If the employee is not employed during the entire Performance Period, the award will be forfeited. These grants are accounted for as cash settlement awards for which the fair value of the award fluctuates based on the change in Total Shareholder Return in relation to the Peer Group. The following table summarizes performance awards granted in the form of cash awards under the 2014 EIP in November 2017, 2016 and 2015:

Grant Date	Grant Amount	Adjustments	Forfeitures	Payments	Adjusted Award Value at September	Vesting Schedule	Remaining Periods (in Months) to Vesting

					30, 2018		
November 2015	$ 1,487	$ 645	$ (197)	$ —	$ 1,935	October 2018	1
November 2016	1,434	(35)	(37)	—	1,362	October 2019	13
November 2017	1,584	(85)	—	—	1,499	October 2020	25
	$ 4,505	$ 525	$ (234)	$ —	$ 4,796		

Compensation expense of $1.0 million and compensation benefit of $0.3 million was recognized for the three months ended September 30, 2018 and 2017, respectively. Compensation expense totaling $1.6 million and $0.4 million was recognized for the nine months ended September 30, 2018 and 2017, respectively. Unrecognized compensation expense was $1.6 million and $1.4 million as of September 30, 2018 and 2017, respectively.

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8. Accounts Receivable

Trade accounts receivable are stated at current value less an allowances, which approximates fair value. This allowance is estimated based primarily on management's evaluation of specific balances as the balances become past due, commercial adjustments, the financial condition of our customers and our historical experience with write-offs. If not reserved through specific identification procedures, our general policy for potentially uncollectible accounts is to reserve at a certain percentage based upon the aging categories of accounts receivable and our historical experience with write-offs. Past due status is based upon the due date of the original amounts outstanding. When items are ultimately deemed uncollectible they are charged off against the reserve previously established in the allowance.

9. Inventories

Inventories are valued at the lower of first-in, first-out cost or market. Cost includes applicable material, labor and overhead. Inventories consisted of the following:

	September 30, 2018	December 31, 2017
Raw materials	$ 66,646	$ 73,026
Work in process	12,612	10,136
Finished goods	13,937	15,853
	$ 93,195	$ 99,015

Inventories on-hand are regularly reviewed and, when necessary, provisions for excess and obsolete inventory are recorded based primarily on our estimated production requirements, which reflect expected market volumes. Excess and obsolete provisions may vary by product depending upon future potential use of the product.

10. Goodwill and Intangible Assets

Goodwill represents the excess of acquisition purchase price over the fair value of net assets acquired. We review goodwill for impairment annually, initially utilizing a qualitative assessment, in the second fiscal quarter and whenever events or changes in circumstances indicate the carrying value may not be recoverable. Our goodwill is attributable to the GTB Segment. In conducting the qualitative assessment, we consider relevant events and circumstances that affect the fair value or carrying amount of the reporting unit. Such events and circumstances could include macroeconomic conditions, industry and market considerations, overall financial performance, entity and reporting unit specific events, cost factors and capital market pricing. We consider the extent to which each of the adverse events and circumstances identified affect the comparison of the reporting unit's fair value with its carrying amount. We place more weight on the events and circumstances that most affect the reporting unit's fair value or the carrying amount of its net assets. We consider positive and mitigating events and circumstances that may affect its determination of whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. These factors are all considered by management in reaching its conclusion about whether to perform the first step of the impairment test. No impairment was recorded as a result of our second quarter 2018 assessment.

The changes in the carrying amounts of goodwill are as follows:

	September 30, 2018	December 31, 2017
Balance — Beginning	$ 8,045	$ 7,703
Currency translation adjustment	(671)	342
Balance — Ending	$ 7,374	$ 8,045

Our definite-lived intangible assets were comprised of the following:

	Weighted-Average Amortization Period	September 30, 2018			December 31, 2017		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks/Tradenames	23 years	$8,356	$ (3,792)	$4,564	$8,472	$ (3,585)	$4,887
Customer relationships	15 years	13,769	(5,346)	8,423	14,609	(4,948)	9,661
		$22,125	$ (9,138)	$12,987	$23,081	$ (8,533)	$14,548

The aggregate intangible asset amortization expense was approximately $0.3 million for the three months ended September 30, 2018 and 2017 and $1.0 million for the nine months ended September 30, 2018 and 2017. Intangible assets accumulated amortization was positively impacted by foreign currency translation of $0.4 million for the nine months ended September 30, 2018. The estimated intangible asset amortization expense for the fiscal year ending December 31, 2018 and for each of the five succeeding years is $1.3 million per year through 2019 and $1.1 million per year from 2020 through 2023.

11. Commitments and Contingencies

Warranty — We are subject to warranty claims for products that fail to perform as expected due to design or manufacturing deficiencies. Customers generally require their outside suppliers to guarantee or warrant their products and bear the cost of repair or replacement of such products. Depending on the terms under which we supply products to our customers, a customer may hold us responsible for some or all of the repair or replacement costs of defective products when the product supplied did not perform as represented. Our policy is to reserve for estimated future customer warranty costs based on historical trends and current economic factors.

The following represents a summary of the warranty provision for the nine months ended September 30, 2018:

Balance — December 31, 2017	$3,490
Provision for new warranty claims	1,670
Change in provision for preexisting warranty claims	974
Deduction for payments made	(2,012)
Currency translation adjustment	(124)
Balance — September 30, 2018	$3,998

Leases — We lease office, warehouse and manufacturing space and certain equipment under non-cancelable operating lease agreements that generally require us to pay maintenance, insurance, taxes and other expenses in addition to annual rental fees. The anticipated future lease costs are based in part on certain assumptions and we monitor these costs to determine if the estimates need to be revised in the future. As of September 30, 2018, our equipment leases did not provide for any material guarantee of a specified portion of residual values.

Litigation — We are subject to various legal proceedings and claims arising in the ordinary course of business, including but not limited to workers' compensation claims, OSHA investigations, employment disputes, unfair labor practice charges, customer and supplier disputes, service provider disputes, product liability claims, intellectual property disputes, and environmental claims arising out of the conduct of our businesses and examinations by the Internal Revenue Service.

Management believes that the Company maintains adequate insurance or that we have established reserves for issues that are probable and estimable in amounts that are adequate to cover reasonable adverse judgments not covered by insurance. Based upon the information available to management and discussions with legal counsel, it is the opinion of management that the ultimate outcome of the various legal actions and claims that are incidental to our business are not expected to have a material adverse impact on the consolidated financial position, results of operations, equity or cash flows; however, such matters are subject to many uncertainties and the outcomes of individual matters are not predictable with any degree of assurance.

Debt Payments — As disclosed in Note 12, the TLS Agreement requires the Company to repay a fixed amount of principal on a quarterly basis, make mandatory prepayments of excess cash flows and voluntary prepayments that coincide with certain events.

The following table provides future minimum principal payments due on long-term debt for the next five fiscal years and the remaining years thereafter:

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Year Ending December 31,	
2018	$ 1,093
2019	$ 4,375
2020	$ 4,375
2021	$ 4,375
2022	$ 4,375
Thereafter	$ 150,938

12. Debt and Credit Facilities

Debt consisted of the following:

	September 30, 2018	December 31, 2017
Term loan and security agreement (a)	$ 164,557	$ 166,949

(a) Presented in the Condensed Consolidated Balance Sheets as of September 30, 2018 as current portion of long-term debt of $3.2 million, net of deferred financing costs and original issue discount each of $0.6 million; and long-term debt of $161.3 million, net of deferred financing costs and original issue discount of $1.8 million and $2.0 million, respectively.

Term Loan and Security Agreement

On April 12, 2017, the Company entered into a $175.0 million senior secured Term Loan and Security Agreement (the “TLS Agreement”) maturing on April 12, 2023, the terms of which are described in Note 6 in our 2017 Form 10-K. The unamortized deferred financing fees of $2.4 million and original issue discount of $2.6 million are netted against the aggregate book value of the outstanding debt resulting in a balance of $164.6 million as of September 30, 2018 and are being amortized over the remaining life of the agreement.

The TLS Agreement contains customary restrictive, financial maintenance and reporting covenants that are described in Note 6 in our 2017 Form 10-K. We were in compliance with the covenants as of September 30, 2018.

Revolving Credit Facility

On April 12, 2017, the Company entered into the Third Amended and Restated Loan and Security Agreement (the "Third ARLS Agreement"), the terms of which are described in Note 6 in our 2017 Form 10-K.

The applicable margin, which is set at Level III as of September 30, 2018, is based on average daily availability under the revolving credit facility as follows:

Level	Average Daily Availability	Base Rate Loans	LIBOR Revolver Loans
III	≥ $24,000,000	0.50 %	1.50 %
II	> $12,000,000 but < $24,000,000	0.75 %	1.75 %
I	≤ $12,000,000	1.00 %	2.00 %

We had borrowing availability of $63.3 million at September 30, 2018. At September 30, 2018 we had no borrowings under the revolving credit facility and the outstanding letters of credit were $1.7 million. The unamortized deferred financing fees associated with our revolving credit facility of $0.8 million and $0.9 million as of September 30, 2018 and December 31, 2017, respectively, were being amortized over the remaining life of the agreement. At December 31, 2017 we did not have borrowings under the revolving credit facility and had outstanding letters of credit $2.1 million.

The Third ARLS Agreement contains customary restrictive, financial maintenance and reporting covenants that are described in Note 6 in our 2017 Form 10-K. Since the Company had borrowing availability in excess of the greater of (i) $5,000,000 or (ii) ten percent (10%) of the revolving commitments, from December 31, 2017 through September 30, 2018, the Company was not required to comply with the minimum fixed charge coverage ratio covenant during the quarter ended September 30, 2018. The Company was in compliance with all applicable covenants as of September 30, 2018.

13. Income Taxes

We file federal and state income tax returns in the U.S. and income tax returns in foreign jurisdictions. With a few exceptions, we are no longer subject to income tax examinations by the taxing jurisdictions for years prior to 2014.

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As of September 30, 2018 and December 31, 2017, the Company had $0.5 million in unrecognized tax benefits related to U.S. federal, state and foreign jurisdictions which may impact our effective tax rate, if recognized. The domestic unrecognized tax benefits are netted against their related long-term deferred tax assets. We accrue penalties and interest related to unrecognized tax benefits through income tax expense. Included in the unrecognized tax benefits is $0.3 million of interest and penalties as of September 30, 2018 and December 31, 2017.
We are not aware of any events that could occur within the next twelve months that would have an impact on the amount of unrecognized tax benefits that would require a reserve.
At September 30, 2018, due to cumulative losses and other factors, we continue to carry valuation allowances against certain deferred tax assets, primarily in the United Kingdom and Luxembourg. Additionally, we continue to carry valuation allowances related to certain state deferred tax assets that we believe are more likely than not to expire before they can be utilized. We evaluate the need for valuation allowances in each of our jurisdictions on a quarterly basis.

The enactment of U.S. Tax Reform brought about significant changes to the U.S. tax code, including implementing a new provision designed to tax global intangible low-taxed income (“GILTI”) of foreign subsidiaries but allowing for the possibility to utilize foreign tax credits to offset the associated tax liability (subject to certain limitations). Pursuant to Staff Accounting Bulletin No. 118 ("SAB 118") issued by the SEC, the Company is allowed to make an accounting policy of either (1) treating taxes due on future U.S. taxable income inclusions related to GILTI as a current-period expense when incurred (the “period cost method”) or (2) factoring such amounts into the measurement of the Company’s deferred taxes (the “deferred method”). Although we included an estimate of the current period impact of GILTI in our tax provision for the period ended September 30, 2018, we are still in the process of evaluating and have not yet made a policy decision as to how the Company will account for the tax implications of GILTI in future periods. Under SAB 118, we have until December 22, 2018, to formalize our policy.

14. Segment Reporting
The following tables present segment revenues, gross profit, depreciation and amortization expense, selling, general and administrative expenses, operating income, capital expenditures and other items for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30, 2018			
	Global Truck & Bus	Global Construction & Agriculture	Corporate/ Other	Total
Revenues				
External Revenues	$145,540	$ 79,470	$ —	$225,010
Intersegment Revenues	821	3,311	(4,132)	—
Total Revenues	$146,361	$ 82,781	$ (4,132)	$225,010
Gross Profit	$20,486	$ 12,159	$ (170)	$32,475
Selling, General & Administrative Expenses	$5,300	$ 4,554	$ 5,840	$15,694
Operating Income	$14,899	$ 7,571	$ (6,010)	$16,460
Capital and Other Items:				
Capital Expenditures	$2,536	$ 1,847	$ 281	$4,664
Depreciation and Amortization Expense	$2,173	$ 1,291	$ 575	$4,039

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	Three Months Ended September 30, 2017			
	Global Truck & Bus	Global Construction & Agriculture	Corporate/ Other	Total
Revenues				
External Revenues	$121,497	$ 76,852	$—	$198,349
Intersegment Revenues	552	2,705	(3,257)	—
Total Revenues	$122,049	$ 79,557	$(3,257)	$198,349
Gross Profit	$17,180	$ 8,316	$(346)	$25,150
Selling, General & Administrative Expenses	$5,534	$ 4,160	$4,442	$14,136
Operating Income	$11,350	$ 4,121	$(4,789)	$10,682
Capital and Other Items:				
Capital Expenditures	$1,097	$ 1,195	$476	$2,768
Depreciation and Amortization Expense	$1,838	$ 1,117	$673	$3,628
Other Items [1]	$373	$ 15	$—	$388

[1] Other items include costs associated with plant closures, including employee severance and retention costs, lease cancellation costs, building repairs and costs to transfer equipment.

	Nine Months Ended September 30, 2018			
	Global Truck & Bus	Global Construction & Agriculture	Corporate/ Other	Total
Revenues				
External Revenues	$421,014	$ 253,121	$—	$674,135
Intersegment Revenues	2,394	9,524	(11,918)	—
Total Revenues	$423,408	$ 262,645	$(11,918)	$674,135
Gross Profit	$62,675	$ 37,736	$(931)	$99,480
Selling, General & Administrative Expenses	$16,522	$ 12,752	$16,155	$45,429
Operating Income	$45,278	$ 24,879	$(17,086)	$53,071
Capital and Other Items:				
Capital Expenditures	$4,385	$ 3,924	$1,514	$9,823
Depreciation and Amortization Expense	$5,930	$ 3,827	$2,030	$11,787

	Nine Months Ended September 30, 2017			
	Global Truck & Bus	Global Construction & Agriculture	Corporate/ Other	Total
Revenues				
External Revenues	$342,964	$ 223,929	$—	$566,893
Intersegment Revenues	1,084	7,315	(8,399)	—
Total Revenues	$344,048	$ 231,244	$(8,399)	$566,893
Gross Profit	$48,288	$ 22,099	$(1,033)	$69,354
Selling, General & Administrative Expenses	$16,688	$ 12,619	$16,250	$45,557
Operating Income	$30,716	$ 9,374	$(17,283)	$22,807
Capital and Other Items:				
Capital Expenditures	$5,145	$ 3,671	$1,795	$10,611
Depreciation and Amortization Expense	$5,850	$ 3,530	$2,051	$11,431
Other Items [1]	$1,341	$ 998	$2,377	$4,716

[1] Other items include costs associated with plant closures, including employee severance and retention costs, lease cancellation costs, building repairs, costs to transfer equipment, and settlement costs associated with a consulting

contract litigation.

15. Derivative Contracts

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We use foreign exchange contracts to hedge some of our foreign currency transaction exposures. We estimate our projected revenues and purchases in certain foreign currencies and may hedge a portion of the anticipated long or short positions. The contracts typically run from one month up to eighteen months. As of September 30, 2018, we did not have any derivatives designated as hedging instruments; therefore, our foreign exchange contracts have been marked-to-market and the fair value of contracts recorded in the Condensed Consolidated Balance Sheets with the offsetting non-cash gain or loss recorded in cost of revenues in our Condensed Consolidated Statements of Income. We do not hold or issue foreign exchange options or foreign exchange contracts for trading purposes. Our foreign exchange contracts are subject to a master netting agreement. We record assets and liabilities relating to our foreign exchange contracts on a gross basis in our Condensed Consolidated Balance Sheets.

The following table summarizes the notional amount of our open foreign exchange contracts:

	September 30, 2018		December 31, 2017	
	U.S. $ Equivalent	U.S. $ Equivalent Fair Value	U.S. $ Equivalent	U.S. $ Equivalent Fair Value
Commitments to buy or sell currencies	$3,783	$ 3,958	$17,491	$ 16,838

We consider the impact of our credit risk on the fair value of the contracts, as well as our ability to honor obligations under the contract.

On June 30, 2017, the Company entered into an interest rate swap agreement to fix the interest rate on an initial aggregate amount of $80.0 million of the Term Loan Facility thereby reducing exposure to interest rate changes. The interest rate swap has a floor rate of 2.07% and an all-in rate of 8.07%, with a maturity date of April 30, 2022. As of September 30, 2018, the interest rate swap agreement was not designated as a hedging instrument; therefore, our interest rate swap agreement has been marked-to-market and the fair value of the agreement recorded in the Condensed Consolidated Balance Sheets with the offsetting gain or loss recorded in interest and other expense in our Condensed Consolidated Statements of Income.

The following table summarizes the fair value and presentation in the Condensed Consolidated Balance Sheets for derivatives, none of which are designated as accounting hedges:

	Asset Derivatives			
	September 30, 2018		December 31, 2017	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other current assets	$ 168	Other current assets	$ 20
Interest rate swap agreement	Other assets, net	$ 2,343	Other assets, net	$ 515

	Liability Derivatives			
	September 30, 2018		December 31, 2017	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Accrued liabilities	$ 7	Accrued liabilities	$ 627
Interest rate swap agreement	Accrued liabilities	$ —	Accrued liabilities	$ 246

The following table summarizes the effect of derivative instruments on the Condensed Consolidated Statements of Income for derivatives not designated as hedging instruments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017

	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives		Amount of Gain (Loss) Recognized in Income on Derivatives	
Foreign exchange contracts	Cost of Revenues	$ 334	$ (322)	$ 767	$ 1,438
Interest rate swap agreement	Interest and Other Expense	$ 350	$ 38	$ 1,950	$ (485)

16. Other Comprehensive Loss

The after-tax changes in accumulated other comprehensive loss are as follows:

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	Foreign currency translation adjustment	Pension and post-retirement benefits plans	Accumulated other comprehensive loss
Ending balance, December 31, 2017	$ (17,172)	$ (24,063)	$ (41,235)
Net current period change	(5,363)	—	(5,363)
Amortization of actuarial losses	—	(1,992)	(1,992)
Ending balance, September 30, 2018	$ (22,535)	$ (26,055)	$ (48,590)

	Foreign currency translation adjustment	Pension and post-retirement benefit plans	Accumulated other comprehensive loss
Ending balance, December 31, 2016	$ (24,313)	$ (24,532)	$ (48,845)
Net current period change	5,209	—	5,209
Amortization of actuarial losses	—	(1,830)	(1,830)
Ending balance, September 30, 2017	$ (19,104)	$ (26,362)	$ (45,466)

The related tax effects allocated to each component of other comprehensive (loss) income are as follows:

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	Before Tax Amount	Tax Expense	After Tax Amount	Before Tax Amount	Tax Expense	After Tax Amount
Cumulative translation adjustment	$(1,529)	$ —	$(1,529)	$(5,363)	$ —	$(5,363)
Amortization of actuarial losses	(1,230)	170	(1,060)	(2,500)	508	(1,992)
Total other comprehensive (loss) income	$(2,759)	$ 170	$(2,589)	$(7,863)	$ 508	$(7,355)

	Three Months Ended September 30, 2017			Nine Months Ended September 30, 2017		
	Before Tax Amount	Tax Expense	After Tax Amount	Before Tax Amount	Tax Expense	After Tax Amount
Cumulative translation adjustment	$1,130	$ —	$ 1,130	$5,209	$ —	$ 5,209
Amortization of actuarial losses	(763)	217	(546)	(2,481)	651	(1,830)
Total other comprehensive income	$367	$ 217	$ 584	$2,728	$ 651	$ 3,379

17. Pension and Other Post-Retirement Benefit Plans

We sponsor pension and other post-retirement benefit plans that cover certain hourly and salaried employees in the United States and United Kingdom. Each of the plans are frozen to new participants. Our policy is to make annual contributions to the plans to fund the normal cost as required by local regulations.

The components of net periodic (benefit) cost related to pension and other post-retirement benefit plans is as follows:

U.S. Pension Plans and Other Post-Retirement Benefit Plans	Non-U.S. Pension Plans
Three Months Ended September 30,	Three Months Ended September 30,

	2018	2017	2018	2017
Service cost	$ —	$ 33	$—	$—
Interest cost	418	449	265	289
Expected return on plan assets	(787)	(671)	(310)	(302)
Amortization of prior service cost	2	2	—	—
Recognized actuarial loss	69	89	126	122
Net (benefit) cost	$ (298)	$ (98)	$ 81	$ 109

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	U.S. Pension Plans and Other Post-Retirement Benefit Plans		Non-U.S. Pension Plans	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Service cost	$—	$ 100	$—	$—
Interest cost	1,254	1,346	821	845
Expected return on plan assets	(2,360)	(2,013)	(960)	(882)
Amortization of prior service cost	5	5	—	—
Recognized actuarial loss	206	268	393	358
Net (benefit) cost	$ (895)	$ (294)	$ 254	$ 321

We expect to contribute approximately $3.1 million to our pension plans and our other post-retirement benefit plans in 2018. As of September 30, 2018, $2.5 million of contributions have been made.

18. Restructuring

We did not incur any restructuring charges in the nine months ended September 30, 2018. For the nine months ended September 30, 2017, we incurred in cost of revenues totaling $2 million of restructuring charges in our Monona and Shadyside facilities. As of September 30, 2017, our remaining provision of for restructuring was $0.8 million.

ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis below describes material changes in financial condition and results of operations as reflected in our condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017. This discussion and analysis should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2017 Form 10-K.

Company Overview

Commercial Vehicle Group, Inc. (through its subsidiaries) is a leading supplier of a full range of cab related products and systems for the global commercial vehicle market, including the MD/HD Truck market, the medium- and heavy-construction vehicle market, and the military, bus, agriculture, specialty transportation, mining, industrial equipment and off-road recreational markets.

We have manufacturing operations in the United States, Mexico, United Kingdom, Czech Republic, Ukraine, China, India and Australia. Our products are primarily sold in North America, Europe, and the Asia-Pacific region.

Our products include Seats; Trim; cab structures, sleeper boxes, body panels and structural components; mirrors, wipers and controls; and electrical wire harness and panel assemblies designed for applications in commercial and other vehicles.

We are differentiated from automotive industry suppliers by our ability to manufacture low volume, customized products on a sequenced basis to meet the requirements of our customers. We believe our products are used by a majority of the North American MD/HD Truck and certain leading global construction and agriculture OEMs.

Business Overview

For the nine months ended September 30, 2018, approximately 47% of our revenue was generated from sales to North American MD/HD Truck OEMs. Our remaining revenue was primarily derived from sales to OEMs in the global construction equipment market, aftermarket, OE service organizations, military market and specialty markets. Demand for our products is driven to a significant degree by preferences of the end-user of the vehicle, particularly with respect to heavy-duty trucks. Unlike the automotive industry, heavy-duty truck OEMs generally afford the end-user the ability to specify many of the component parts that will be used to manufacture the vehicle, including a wide variety of cab interior styles and colors, brand and type of seats, type of seat fabric and color, and specific interior styling. Certain of our products are only utilized in heavy-duty trucks, such as our storage systems, sleeper boxes and privacy curtains. To the extent that demand for higher content vehicles increases or decreases, our revenues and gross profit will be impacted positively or negatively.

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We generally compete for new business at the beginning of the development of a new vehicle platform and upon the redesign of existing programs. New platform development generally begins one to three years before the marketing of such models by our customers. Contract durations for commercial vehicle products generally extend for the entire life of the platform. Several of the major truck OEMs have upgraded their truck platforms and we believe we have maintained our share of content in these platforms. We continue to pursue opportunities to expand our content.
Demand for our heavy-duty ("Class 8") truck products is generally dependent on the number of new heavy-duty trucks manufactured in North America, which in turn is a function of general economic conditions, interest rates, changes in government regulations, consumer spending, fuel costs, freight costs, fleet operators' financial health and access to capital, used truck prices and our customers' inventory levels. New heavy-duty truck demand has historically been cyclical and is particularly sensitive to the industrial sector of the economy, which generates a significant portion of the freight tonnage hauled by commercial vehicles. According to a October 2018 report by ACT Research, a publisher of industry market research, North American Class 8 production levels are expected to be 317,000 units in 2018, increase to 335,000 units in 2019, decrease to 244,000 units in 2020, and then gradually increase to 317,000 units in 2023. We believe the demand for North American Class 8 vehicles in 2018 will be between 315,000 and 325,000 units. ACT Research estimates that the average age of active North American Class 8 trucks is 11.3 and 11.2 years in 2017 and 2018, respectively. As vehicles age, their maintenance costs typically increase. ACT Research forecasts that the vehicle age will decline as aging fleets are replaced.
North American medium-duty ("Class 5-7") truck production steadily increased from 237,000 units in 2015 to 265,000 units anticipated in 2018. According to a October 2018 report by ACT Research, North American Class 5-7 truck production is expected to gradually increase to 280,000 units in 2023.
For the nine months ended September 30, 2018, approximately 22% of our revenue was generated from sales to OEMs in the global construction equipment market. Demand for our construction and agricultural equipment products is dependent on vehicle production. Demand for new vehicles in the global construction and agricultural equipment market generally follows certain economic conditions around the world. Our products are primarily used in the medium- and heavy-duty construction equipment markets (vehicles weighing over 12 metric tons). Demand in the medium- and heavy-duty construction equipment market is typically related to the level of large scale infrastructure development projects such as highways, dams, harbors, hospitals, airports and industrial development, as well as activity in the mining, forestry and other raw material based industries. We believe that construction equipment production in the markets we serve in Europe, Asia, and North America is strong.

Our Long-Term Strategy

Our long-term strategy is primarily to grow organically by product, geographic region and end market. Our products are Seats, Trim, wire harnesses, structures, wipers, mirrors and office seats. We expect to realize some end market diversification in truck and bus in Asia-Pacific and trim in Europe, with additional diversification weighted toward the agriculture market, and to a lesser extent the construction market. We intend to allocate resources consistent with our strategy; and more specifically, consistent with our product portfolio, geographic region and end market diversification objectives. We periodically evaluate our long-term strategy in response to significant changes in our business environment and other factors.

Although our long-term strategy is primarily to grow organically, we consider acquisitions and divestitures of assets.

Strategic Footprint

We review our manufacturing footprint in the normal course to, among other considerations, provide a competitive landed cost to our customers and, most recently, to minimize the impact of the tightening labor markets.

Consolidated Results of Operations

Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

	Three Months Ended September 30, (in thousands)			
	2018		2017	
Revenues	$225,010	100.0%	$198,349	100.0%
Cost of Revenues	192,535	85.6	173,199	87.3
Gross Profit	32,475	14.4	25,150	12.7
Selling, General and Administrative Expenses	15,694	7.0	14,136	7.1
Amortization Expense	321	0.1	332	0.1
Operating Income	16,460	7.3	10,682	5.4
Interest and Other Expense	3,659	1.6	3,482	1.8
Income Before Provision for Income Taxes	12,801	5.7	7,200	3.6
Provision for Income Taxes	218	0.1	2,437	1.2
Net Income	$12,583	5.6 %	$4,763	2.4 %

Revenues. On a consolidated basis, revenues increased $26.7 million, or 13.5%, to $225.0 million for the three months ended September 30, 2018 from $198.3 million for the three months ended September 30, 2017. The increase in consolidated revenues resulted from:

- a $22.0 million, or 25%, increase in OEM North American MD/HD Truck revenues;
- a $2.2 million, or 5%, increase in construction equipment revenues; and
- a $2.5 million, or 4%, increase in other revenues.

Third quarter 2018 revenues were adversely impacted by foreign currency exchange translation of $1.0 million, which is reflected in the change in revenues above.

Gross Profit. Gross profit increased $7.3 million, or 29.0%, to $32.5 million for the three months ended September 30, 2018 from $25.2 million for the three months ended September 30, 2017. The increase in gross profit is primarily attributable to the increase in sales volume. Included in gross profit is cost of revenues, which consists primarily of raw materials and purchased components for our products, wages and benefits for our employees and overhead expenses such as manufacturing supplies, facility rent and utility costs related to our operations. Commodity and other material inflationary pressures, as well as difficult labor markets, adversely affected cost of revenues. Cost control and cost recovery initiatives, including pricing adjustments, reduced the impact of these cost pressures on gross profit. The third quarter of 2017 results include costs of approximately $2.0 million arising from a labor shortage in our North American wire harness business. Third quarter 2017 results also include $0.4 million in charges relating to facility restructuring and other related costs. As a percentage of revenues, gross profit margin was 14.4% for the three months ended September 30, 2018 compared to 12.7% for the three months ended September 30, 2017.

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist primarily of wages and benefits and other expenses such as marketing, travel, legal, audit, rent and utility costs which are not directly associated with the manufacturing of our products. Selling, general and administrative expenses increased $1.6 million, or 11.3%, to $15.7 million for the three months ended September 30, 2018 from $14.1 million for the three months ended September 30, 2017, primarily due to an increase in wages and benefits as a result of increased volume.

Interest and Other Expense. Interest, associated with our debt, and other expense was $3.7 million and $3.5 million for the three months ended September 30, 2018 and 2017, respectively. The increase reflects rising interest rates.

Provision for Income Taxes. An income tax provision of $0.2 million and $2.4 million were recorded for the three months ended September 30, 2018 and 2017, respectively. The period over period change in the tax provision, notwithstanding the increase in income before provision for income taxes, is primarily attributable to a $2.9 million tax benefit recorded during the quarter ended September 30, 2018 to adjust the provisional U.S. federal income tax expense in the financial statements for the year ended December 31, 2017. The $2.9 million tax benefit consists primarily of a favorable adjustment to the $4.0 million provisional tax expense on the deemed repatriation of accumulated untaxed earnings of the Company's foreign subsidiaries recorded for the year ended December 31, 2017. The tax provision recorded for the quarter ended September 30, 2018 was also positively impacted by the reduced

U.S. federal income tax rate but adversely impacted by the new GILTI provisions of the U.S. Tax Reform.
Net Income. Net income was $12.6 million and $4.8 million for the three months ended September 30, 2018 and 2017, respectively. The increase is attributed to the factors noted above.

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SEGMENT RESULTS

Global Truck and Bus Segment Results

	Three Months Ended September 30, (amounts in thousands)			
	2018		2017	
Revenues	$146,361	100.0 %	$122,049	100.0 %
Gross Profit	$20,486	14.0 %	$17,180	14.1