

ALAMO GROUP INC
Form 424B3
November 10, 2014
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Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-180049

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated November 10, 2014

PROSPECTUS SUPPLEMENT

(To prospectus dated March 28, 2012)

1,722,270 Shares

Alamo Group Inc.

Common Stock

The selling stockholders are selling 1,722,270 shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

Our shares trade on the New York Stock Exchange under the symbol ALG. On November 7, 2014, the last sale price of the shares as reported on the New York Stock Exchange was \$48.50 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page S-7 of this prospectus supplement.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

The underwriters may also exercise their option to purchase up to an additional 258,340 shares from the selling stockholders, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2014.

Joint Book-Running Managers

BofA Merrill Lynch

Evercore ISI

Piper Jaffray

The date of this prospectus supplement is , 2014.

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We, the selling stockholders and the underwriters have not authorized any person to provide you with any information or to make any representation that is different from, or in addition to, the information and representations contained in this prospectus supplement, the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or in any of the documents that are incorporated by reference herein or therein. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as the information contained in any document incorporated by reference herein or therein, is accurate as of the date of each such document only, unless the information specifically indicates that another date applies. Our business, financial condition, results of operations and prospects may have changed since those dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the prospectus, dated March 28, 2012, which describes more general information, some of which may not apply to the offering.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents incorporated by reference, the information in this prospectus supplement will supersede such information. In addition, any statement in a filing we make with the Securities and Exchange Commission that adds to, updates or changes information contained in an earlier filing we made with the Securities and Exchange Commission shall be deemed to modify and supersede such information in the earlier filing.

This prospectus supplement does not contain all of the information that is important to you. You should read the accompanying prospectus as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. See **Where You Can Find More Information** and **Incorporation of Certain Information By Reference** in this prospectus supplement.

Unless the context otherwise requires, references in this prospectus supplement to **we**, **our**, **us**, **the Company**, **the registrant** and **Alamo Group** refer to Alamo Group Inc. and its direct and indirect subsidiaries on a consolidated basis. Unless otherwise indicated or unless the context requires otherwise, references in this prospectus supplement to the **selling stockholders** refer to any person specifically identified in the table set forth under the caption **Selling Stockholders** in this prospectus supplement.

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This summary contains basic information about us and this offering. Because this is a summary, it does not contain all of the information you should consider before investing in our common stock. Before deciding to purchase our common stock, you should read this entire prospectus supplement and the accompanying prospectus, including the Risk Factors and Forward-Looking Information sections and our consolidated financial statements and the related notes included elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus.

Overview

We are a leader in the design and manufacture of quality agricultural and infrastructure maintenance equipment for governmental and industrial use. We manufacture a wide range of products, including tractor-mounted mowing and other vegetation maintenance equipment, street sweepers, excavators, vacuum trucks, snow removal equipment, pothole patchers, zero turn radius mowers, agricultural implements and related aftermarket parts. We emphasize high quality, cost-effective products for our customers and strive to develop and market innovative products while constantly monitoring and seeking to contain our manufacturing and overhead costs. We believe that we are a leading supplier within the U.S. and Canada to governmental markets, a leading supplier in the U.S. agricultural market, and one of the largest suppliers in the European market for our niche product offerings. For the nine months ended September 30, 2014 and 2013 and the year ended December 31, 2013, we had total net sales of \$610.8 million, \$511.2 million and \$676.8 million, respectively, and net income of \$29.8 million, \$30.1 million and \$36.1 million, respectively.

We have a long-standing strategy of supplementing our organic growth through acquisitions of businesses or product lines that are either competitive with, or complementary to, our existing product range or provide international growth opportunities in similar markets. Our goal is to focus on niche markets and products where we believe we are, or have the ability to become, a major player within the niche. In addition, we constantly aim to improve our operating efficiencies to increase productivity, reduce costs, rationalize capacity and leverage economies of scale. As of September 30, 2014, we had approximately 3,100 employees and operated 24 plants in North America, Western Europe and Australia. We sell our products primarily through a network of over 6,100 independent dealers and distributors to governmental end-users, related independent contractors, as well as to the agricultural and commercial turf markets. The primary markets for our products are North America, Western Europe and Australia.

We have three reporting divisions: North American Industrial, North American Agricultural and European. These accounted for the following percentages of our total net sales during each of the indicated periods:

Division	Nine Months		Twelve
	Ending September 30,	2013	Months
	2014		Ending December 31,
			2013
North American Industrial	51%	43%	44%
North American			
Agricultural	26%	33%	32%
European	23%	24%	24%
Total	100%	100%	100%

The North American Industrial Division produces equipment for maintenance on and around highways, airports, military installations, recreational areas, commercial landscape and other specialty markets, and

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includes tractor mounted mowers, street sweeping equipment, excavators, vacuum trucks, snow removal equipment and related replacement parts. This equipment is sold directly by us and through approximately 700 dealers to state, county and local authorities and other governmental agencies in the United States and internationally, contractors and other specialty markets under the *Alamo Industrial*®, *Terrain King*®, *Tiger*®, *Schwarze*®, *Nite-Hawk*®, *Gradall*®, *VacAll*®, *Henke*®, *Tenco*®, *Super Products*®, *Wausau-Everest* , and other brand names. For the nine months ended September 30, 2014 and 2013 and the year ended December 31, 2013, the North American Industrial Division had net sales of \$308.3 million, \$218.9 million and \$296.6 million, respectively.

Our North American Agricultural Division produces equipment to clear brush, maintain pastures and unused farmland, shred crop stubble and for hay-making, tillage, rock removal and general farm operations, including tractor powered mowers, tillage implements, posthole diggers, scraper blades, rock pickers, front-end loaders and backhoes, snow blowers, zero turn radius mowers, hay rakes and tedders, other agricultural implements, related replacement parts and other agricultural aftermarket wear and spare parts. This equipment is sold primarily through approximately 3,300 dealers, distributors and other original equipment manufacturers (OEMs) to farmers, ranchers, mowing contractors, hobby farmers and other specialty markets under the *Bush Hog*®, *Rhino*®, *Earthmaster*®, *Schulte*®, *Herschel*®, *Valu-Bilt*®, *Superior*®, *Fieldquip*® and other brand names. For the nine months ended September 30, 2014 and 2013 and the year ended December 31, 2013, the North American Agricultural Division had net sales of \$160.1 million, \$168.0 million and \$215.3 million, respectively.

Our European Division produces hedge and grass cutters, front-end loaders and backhoes, tractor powered mowers, cultivators, other agricultural implements, vacuum trucks, jetting systems, trenchers and related replacement parts. This equipment is sold direct and through approximately 2,100 dealers and distributors to agricultural markets, governmental agencies, contractors and other specialty markets under the *Bomford*®, *McConnel*®, *Twose* , *Spearhead* , *Rousseau* , *SMA*®, *Faucheux* , *Forges Gorce* , *Rivard* and *Kellands*® and other brand names. For the nine months ended September 30, 2014 and 2013 and the year ended December 31, 2013, the European Division had net sales of \$142.3 million, \$124.3 million and \$164.9 million, respectively.

Each of our divisions derives a significant portion of its net sales from sales of replacement parts for each of its products lines, which sales are generally more profitable and less cyclical than the sale of new products. Replacement parts represented approximately 22%, 23% and 24% of the Company's total net sales for the years ended December 31, 2013, 2012 and 2011, respectively. The percentage decrease is primarily due to the higher growth in whole good equipment sales, not to a decrease in replacement part sales.

Our Competitive Strengths

We believe the following competitive strengths differentiate us from our competitors and position us as a leader in the manufacture of quality agricultural equipment and infrastructure maintenance equipment for governmental and industrial use:

Strong market position with leading brands in niche markets. We are a leader in the manufacture of recognized brands of quality agricultural and infrastructure maintenance equipment across each of our operating segments. We focus on niche markets where we have, or believe we have the ability to obtain, meaningful market share positions. Generally our focus is on products in markets that exhibit good stability throughout economic cycles, such as infrastructure maintenance equipment for governmental entities. We believe we have been successful in these niche markets as a result of our quality equipment, strong brand recognition, established reputation, strong distribution network and broad customer base. Within the product segments in which we compete, we are a leading supplier to governmental and agricultural markets in North America and Western Europe and to a lesser extent throughout the world.

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Comprehensive and complementary product offerings. We offer a wide range of brands and products which enable us to serve the diverse needs of our broad customer base. For instance, we serve a variety of governmental end users, including cities, counties, states, as well as other entities, such as airport authorities and contractors in the U.S. and internationally. In agriculture, our diverse product offering allows us to meet the needs of a wide range of end users from large commercial operations to small hobby farms, as well as a variety of types of farms including those focused on row crops, livestock, orchards or nearly any with acreage to maintain. In addition, we sell replacement spare parts and wear parts as part of a comprehensive offering to our customers throughout the lifecycle of our products. We believe this commitment to aftermarket parts supports and promotes the sale of new equipment. The sale of aftermarket parts is generally more profitable and less cyclical than the sale of new products. Also, as a result of our acquisition strategy we have collected a range of recognized brands and products that in many cases compete with each other. As part of our strategy, we have a practice of selling our multi branded products through separate, independent distribution networks that compete against each other as well as third parties in order to provide broader access to the end users. This strategy has allowed us to increase distribution for our products as well as increase our share in the niche markets we serve.

Stable end markets. The markets for our range of products for both agricultural and governmental end users have exhibited a high degree of stability across economic cycles. In the governmental sector our equipment is used in infrastructure maintenance which tends to be performed at a more consistent level than building new infrastructure. In addition, equipment such as ours tends to be highly utilized which results in a regular replacement cycle. In the agricultural sector, demand for equipment such as ours is typically more stable and less subject to changes in farm incomes than are higher priced items. Additionally, our types of equipment are used by a wide variety of farms and ranches, both big and small, which reduces our exposure to fluctuations in individual commodities. As a result of the diversity of our product lines and end users, combined with our multi brand strategy, we seldom have any customer that comprises more than one percent of our total net sales in any one calendar year. In addition, our sale of aftermarket parts provides a historically stable revenue stream as customers must maintain the equipment to ensure the equipment provides continual operational performance over its economic life.

Established and expansive distribution network with long-standing relationships. We maintain longstanding and close relationships with our network of over 6,100 independent dealers and distributors. Our expansive dealer and distributor network is active throughout our primary markets of North America, Western Europe, Australia and to a lesser extent throughout the world. Our extensive product and customer base encourages our dealers and distributors to continue to sell and service our products, while providing us with opportunities to increase recurring revenue through sales of replacement parts and services. Additionally, our distribution networks have fostered long-standing relationships with our governmental, agricultural and industrial customers to understand their current and future needs.

Demonstrated ability to acquire and integrate acquisitions. We have a demonstrated ability to successfully identify, acquire and integrate businesses or product lines and have completed 14 such acquisitions in the last ten years alone. These acquisitions have allowed us to increase market share in our core products and to expand into new, complementary products and broaden our geographic coverage. For example, our acquisition in 2014 of the *Super Products*® and *Wausau-Everest* businesses provided products that complement and expand our existing range of *VacAll*® vacuum trucks and *Henke*® and *Tenco*® snow removal equipment. Our acquisitions have also allowed us to broaden our product offerings, such as our acquisition of the *Kellands*® self-propelled sprayer products in 2014, which are complementary to our existing lines of agricultural products. Finally, our acquisitions have allowed us to expand our geographic reach, such as our expansion in Australia through the recent acquisitions of *Superior*® and *Fieldquip*®.

Strong financial profile. As of September 30, 2014, we had cash on hand of approximately \$39 million and \$59 million in availability under our \$250 million revolving credit facility, with the ability to increase the

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capacity of such facility to \$300 million, subject to lender approval. Our cash position and low leverage provides us with the financial flexibility to pursue strategic acquisitions that complement, command, or have the potential to achieve a meaningful share of their niche markets.

Experienced management team. We have a strong management team that has extensive experience with our Company and in industrial manufacturing in general. Together our President and Chief Operating Officer, Ron Robinson, our Executive Vice President and Chief Financial Officer, Dan Malone and our Vice President, Secretary and Treasurer, Bob George have in aggregate over 49 years tenure with Alamo Group.

Our Strategy

Our objective is to enhance our position as a global leader in the manufacture of quality agricultural equipment and infrastructure maintenance equipment through the following growth strategies:

Consistent operational improvement. We focus on continuous improvement of operating efficiencies to increase productivity, reduce costs, rationalize capacity and leverage economies of scale. We seek operational improvements through: the development of a global manufacturing presence in close proximity to our major markets to reduce lead times and inventory; capital investments focused on cost reduction and process automation to provide us better control over costs, quality, on time deliveries and safety; sourcing raw materials and components through global group purchasing to leverage our scale; and manufacturing consolidation that will result in fewer, bigger plants that will provide value added benefits to our results that are further enhanced by growing economies of scale. We believe our continuous operational improvements will enable us to realize higher margins, increase earnings, improve return on investment and enhance our ability to execute our acquisition strategy.

Organic growth. We aim to grow organically at rates exceeding core market growth rates through product development, geographic expansion, cross-selling opportunities, strength of our network of independent dealers and distributors and pricing leadership. To this end, we have introduced a steady stream of new and improved products each year and expect to continue to improve and expand our existing product offerings through investment and product development.

Strategic and disciplined acquisitions. Our strategy is to acquire businesses or product lines that command or have potential to be major players in their niche markets and are complementary to our existing range of products and markets. We have focused, and expect to continue to focus in the future, on acquisitions that: consolidate similar products in our existing markets; add to our portfolio new products that are complementary to the markets and customers that we currently serve; and provide geographic expansion into new markets through products similar to those we currently offer. We have completed 14 such acquisitions since 2004, and we will continue to pursue such opportunistic acquisitions of businesses or products lines going forward. We believe we apply a disciplined approach to selecting acquisition targets; for example, we generally avoid from consideration acquisitions that we do not believe will be accretive to earnings within a reasonable period of time.

Corporate Information

We are incorporated in Delaware. Our principal executive office is located at 1627 East Walnut, Seguin, Texas 78155 and our telephone number is (830) 379-1480. Our website is www.alamo-group.com. The information on, or that can be accessed through, our website is not incorporated by reference in this prospectus supplement and you should not consider it to be part of this prospectus supplement.

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THE OFFERING

Common stock offered by the selling stockholders	1,722,270 shares
Common stock to be outstanding immediately before and after this offering	11,310,693 shares
Selling stockholders	Capital Southwest Corporation (170,300 shares) and Capital Southwest Venture Corporation (1,551,970 shares)
Option to purchase additional shares	The selling stockholders have granted an option to the underwriters to purchase up to an additional 258,340 shares from the selling stockholders at the public offering price, less the underwriting discount, within 30 days of this prospectus supplement.
Use of proceeds	We will not receive any proceeds from the sale of the shares in this offering. See Use of Proceeds.
Risk factors	See Risk Factors beginning on page S-7 of this prospectus supplement and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
New York Stock Exchange symbol	ALG
Unless otherwise indicated, all information in this prospectus supplement and the accompanying prospectus relating to the number of shares of common stock to be outstanding immediately after this offering is based on the number of shares of common stock outstanding as of October 31, 2014 and excludes:	

446,743 shares of common stock issuable upon vesting and exercise of stock options outstanding as of October 31, 2014 at a weighted average exercise price of \$30.76 per share; and

294,676 shares of common stock reserved for future issuance under the Company's incentive plans.

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The following table sets forth our summary consolidated financial information. You should read the summary consolidated financial data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes thereto included in this prospectus supplement or otherwise incorporated herein by reference. Our summary consolidated financial data as of December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013 has been derived from our audited financial statements incorporated by reference in this prospectus supplement. Our selected consolidated financial data as of December 31, 2011 has been derived from our audited financial statements not otherwise included or incorporated by reference in this prospectus supplement. Our unaudited consolidated financial data as of and for the nine months ended September 30, 2013 and 2014 has been derived from our unaudited financial statements incorporated by reference in this prospectus supplement. Our historical results are not necessarily indicative of results for any future period. In addition, results for the nine-month period ended September 30, 2014 may not be indicative of the results that may be expected for the full fiscal year.

(in thousands, except per share amounts)	Nine Months Ended September 30, ⁽¹⁾		Fiscal Year Ended December 31, ⁽¹⁾		
	2014	2013	2013	2012	2011
Operations:					
Net sales by division:					
North American					
Industrial	\$ 308,348	\$ 218,863	\$ 296,617	\$ 263,353	\$ 229,594
Agricultural	160,144	168,048	215,340	200,467	203,993
European	142,286	124,320	164,879	164,582	170,006
Total net sales	\$ 610,778	\$ 511,231	\$ 676,836	\$ 628,402	\$ 603,593
Gross profit	140,856	122,159	158,510	143,512	135,085
Income from operations	46,953	42,626	50,737	45,349	49,456
Income before income taxes	45,358	43,048	51,388	43,446	48,129
Net income	\$ 29,800	\$ 30,070	\$ 36,094	\$ 28,903	\$ 32,687
Net income as percent of sales	4.9%	5.9%	5.3%	4.6%	5.4%
Earnings per share:					
Basic	\$ 2.47	\$ 2.50	\$ 3.00	\$ 2.43	\$ 2.76
Diluted	2.43	2.47	2.96	2.40	2.73
Dividends per share	\$ 0.21	\$ 0.21	\$ 0.28	\$ 0.24	\$ 0.24
Average common shares:					
Basic	12,077	12,040	12,050	11,899	11,848
Diluted	12,251	12,196	12,212	12,058	11,966

(1) Includes the results of operations of companies acquired from the effective dates of acquisitions.

Financial Position as of:	September 30,		December 31,		
	2014	2013	2013	2012	2011
Total assets	\$ 654,340	\$ 449,644	\$ 438,476	\$ 404,339	\$ 381,665

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Short-term debt and current maturities	852	499	420	588	1,190
Long-term debt, excluding current maturities	190,005	90	8	118	8,621
Total stockholders' equity	\$ 337,464	\$ 340,199	\$ 350,465	\$ 310,286	\$ 277,276

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RISK FACTORS

Investing in our securities involves risks. Before making a decision to invest in our common stock, you should carefully consider the risks and uncertainties described in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein or therein, including the risk factors set forth under Risk Factors in our most recent Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the period ended June 30, 2014 incorporated by reference in this prospectus supplement and the accompanying prospectus. If any of the risks actually occur, our business, financial condition, results of operations or prospects could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment in our common stock.

Risks Related to Our Business

Deterioration of industry conditions could harm our business, results of operations and financial condition.

Our business depends to a large extent upon the prospects for the mowing, infrastructure maintenance and agricultural markets in general. Future prospects of the industry depend largely on factors outside of our control. Any of those factors could adversely impact demand for our products, which could adversely impact our business, results of operations and financial condition. These factors include the following:

weakness in worldwide economy;

the price and availability of raw materials, purchased components and energy;

budget constraints and revenue shortfalls for our governmental customers;

changes in domestic and foreign governmental policies and laws, including increased levels of governmental regulation;

the levels of interest rates;

the value of the U.S. dollar relative to the foreign currencies in countries where we sell and/or manufacture our products;

impact of tighter credit markets on the Company, its dealers and end-users;

impairment in the carrying value of goodwill; and

increase in unfunded pension plan liability due to financial market deterioration.

In addition, our business is susceptible to a number of factors that specifically affect agricultural customer spending patterns, including the following:

animal disease outbreaks, epidemics and crop pests;

weather conditions, such as droughts, floods and snowstorms;

changes in farm incomes;

livestock and agricultural commodity prices;

changes in governmental agricultural policies worldwide;

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the level of worldwide farm output and demand for farm products; and

limits on agricultural imports/exports.

A downturn in general economic conditions and outlook in the United States and around the world could adversely affect our net sales and earnings.

The strength and profitability of our business depends on the overall demand for our products and upon economic conditions and outlook, including but not limited to economic growth rates; consumer spending levels; financing availability, pricing and terms for our dealers and end-users; employment rates; interest rates; inflation; consumer confidence and general economic and political conditions and expectations in the United States and the other economies in which we conduct business. Slow or negative growth rates, inflationary pressures, higher commodity costs and energy prices, reduced credit availability or unfavorable credit terms for our dealers and end-user customers, increased unemployment rates, and continued recessionary economic conditions and outlook could cause consumers to continue to reduce spending, which may cause them to delay or forgo purchases of our products and could have an adverse effect on our net sales and earnings.

We depend on governmental sales and a decrease in such sales could adversely affect our business, results of operations and financial condition.

A substantial portion of our revenues is derived from sales to federal, state and local governmental entities and related contractors both in the U.S. and in other countries in which we sell our products. These sales depend primarily on the levels of budgeted and appropriated expenditures for highway, airport, roadside and parks maintenance by various governmental entities and are affected by changes in local and national economic conditions.

Our dependence on, and the price and availability of, raw materials as well as purchased components may adversely affect our business, results of operations and financial condition.

We are subject to fluctuations in market prices for raw materials such as steel and energy. In addition, although most of the raw materials and purchase components we use are commercially available from a number of sources, we could experience disruptions in the availability of such materials. If we are unable to purchase materials we require or are unable to pass on price increases to our customers or otherwise reduce our cost of goods sold, our business, results of operations and financial condition may be adversely affected. In addition, higher energy costs may negatively affect spending by farmers, including their purchases of our products.

Impairment in the carrying value of goodwill could negatively impact our consolidated results of operations and net worth.

The Company estimates the fair value of its reporting units using a discounted cash flow analysis. This analysis requires the Company to make significant assumptions and estimates about the extent and timing of future cash flows, discount rates and growth rates. The cash flows are estimated over a significant future period of time, which makes those estimates and assumptions subject to an even higher degree of uncertainty. The Company also utilizes market valuation models and other financial ratios, which require the Company to make certain assumptions and estimates regarding the applicability of those models to its assets and businesses. As of September 30, 2014, goodwill was \$71,996,000, which represents 11% of total assets.

The Company recognized no goodwill impairment in 2013 or for the first nine months of 2014. The Company recognized goodwill impairment at one of its French operations, *Faucheux*, of \$656,000 in 2012 and two of its French

operations, *SMA* and *Rousseau*, of \$1,898,000 in 2011. The primary reason for the goodwill impairment in 2012 and 2011 was the general economic downturn that continues to affect the Company's European operations. This caused the Company to revise its expectations about future revenue, which is a

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significant factor in the discounted cash flow analysis used to estimate the fair value of the Company's reporting units. During the 2013 impairment analysis review, we performed a sensitivity analysis for goodwill impairment with respect to each of our reporting units and determined that a hypothetical 15% decline in the fair value of each reporting unit as of December 31, 2013 would not result in an impairment of goodwill for any of the reporting units. During the 2012 impairment analysis review, it was noted that even though the *Schwarze* and *Rivard* reporting units' fair value was above carrying value, it was not materially different. On December 31, 2013, there was approximately \$6.9 million and \$12.3 million of goodwill related to the *Schwarze* and *Rivard* reporting units, respectively. These reporting units would be most likely affected by changes in the Company's assumptions and estimates. The calculation of fair value could increase or decrease depending on changes in the inputs and assumptions used, such as changes in the reporting unit's future growth rates, discount rates, etc.

We are significantly dependent on information technology.

We rely on information technology networks and systems, including the Internet, to process, transmit, and store electronic and financial information, to manage a variety of business processes and activities, and to comply with regulatory, legal, and tax requirements. We also depend on our information technology infrastructure for digital marketing activities and for electronic communications among our locations, personnel, customers, and suppliers. These information technology systems, some of which are provided and maintained by third parties, may be susceptible to damage, disruptions, or shutdowns due to hardware failures, computer viruses, hacker attacks, telecommunication failures, user errors, catastrophic events or other factors. If our information technology systems suffer severe damage, disruption, or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, we could experience business disruptions, transaction errors, processing inefficiencies, and the loss of customers and sales, causing our product sales, financial condition, and operating results to be adversely affected and the reporting of our financial results to be delayed.

In addition, if we are unable to prevent security breaches or disclosure of non-public information, we may suffer financial and reputational damage, litigation or remediation costs or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, consumers, or suppliers.

We operate in a highly competitive industry, and some of our competitors and potential competitors have greater resources than we do.

Our products are sold in highly competitive markets throughout the world. We compete with several large national and international companies that offer a broad range of equipment and replacement parts that compete with our products, as well as with numerous small, privately-held manufacturers and suppliers of a limited number of products mainly on a regional basis. Some of our competitors are significantly larger than we are and have substantially greater financial and other resources at their disposal. We believe that we are able to compete successfully in our markets by, to some extent, avoiding direct competition with significantly larger potential competitors. There can be no assurance that our competitors will not substantially increase the resources devoted to the development and marketing of products competitive with our products or that new competitors with greater resources will not enter our markets. Any failure to effectively compete could have an adverse effect on our business, results of operations and financial condition.

We operate and source internationally, which exposes us to the political, economic and other risks of doing business abroad.

We have operations in a number of countries outside of the United States and we source raw materials and components globally. Our international operations are subject to the risks normally associated with conducting

business in foreign countries, including but not limited to the following:

limitations on ownership and on repatriation of earnings;

import and export restrictions, tariffs and quotas;

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additional expenses relating to the difficulties and costs of staffing and managing international operations;

labor disputes and uncertain political and economic environments and the impact of foreign business cycles;

changes in laws or policies;

delays in obtaining or the inability to obtain necessary governmental permits;

potentially adverse consequences resulting from the applicability of foreign tax laws;

cultural differences;

increased expenses due to inflation;

weak economic conditions in foreign markets where our subsidiaries distribute their products;

changes in currency exchange rates;

disruptions in transportation and port authorities; and

regulations involving international freight shipments.

Our international operations may also be adversely affected by laws and policies of the United States and the other countries in which we operate affecting foreign trade, investment and taxation.

In addition, political developments and governmental regulations and policies in the countries in which we operate directly affect the demand for our products. For example, decreases or delays in farm subsidies to our agricultural customers, or changes in environmental policies aimed at limiting mowing activities, could adversely affect our business, results of operations and financial condition.

Our acquisition strategy may not be successful, which may adversely affect our business, results of operations and financial condition.

We intend to grow internally and through the acquisition of businesses and assets that will complement our current businesses. To date, a material portion of our growth has come through acquisitions. We cannot be certain that we will be able to identify attractive acquisition targets, obtain financing for acquisitions on satisfactory terms or successfully acquire identified targets. Competition for acquisition opportunities may also increase our costs of making

acquisitions or prevent us from making certain acquisitions. These and other acquisition-related factors may adversely impact our business, results of operations and financial condition.

We may be unable to complete or integrate existing or future acquisitions effectively, and businesses we have acquired, or may acquire in the future, may not perform as expected.

Acquisitions are an important part of our growth strategy. We have completed a number of acquisitions over the past several years. We recently consummated three acquisitions in 2014, our acquisition of Fieldquip in Australia in April 2014, our acquisition of Kellands in the U.K. also in April 2014, and our acquisition of Specialized Industries business units in the U.S. in May 2014. We expect to consider opportunities and make additional acquisitions in the future, but we may not find suitable acquisition targets or not be able to consummate desired acquisitions due to among other things, unfavorable credit markets or other risks, which

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could harm our operating results. We may not be successful in integrating acquired businesses into our existing operations and achieving projected synergies. Acquisitions can be difficult, time-consuming, and pose a number of risks, including:

potential negative impact on our earnings per share;