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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2020**

or

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

For the transition period from __________ to __________

Commission File Number: 001-38214

HAMILTON BEACH BRANDS HOLDING COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**31-1236686**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4421 WATERFRONT DR.	**GLEN ALLEN**	**VA**	**23060**
(Address of principal executive offices)			(Zip code)

(804) 273-9777
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, Par Value $0.01 Per Share	**HBB**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☑ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☑ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	**Accelerated filer**	☑	Non-accelerated filer	☐	**Smaller reporting company**	☑	**Emerging growth company**	☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial 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** ☑

Number of shares of Class A Common Stock outstanding at July 31, 2020: 9,607,226
Number of shares of Class B Common Stock outstanding at July 31, 2020: 4,062,372

HAMILTON BEACH BRANDS HOLDING COMPANY
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FINANCIAL INFORMATION
Item 1. Financial Statements

HAMILTON BEACH BRANDS HOLDING COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	JUNE 30 2020	As Restated DECEMBER 31 2019	As Restated and Recast JUNE 30 2019
	(In thousands)		
Assets			
Current assets			
Cash and cash equivalents	$ **1,616**	$ 2,142	$ 1,029
Trade receivables, net	**85,209**	108,381	86,268
Inventory	**90,572**	109,806	121,472
Prepaid expenses and other current assets	**13,358**	11,345	16,412
Current assets of discontinued operations	—	5,383	21,255
Total current assets	**190,755**	237,057	246,436
Property, plant and equipment, net	**23,064**	22,324	21,649
Goodwill	**6,253**	6,253	6,253
Other intangible assets, net	**2,494**	3,141	3,828
Deferred income taxes	**5,830**	6,248	3,754
Deferred costs	**11,532**	10,941	8,564
Other non-current assets	**2,673**	2,085	1,984
Non-current assets of discontinued operations	—	614	4,420
Total assets	$ **242,601**	$ 288,663	$ 296,888
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	$ **92,282**	$ 111,348	$ 86,199
Accounts payable to NACCO Industries, Inc.	**496**	496	220
Revolving credit agreements	**41,785**	23,497	51,505
Accrued compensation	**11,362**	15,027	11,725
Accrued product returns	**7,383**	8,697	8,224
Other current liabilities	**15,242**	12,534	21,382
Current liabilities of discontinued operations	—	29,723	20,048
Total current liabilities	**168,550**	201,322	199,303
Revolving credit agreements	—	35,000	30,000
Other long-term liabilities	**12,499**	16,075	14,699
Non-current liabilities of discontinued operations	—	—	3,697
Total liabilities	**181,049**	252,397	247,699
Stockholders' equity			
Class A Common stock	**99**	98	95
Class B Common stock	**41**	41	44
Capital in excess of par value	**56,325**	54,509	53,342
Treasury stock	**(5,960)**	(5,960)	(2,334)
Retained earnings	**30,528**	3,710	15,646
Accumulated other comprehensive loss	**(19,481)**	(16,132)	(17,604)
Total stockholders' equity	**61,552**	36,266	49,189
Total liabilities and stockholders' equity	$ **242,601**	$ 288,663	$ 296,888

See notes to unaudited condensed consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	THREE MONTHS ENDED June 30,		SIX MONTHS ENDED June 30,	
		As Restated and Recast		As Restated and Recast
	2020	2019	**2020**	2019
	(In thousands, except per share data)		(In thousands, except per share data)	
Revenue	**$ 138,297**	$ 131,065	**$ 259,143**	$ 257,707
Cost of sales	**103,043**	102,558	**198,849**	202,498
Gross profit	**35,254**	28,507	**60,294**	55,209
Selling, general and administrative expenses	**24,035**	24,976	**48,248**	51,222
Amortization of intangible assets	**324**	346	**648**	691
Operating profit	**10,895**	3,185	**11,398**	3,296
Interest expense, net	**366**	789	**969**	1,452
Other expense (income), net	**(193)**	(132)	**1,509**	(329)
Income (loss) from continuing operations before income taxes	**10,722**	2,528	**8,920**	2,173
Income tax expense (benefit)	**2,657**	630	**2,209**	937
Net income (loss) from continuing operations	**8,065**	1,898	**6,711**	1,236
Income (loss) from discontinued operations, net of tax	**(305)**	(2,516)	**22,561**	(5,239)
Net income (loss)	**$ 7,760**	$ (618)	**$ 29,272**	$ (4,003)
Basic and diluted earnings (loss) per share:				
Continuing operations	**$ 0.59**	$ 0.14	**$ 0.49**	$ 0.09
Discontinued operations	**(0.02)**	(0.18)	**1.65**	(0.38)
Basic and diluted earnings (loss) per share	**$ 0.57**	$ (0.04)	**$ 2.14**	$ (0.29)
Basic weighted average shares outstanding	**13,644**	13,813	**13,635**	13,800
Diluted weighted average shares outstanding	**13,670**	13,826	**13,657**	13,813

See notes to unaudited condensed consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	THREE MONTHS ENDED June 30,		SIX MONTHS ENDED June 30,	
		As Restated and Recast		As Restated and Recast
	2020	2019	**2020**	2019
	(In thousands)		(In thousands)	
Net income (loss)	**$ 7,760**	$ (618)	**$ 29,272**	$ (4,003)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	**488**	113	**1,545**	327
(Loss) gain on long-term intra-entity foreign currency transactions	**31**	121	**(4,879)**	136
Cash flow hedging activity	**137**	(877)	**(25)**	(1,299)
Reclassification of hedging activities into earnings	**(392)**	144	**(282)**	146
Reclassification of pension adjustments into earnings	**97**	102	**292**	186
Total other comprehensive loss, net of tax	**361**	(397)	**(3,349)**	(504)
Comprehensive income (loss)	**$ 8,121**	$ (1,015)	**$ 25,923**	$ (4,507)

See notes to unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	SIX MONTHS ENDED JUNE 30	
		As Restated and Recast
	2020	2019
	(In thousands)	
Operating activities		
Net income (loss) from continuing operations	**$ 6,711**	$ 1,236
Adjustments to reconcile net income (loss) from continuing operations to net cash used for operating activities:		
Depreciation and amortization	**1,486**	1,841
Deferred income taxes	**1,037**	1,900
Stock compensation expense	**1,817**	1,629
Other	**116**	77
Net changes in operating assets and liabilities:		
Affiliate payable	**—**	(2,195)
Trade receivables	**19,079**	12,922
Inventory	**17,222**	1,936
Other assets	**(1,462)**	(1,602)
Accounts payable	**(18,871)**	(33,102)
Other liabilities	**(5,383)**	(16,288)
Net cash provided by (used for) operating activities from continuing operations	**21,752**	(31,646)
Investing activities		
Expenditures for property, plant and equipment	**(1,592)**	(1,972)
Other	**(500)**	—
Net cash used for investing activities from continuing operations	**(2,092)**	(1,972)
Financing activities		
Net additions (reductions) to revolving credit agreements	**(16,692)**	34,852
Purchase of treasury stock	**—**	(2,334)
Cash dividends paid	**(2,454)**	(2,419)
Net cash provided by (used for) financing activities from continuing operations	**(19,146)**	30,099
Cash flows from discontinued operations		
Net cash used for operating activities from discontinued operations	**(6,193)**	(10,443)
Net cash provided by investing activities from discontinued operations	**6**	(83)
Net cash provided by financing activities from discontinued operations	**—**	9,450
Cash used for discontinued operations	**(6,187)**	(1,076)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	**1,079**	(626)
Cash, cash equivalents and restricted cash		
Increase (decrease) for the period from continuing operations	**1,593**	(4,145)
Decrease for the period from discontinued operations	**(6,187)**	(1,076)
Balance at the beginning of the period	**7,164**	6,352
Balance at the end of the period	**$ 2,570**	$ 1,131
Reconciliation of cash, cash equivalents and restricted cash		
Continuing operations:		
Cash and cash equivalents	**$ 1,616**	$ 1,029
Restricted cash included in prepaid expenses and other current assets	**194**	—
Restricted cash included in other non-current assets	**760**	—
Cash and cash equivalents of discontinued operations	**—**	102
Total cash, cash equivalents, and restricted cash	**$ 2,570**	$ 1,131

See notes to unaudited condensed consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In thousands, except per share data)						
As Restated Balance, January 1, 2020	**$ 98**	**$ 41**	**$ 54,509**	**$ (5,960)**	**$ 3,710**	**$ (16,132)**	**$ 36,266**
Net income	**—**	**—**	**—**	**—**	**21,512**	**—**	**21,512**
Issuance of common stock, net of conversions	**1**	**—**	**(1)**	**—**	**—**	**—**	**—**
Share-based compensation expense	**—**	**—**	**554**	**—**	**—**	**—**	**554**
Cash dividends, $0.09 per share	**—**	**—**	**—**	**—**	**(1,226)**	**—**	**(1,226)**
Other comprehensive loss, net of tax	**—**	**—**	**—**	**—**	**—**	**(4,015)**	**(4,015)**
Reclassification adjustment to net income	**—**	**—**	**—**	**—**	**—**	**305**	**305**
Balance, March 31, 2020	**$ 99**	**$ 41**	**$ 55,062**	**$ (5,960)**	**$ 23,996**	**$ (19,842)**	**$ 53,396**
Net income	**—**	**—**	**—**	**—**	**7,760**	**—**	**7,760**
Issuance of common stock, net of conversions	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Share-based compensation expense	**—**	**—**	**1,263**	**—**	**—**	**—**	**1,263**
Cash dividends, $0.09 per share	**—**	**—**	**—**	**—**	**(1,228)**	**—**	**(1,228)**
Other comprehensive loss, net of tax	**—**	**—**	**—**	**—**	**—**	**656**	**656**
Reclassification adjustment to net income	**—**	**—**	**—**	**—**	**—**	**(295)**	**(295)**
Balance, June 30, 2020	**$ 99**	**$ 41**	**$ 56,325**	**$ (5,960)**	**$ 30,528**	**$ (19,481)**	**$ 61,552**
Balance as Restated, January 1, 2019	$ 93	$ 44	$ 51,714	$ —	$ 22,068	$ (17,101)	$ 56,818
Net loss	—	—	—	—	(3,385)	—	(3,385)
Issuance of common stock, net of conversions	2	—	(1)	—	—	—	1
Purchase of treasury stock	—	—	—	—	—	—	—
Share-based compensation expense	—	—	807	—	—	—	807
Cash dividends, $0.085 per share	—	—	—	—	(1,177)	—	(1,177)
Other comprehensive loss, net of tax	—	—	—	—	—	(192)	(192)
Reclassification adjustment to net loss	—	—	—	—	—	86	86
Balance as Restated, March 31, 2019	$ 95	$ 44	$ 52,520	$ —	$ 17,506	$ (17,207)	$ 52,958
Net loss	—	—	—	—	(618)	—	(618)
Issuance of common stock, net of conversions	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	(2,334)	—	—	(2,334)
Share-based compensation expense	—	—	822	—	—	—	822
Cash dividends, $0.09 per share	—	—	—	—	(1,242)	—	(1,242)
Other comprehensive loss, net of tax	—	—	—	—	—	(643)	(643)
Reclassification adjustment to net loss	—	—	—	—	—	246	246
Balance as Restated, June 30, 2019	$ 95	$ 44	$ 53,342	$ (2,334)	$ 15,646	$ (17,604)	$ 49,189

See notes to unaudited condensed consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020
(Tabular amounts in thousands, except as noted and per share amounts)

NOTE 1—Basis of Presentation and Recently Issued Accounting Standards

Basis of Presentation

Hamilton Beach Brands Holding Company is a holding company and operates through its wholly-owned subsidiary, Hamilton Beach Brands, Inc. (“HBB”) (collectively “Hamilton Beach Holding” or the “Company”). HBB is a leading designer, marketer, and distributor of branded, small electric household and specialty housewares appliances, as well as commercial products for restaurants, fast food chains, bars, and hotels. HBB participates in the consumer, commercial and specialty small kitchen appliance markets.

The Company previously operated through its other wholly-owned subsidiary, The Kitchen Collection, LLC ("KC"), which is reported as discontinued operations in all periods presented herein. KC completed its dissolution on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist. See Note 3 for further information on discontinued operations.

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments of a normal recurring nature considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2019.

Operating results for the six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the remainder of the year due to the highly seasonal nature of our primary markets. A majority of revenue and operating profit typically occurs in the second half of the calendar year when sales of our products to retailers and consumers historically increase significantly for the fall holiday-selling season.

HBB maintains a $115.0 million senior secured floating-rate revolving credit facility (the “HBB Facility”) that expires on June 30, 2021, within one year after the issuance of these financial statements. Given the market conditions including unfavorable pricing terms, HBB has not yet completed its refinancing of the HBB Facility and accordingly, all amounts outstanding have been classified as current liabilities. HBB has approved and begun the refinancing process, which is considered customary. Based on the current status of the refinancing and HBB’s history of successfully refinancing its debt, HBB believes that it is probable that the HBB Facility will be refinanced before its maturity. HBB believes funds available from cash on hand, the HBB Facility and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments arising during the next twelve months.

Accounting Standards Not Yet Adopted

The Company is an emerging growth company and has elected not to opt out of the extended transition period for complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public or nonpublic entities, the Company can adopt the new or revised standard at the time nonpublic entities adopt the new or revised standard.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)," which requires an entity to recognize assets and liabilities for the rights and obligations created by leased assets. For nonpublic entities, the amendments are currently effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is planning to adopt ASU 2016-02 when required and is currently evaluating to what extent ASU 2016-02 will affect the Company's financial position, results of operations, cash flows and related disclosures.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326)," which requires an entity to recognize credit losses as an allowance rather than as a write-down. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company is planning to adopt ASU 2016-03 for its year ending December 31, 2023 and is currently evaluating to what extent ASU 2016-13 will affect the Company's financial position, results of operations, cash flows and related disclosures.

NOTE 2— Restatement of Previously Issued Financial Statements

During the quarter ended March 31, 2020, the Company discovered certain accounting irregularities at its Mexican subsidiaries. The Company’s Audit Review Committee commenced an internal investigation, with the assistance of outside counsel and other third party experts. As a result of this investigation, the Company, along with the Audit Review Committee and its third party experts, concluded that certain former employees of one of the Company’s Mexican subsidiaries engaged in unauthorized transactions with the Company’s Mexican subsidiaries that resulted in expenditures being deferred on the balance sheet beyond the period for which the costs pertained. As a result, the Company recorded a non-cash write-off for certain amounts included in the Company’s historical consolidated financial statements in trade receivables and prepaid expenses and other current assets, among other corrections, related to these transactions, and restated its consolidated financial statements as of December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017 and each of the quarters during the years ended December 31, 2019 and 2018 on Form 10-K/A for the year ended December 31, 2019. During the course of the investigation, certain expenses at the Company's Mexican subsidiaries were found to be incorrectly classified within the consolidated statement of operations and have also been corrected in the restatement. These misstatements are described in restatement reference (a) through (d) below.

The restatement also includes corrections for other errors previously identified as immaterial, individually and in the aggregate, to our consolidated financial statements.

Description of Misstatements

(a) Write-off of Assets: Certain former employees of one of the Company's Mexican subsidiaries engaged in unauthorized transactions with the Company’s Mexican subsidiaries and vendors in which the employees had an interest. In doing so, expenditures were deferred on the balance sheet beyond the period for which the costs pertained. The amounts were recorded as trade receivables, prepaid expenses and other current assets, and reductions in accrued liabilities. The amounts have been written off to selling, general and administrative expenses. Where these write-offs caused prepaid assets and other current assets balance to become a liability, the balance has been reclassed from prepaid expenses and other assets to other current liabilities.

(b) Reversal of Revenue: Certain former employees of one of our Mexican subsidiaries engaged in sales activities to customers in which the employees had an interest. The Company concluded that these unauthorized transactions did not meet the criteria for revenue recognition at the time of sale and the revenue has been reversed.

(c) Correction of misclassification of Selling and Marketing Expenses: Certain former employees of one of the Mexican subsidiaries engaged a third-party, in which the employees had an interest, to perform selling and marketing activities on behalf of the Mexican subsidiaries. Amounts paid for the selling and marketing activities had previously been treated as variable consideration and reflected as a reduction to revenue; however, the amounts should be reflected as selling, general and administrative expenses.

(d) Correction for the timing of recognition of customer price concessions: Customer price concessions at our Mexican subsidiaries were not accrued timely in order to obscure the increased expenses due to unauthorized transactions as described above.

(e) Tax adjustments for corrections: The tax impacts of the corrections have been recorded.

(f) Correction of other immaterial errors.

Restatement Tables

The restatement tables below present a reconciliation from the previously reported to the restated values as of and for the three and six months ended June 30, 2019 and as of December 31, 2019. The values as previously reported were derived from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 filed on July 31, 2019 and from our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed on February 26, 2020.

Additionally, in the fourth quarter of 2019, KC met the requirements to be reported as a discontinued operation. The following consolidated financial tables present a reconciliation to reflect KC as a discontinued operation for all periods presented and are labeled "Recast". See Note 3, Discontinued Operations for more information.

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2019			
	As Previously Reported	Restatement Impacts	Restatement Reference	As Restated
	(In thousands)			
Assets				
Current assets				
Cash and cash equivalents	$ 2,142	$ —		$ 2,142
Trade receivables, net	113,781	(5,400)	a,b,d	108,381
Inventory	109,621	185	f	109,806
Prepaid expenses and other current assets	23,102	(11,757)	a,b,f	11,345
Current assets of discontinued operations	5,383	—		5,383
Total current assets	254,029	(16,972)		237,057
Property, plant and equipment, net	22,324	—		22,324
Goodwill	6,253	—		6,253
Other intangible assets, net	3,141	—		3,141
Deferred income taxes	3,853	2,395	e	6,248
Deferred costs	10,941	—		10,941
Other non-current assets	2,085	—		2,085
Non-current assets of discontinued operations	614	—		614
Total assets	$ 303,240	$ (14,577)		$ 288,663
Liabilities and stockholders' equity				
Current liabilities				
Accounts payable	$ 111,117	$ 231	f	$ 111,348
Accounts payable to NACCO Industries, Inc.	496	—		496
Revolving credit agreements	23,497	—		23,497
Accrued compensation	14,277	750	f	15,027
Accrued product returns	8,697	—		8,697
Other current liabilities	12,873	(339)	a,e	12,534
Current liabilities of discontinued operations	29,723	—		29,723
Total current liabilities	200,680	642		201,322
Revolving credit agreements	35,000	—		35,000
Other long-term liabilities	12,501	3,574	e	16,075
Total liabilities	248,181	4,216		252,397
Stockholders' equity				
Preferred stock, par value $0.01 per share	—	—		—
Class A Common stock, par value $0.01 per share; 9,805 shares issued as of December 31, 2019	98	—		98
Class B Common stock, par value $0.01 per share, convertible into Class A on a one-for-one basis; 4,076 shares issued as of December 31, 2019	41	—		41
Capital in excess of par value	54,344	165	f	54,509
Treasury stock	(5,960)	—		(5,960)
Retained earnings	22,524	(18,814)	a,b,d,e,f	3,710
Accumulated other comprehensive loss	(15,988)	(144)	a,b,d,e	(16,132)
Total stockholders' equity	55,059	(18,793)		36,266
Total liabilities and stockholders' equity	$ 303,240	$ (14,577)		$ 288,663

(a) Write-off of Assets: The correction of these misstatements resulted in a decrease to trade receivables of $2.5 million, a reduction to prepaid expenses and other current assets of $12.4 million, and an increase to other current liabilities of $0.9 million

(b) Reversal of Revenue: The correction of these misstatements resulted in a decrease to trade receivables of $1.3 million and an increase to prepaid expenses and other current assets of $0.2 million

(d) Correction for the timing of recognition of customer price concessions: The correction of these misstatements resulted in a decrease to trade receivables of $1.6 million

(e) Tax adjustments for corrections: The correction of these misstatements resulted in an increase to deferred income taxes of $2.4 million, a decrease to other current liabilities of $1.2 million, and an increase to other long-term liabilities of $3.6 million

(f) Correction of other immaterial errors: The correction of these misstatements resulted in an increase to prepaid expenses and other current assets of $0.5 million, an increase to inventory of $0.2 million, an increase to accounts payable of $0.2 million, an increase to accrued compensation of $0.7 million, and an increase to capital in excess of par of $0.2 million

CONDENSED CONSOLIDATED BALANCE SHEETS

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	June 30, 2019					
	As Previously Reported	Restatement Impacts	Restatement Reference	As Restated	Recasting Impacts	As Restated and Recast
	(In thousands)					
Assets						
Current assets						
Cash and cash equivalents	**$ 1,131**	$ —		$ 1,131	$ (102)	$ 1,029
Trade receivables, net	**89,579**	(2,446)	a,f	87,133	(865)	86,268
Inventory	**140,817**	—		140,817	(19,345)	121,472
Prepaid expenses and other current assets	**24,078**	(6,723)	a	17,355	(943)	16,412
Current assets of discontinued operations	**—**	—		—	21,255	21,255
Total current assets	**255,605**	(9,169)		246,436	—	246,436
Property, plant and equipment, net	**23,204**	—		23,204	(1,555)	21,649
Goodwill	**6,253**	—		6,253	—	6,253
Other intangible assets, net	**3,828**	—		3,828	—	3,828
Deferred income taxes	**6,169**	318	e	6,487	(2,733)	3,754
Deferred costs	**8,683**	—		8,683	(119)	8,564
Other non-current assets	**1,997**	—		1,997	(13)	1,984
Non-current assets of discontinued operations	**—**	—		—	4,420	4,420
Total assets	**$ 305,739**	$ (8,851)		$ 296,888	$ —	$ 296,888
Liabilities and stockholders' equity						
Current liabilities						
Accounts payable	**$ 91,737**	$ —		$ 91,737	$ (5,538)	$ 86,199
Accounts payable to NACCO Industries, Inc.	**220**	—		220	—	220
Revolving credit agreements	**58,955**	—		58,955	(7,450)	51,505
Accrued compensation	**12,091**	387	f	12,478	(753)	11,725
Accrued product returns	**8,224**	—		8,224	—	8,224
Other current liabilities	**27,930**	(241)	a,d,e,f	27,689	(6,307)	21,382
Current liabilities of discontinued operations	**—**	—		—	20,048	20,048
Total current liabilities	**199,157**	146		199,303	—	199,303
Revolving credit agreements	**32,000**	—		32,000	(2,000)	30,000
Other long-term liabilities	**15,485**	911	e	16,396	(1,697)	14,699
Non-current liabilities of discontinued operations	**—**	—		—	3,697	3,697
Total liabilities	**246,642**	1,057		247,699	—	247,699
Stockholders' equity						
Class A Common stock	**95**	—		95	—	95
Class B Common stock	**44**	—		44	—	44
Capital in excess of par value	**53,342**	—		53,342	—	53,342
Treasury stock	**(2,334)**	—		(2,334)	—	(2,334)
Retained earnings	**25,773**	(10,127)	a,d,e,f	15,646	—	15,646
Accumulated other comprehensive loss	**(17,823)**	219	a,d	(17,604)	—	(17,604)
Total stockholders' equity	**59,097**	(9,908)		49,189	—	49,189
Total liabilities and stockholders' equity	**$ 305,739**	$ (8,851)		$ 296,888	$ —	$ 296,888

(a) Write-off of Assets: The correction of these misstatements resulted in a decrease to trade receivables of $1.3 million, a reduction to prepaid expenses and other current assets of $6.7 million, and an increase in other current liabilities of $1.4 million

(d) Correction for the timing of recognition of customer price concessions: The correction of these misstatements resulted in an increase to other current liabilities of $0.2 million

(e) Tax adjustments for corrections: The correction of these misstatements resulted in an increase to deferred income taxes of $0.3 million, a decrease to other current liabilities of $0.4 million, and an increase to other long-term liabilities of $0.9 million

(f) Correction of other immaterial errors: The correction of these misstatements resulted in a decrease to trade receivables of $1.1 million, an increase to accrued compensation of $0.4 million, and a decrease to other current liabilities of $1.4 million

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30, 2019					
	As Previously Reported	**Restatement Impacts**	**Restatement References**	**As Restated**	**Recasting Impacts**	**As Restated and Recast**
	(In thousands)					
Revenue	$ 148,427	$ 921	c	$ 149,348	$ (18,283)	$ 131,065
Cost of sales	112,770	—		112,770	(10,212)	102,558
Gross profit	35,657	921		36,578	(8,071)	28,507
Selling, general and administrative expenses	35,617	594	a,c	36,211	(11,235)	24,976
Amortization of intangible assets	346	—		346	—	346
Operating profit (loss)	(306)	327		21	3,164	3,185
Interest expense, net	904	—		904	(115)	789
Other expense (income), net	(126)	—		(126)	(6)	(132)
Income (loss) from continuing operations before income taxes	(1,084)	327		(757)	3,285	2,528
Income tax expense (benefit)	(140)	1		(139)	769	630
Net income (loss) from continuing operations	(944)	326		(618)	2,516	1,898
Loss from discontinued operations, net of tax	—	—		—	(2,516)	(2,516)
Net income (loss)	$ (944)	$ 326		$ (618)	$ —	$ (618)
Basic and diluted earnings (loss) per share:						
Continuing operations	$ (0.07)	$ 0.03		$ (0.04)	$ 0.18	$ 0.14
Discontinued operations	—	—		—	(0.18)	(0.18)
Basic and diluted earnings (loss) per share	$ (0.07)	$ 0.03		$ (0.04)	$ —	$ (0.04)
Basic weighted average shares outstanding	13,813	—		13,813	—	13,813
Diluted weighted average shares outstanding	13,813	—		13,813	13	13,826

(a) Write-off of Assets: The correction of these misstatements resulted in a decrease to selling, general and administrative ("SG&A") expense of $0.3 million

(c) Correction of misclassification of Selling and Marketing Expenses: The correction of these misstatements resulted in an increase to revenue and an increase to SG&A expense of $0.9 million

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Six Months Ended June 30, 2019					
	As Previously Reported	Restatement Impacts	Restatement References	As Restated	Recasting Impacts	As Restated and Recast
	(In thousands)					
Revenue	$ 293,804	$ 1,439	c,f	$ 295,243	$ (37,536)	$ 257,707
Cost of sales	223,424	(65)	f	223,359	(20,861)	202,498
Gross profit	70,380	1,504		71,884	(16,675)	55,209
Selling, general and administrative expenses	72,124	2,566	a,c,f	74,690	(23,468)	51,222
Amortization of intangible assets	691	—		691	—	691
Operating profit (loss)	(2,435)	(1,062)		(3,497)	6,793	3,296
Interest expense, net	1,650	—		1,650	(198)	1,452
Other expense (income), net	(458)	144	f	(314)	(15)	(329)
Income (loss) from continuing operations before income taxes	(3,627)	(1,206)		(4,833)	7,006	2,173
Income tax expense (benefit)	(922)	92	e	(830)	1,767	937
Net income (loss) from continuing operations	(2,705)	(1,298)		(4,003)	5,239	1,236
Loss from discontinued operations, net of tax	—	—		—	(5,239)	(5,239)
Net loss	$ (2,705)	$ (1,298)		$ (4,003)	$ —	$ (4,003)
Basic and diluted earnings (loss) per share:						
Continuing operations	$ (0.20)	$ (0.09)		$ (0.29)	$ 0.38	$ 0.09
Discontinued operations	—	—		—	(0.38)	(0.38)
Basic and diluted earnings (loss) per share	$ (0.20)	$ (0.09)		$ (0.29)	$ —	$ (0.29)
Basic weighted average shares outstanding	13,800	—		13,800	—	13,800
Diluted weighted average shares outstanding	13,800	—		13,800	13	13,813

(a) Write-off of Assets: The correction of these misstatements resulted in an increase to selling, general and administrative ("SG&A") expense of $1.1 million

(c) Correction of misclassification of Selling and Marketing Expenses: The correction of these misstatements resulted in an increase to revenue and an increase to SG&A expense of $1.3 million

(e) Tax adjustments for corrections: The correction of these misstatements resulted in an increase to income tax expense of $0.1 million

(f) Correction of other immaterial errors: The correction of these misstatements resulted in an increase to revenue of $0.1 million, a decrease to cost of sales of $0.1 million, an increase to SG&A of $0.2 million, and an increase to other expense of $0.1 million

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Three Months Ended June 30, 2019		
	As Previously Reported	Restatement Impacts	As Restated
		(In thousands)	
Net income (loss)	$ (944)	$ 326	$ (618)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	226	(113)	113
Gain on long-term intra-entity foreign currency transactions	121	—	121
Cash flow hedging activity	(877)	—	(877)
Reclassification of hedging activities into earnings	144	—	144
Pension plan adjustment	—	—	—
Reclassification of pension adjustments into earnings	102	—	102
Total other comprehensive loss, net of tax	(284)	(113)	(397)
Comprehensive income (loss)	$ (1,228)	$ 213	$ (1,015)

See description of the net income (loss) impacts in the consolidated statement of operations for the three months ended June 30, 2019 section above.

The decrease to foreign currency translation adjustments is the result of the translation impacts of restatements in the write-off of assets, reversal of revenue and timing of recognition of customer pricing concessions categories.

The increases to the reclassification of pension adjustments are from the correction of other immaterial errors.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Six Months Ended June 30, 2019		
	As Previously Reported	Restatement Impacts	As Restated
		(In thousands)	
Net income (loss)	$ (2,705)	$ (1,298)	$ (4,003)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	556	(229)	327
Gain on long-term intra-entity foreign currency transactions	136	—	136
Cash flow hedging activity	(1,443)	144	(1,299)
Reclassification of hedging activities into earnings	146	—	146
Pension plan adjustment	—	—	—
Reclassification of pension adjustments into earnings	92	94	186
Total other comprehensive loss, net of tax	(513)	9	(504)
Comprehensive income (loss)	$ (3,218)	$ (1,289)	$ (4,507)

See description of the net income (loss) impacts in the consolidated statement of operations for the six months ended June 30, 2019 section above.

The decrease to foreign currency translation adjustments is the result of the translation impacts of restatements in the write-off of assets and timing of recognition of customer pricing concessions categories.

The increase to cash flow hedging and the reclassification of pension adjustments is from the correction of other immaterial errors.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	June 30, 2019				
	As Previously Reported	Restatement Impacts	As Restated	Recasting Impacts	As Restated and Recast
Operating activities					
Net income (loss) from continuing operations	$ (2,705)	$ (1,298)	$ (4,003)	$ 5,239	$ 1,236
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:					
Depreciation and amortization	2,153	—	2,153	(312)	1,841
Deferred income taxes	1,800	57	1,857	43	1,900
Stock compensation expense	1,629	—	1,629	—	1,629
Other	117	(11)	106	(29)	77
Net changes in operating assets and liabilities:					
Affiliate payable	(2,199)	(1)	(2,200)	5	(2,195)
Trade receivables	13,956	(128)	13,828	(906)	12,922
Inventory	4,375	210	4,585	(2,649)	1,936
Other assets	(133)	(214)	(347)	(1,255)	(1,602)
Accounts payable	(41,259)	(9)	(41,268)	8,166	(33,102)
Other liabilities	(19,841)	1,412	(18,429)	2,141	(16,288)
Net cash provided by (used for) operating activities from continuing operations	(42,107)	18	(42,089)	10,443	(31,646)
Investing activities					
Expenditures for property, plant and equipment	(2,091)	—	(2,091)	119	(1,972)
Other	36	—	36	(36)	—
Net cash used for investing activities from continuing operations	(2,055)	—	(2,055)	83	(1,972)
Financing activities					
Net additions (reductions) to revolving credit agreements	44,302	—	44,302	(9,450)	34,852
Purchase of treasury stock	(2,334)	—	(2,334)	—	(2,334)
Cash dividends paid	(2,419)	—	(2,419)	—	(2,419)
Net cash provided by (used for) financing activities from continuing operations	39,549	—	39,549	(9,450)	30,099
Cash flows from discontinued operations					
Net cash used for operating activities from discontinued operations	—	—	—	(10,443)	(10,443)
Net cash used for investing activities from discontinued operations	—	—	—	(83)	(83)
Net cash used for financing activities from discontinued operations	—	—	—	9,450	9,450
Cash provided by (used for) discontinued operations	—	—	—	(1,076)	(1,076)
Effect of exchange rate changes on cash	(608)	(18)	(626)	—	(626)
Cash and Cash Equivalents					
(Decrease) increase for the year from continuing operations	(5,221)	—	(5,221)	1,076	(4,145)
Increase (decrease) for the year from discontinued operations	—	—	—	(1,076)	(1,076)
Balance at the beginning of the year	6,352	—	6,352	—	6,352
Balance at the end of the period	$ 1,131	$ —	$ 1,131	$ —	$ 1,131

See description of the net income (loss) impacts in the consolidated statement of operations for the six months ended June 30, 2019 section above.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Class A common stock	Class B common stock	Capital in excess of par value	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
As Previously Reported							
Balance, January 1, 2019	$ 93	$ 44	$ 51,714	$ —	$ 30,897	$ (17,310)	$ 65,438
Net loss	—	—	—	—	(2,705)	—	(2,705)
Issuance of common stock, net of conversions	2	—	(1)	—	—	—	1
Purchase of treasury stock	—	—	—	(2,334)	—	—	(2,334)
Share-based compensation expense	—	—	1,629	—	—	—	1,629
Cash dividends, $0.085 per share	—	—	—	—	(2,419)	—	(2,419)
Other comprehensive loss	—	—	—	—	—	(751)	(751)
Reclassification adjustment to net loss	—	—	—	—	—	238	238
Balance, June 30, 2019	$ 95	$ 44	$ 53,342	$ (2,334)	$ 25,773	$ (17,823)	$ 59,097
Restatement Impacts							
Balance, January 1, 2019	$ —	$ —	$ —	$ —	$ (8,829)	$ 209	$ (8,620)
Net loss	—	—	—	—	(1,298)	—	(1,298)
Issuance of common stock, net of conversions	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	—	—	—
Cash dividends, $0.085 per share	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	(85)	(85)
Reclassification adjustment to net loss	—	—	—	—	—	94	94
Balance, June 30, 2019	$ —	$ —	$ —	$ —	$ (10,127)	$ 218	$ (9,909)
As Restated							
Balance, January 1, 2019	$ 93	$ 44	$ 51,714	$ —	$ 22,068	$ (17,101)	$ 56,818
Net loss	—	—	—	—	(4,003)	—	(4,003)
Issuance of common stock, net of conversions	2	—	(1)	—	—	—	1
Purchase of treasury stock	—	—	—	(2,334)	—	—	(2,334)
Share-based compensation expense	—	—	1,629	—	—	—	1,629
Cash dividends, $0.085 per share	—	—	—	—	(2,419)	—	(2,419)
Other comprehensive loss	—	—	—	—	—	(835)	(835)
Reclassification adjustment to net loss	—	—	—	—	—	332	332
Balance, June 30, 2019	$ 95	$ 44	$ 53,342	$ (2,334)	$ 15,646	$ (17,604)	$ 49,189

See description of the net income and other comprehensive income (loss) impacts in the consolidated statement of operations and consolidated statement of comprehensive income (loss) for the six months ended June 30, 2019 sections above.

NOTE 3—Discontinued Operations

On October 10, 2019, the Board approved the wind down of KC's retail operation due to further deterioration in foot traffic which lowered the Company's outlook for the prospect of a future return to profitability. By December 31, 2019, all retail stores were closed and operations ceased. Accordingly, KC is reported as discontinued operations in all periods presented. KC completed its dissolution on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist and was no longer consolidated by the Company. During the three months ended June 30, 2020 KC was deconsolidated. Neither Hamilton Beach Brands Holding Company nor Hamilton Beach Brands, Inc. received a distribution.

KC's operating results are reflected as discontinued operations for all periods presented. The major line items constituting the income (loss) from discontinued operations, net of tax are as follows:

	THREE MONTHS ENDED June 30,		SIX MONTHS ENDED June 30,	
	2020	**2019**	**2020**	**2019**
	(In thousands)			
Revenue	$ —	$ 18,283	631	37,536
Cost of sales	—	10,212	—	20,861
Gross profit	—	8,071	631	16,675
Selling, general and administrative expenses	**299**	11,235	1,346	23,468
Adjustment of lease termination liability(1)	—	—	(16,457)	—
Adjustment of other current liabilities(2)	—	—	(6,608)	—
Operating income (loss)	**(299)**	(3,164)	22,350	(6,793)
Interest expense	—	115		198
Other expense, net	**88**	6	88	15
Income (loss) from discontinued operations before income taxes	**(387)**	(3,285)	22,262	(7,006)
Income tax benefit	**(82)**	(769)	**(299)**	(1,767)
Income (loss) from discontinued operations, net of tax	**$ (305)**	**$ (2,516)**	**$ 22,561**	$ (5,239)

(1) Represents an adjustment to the estimated timing and amount of estimated cash flows underlying the lease termination obligation at March 31, 2020, calculated based on the final distribution of KC's remaining assets on April 3, 2020. The lease termination obligation is measured at fair value using significant observable inputs, which is Level 2 as defined in the fair value hierarchy.

(2) Represents an adjustment to the carrying value of substantially all of the other current liabilities at March 31, 2020, calculated based on the final distribution of KC's remaining assets on April 3, 2020.

KC's assets and liabilities are reflected as assets and liabilities of discontinued operations for the year ended December 31, 2019 and the six months ended June 30, 2019. Due to the deconsolidation of KC, there were no assets or liabilities associated with KC as of June 30, 2020. The major classes of assets and liabilities included as part of discontinued operations are as follows:

	DECEMBER 31 2019	JUNE 30 2019
Assets		
Cash and cash equivalents	$ 5,022	$ 102
Inventory	—	19,345
Prepaid expenses and other current assets	361	1,808
Current assets of discontinued operations	$ 5,383	$ 21,255
Property, plant and equipment, net	—	1,555
Deferred income taxes	$ 614	$ 2,733
Other non-current assets	—	132
Non-current assets of discontinued operations	$ 614	$ 4,420
Liabilities		
Accounts payable	$ 4,594	$ 5,538
Revolving credit agreement	—	7,450
Lease termination liability	17,248	—
Other current liabilities	7,881	7,060
Current liabilities of discontinued operations	$ 29,723	$ 20,048
Other long-term liabilities	—	3,697
Non-current liabilities of discontinued operations	$ —	$ 3,697

Neither Hamilton Beach Brands Holding Company nor HBB has guaranteed any obligations of KC.

NOTE 4—Transfer of Financial Assets

The Company has entered into an arrangement with a financial institution to sell certain U.S. trade receivables on a non-recourse basis. The Company utilizes this arrangement as an integral part of financing working capital. Under the terms of the agreement, the Company receives cash proceeds and retains no rights or interest and has no obligations with respect to the sold receivables. These transactions are accounted for as sold receivables which result in a reduction in trade receivables because the agreement transfers effective control over and risk related to the receivables to the buyer. Under this arrangement, the Company derecognized $38.7 million and $75.2 million of trade receivables during the three and six months ending June 30, 2020, respectively, $33.4 million and $67.9 million of trade receivables during the three and six months ending June 30, 2019, respectively, and $162.7 million during the year ending December 31, 2019. The loss incurred on sold receivables in the consolidated results of operations for the six months ended June 30, 2020 and 2019 was not material. The Company does not carry any servicing assets or liabilities. Cash proceeds from this arrangement are reflected as operating activities in the Condensed Consolidated Statements of Cash Flows.

NOTE 5—Fair Value Disclosure

The following table presents the Company's assets and liabilities accounted for at fair value on a recurring basis:

Description	Balance Sheet Location	**JUNE 30 2020**	DECEMBER 31 2019	JUNE 30 2019
Assets:				
Interest rate swap agreements				
Current	Prepaid expenses and other current assets	**$ —**	$ —	$ 69
Foreign currency exchange contracts				
Current	Prepaid expenses and other current assets	**39**	—	—
		$ 39	$ —	$ 69
Liabilities:				
Interest rate swap agreements				
Current	Other current liabilities	**$ 390**	$ 21	$ —
Long-term	Other long-term liabilities	**948**	61	51
Foreign currency exchange contracts				
Current	Other current liabilities	**—**	308	357
		$ 1,338	$ 390	$ 408

The Company measures its derivatives at fair value using significant observable inputs, which is Level 2 as defined in the fair value hierarchy. The Company uses a present value technique that incorporates the LIBOR swap curve, foreign currency spot rates and foreign currency forward rates to value its derivatives, including its interest rate swap agreements and foreign currency exchange contracts, and also incorporates the effect of its subsidiary and counterparty credit risk into the valuation.

Other Fair Value Measurement Disclosures

The carrying amounts of cash and cash equivalents, trade receivables and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair values of revolving credit agreements, including book overdrafts, which approximate book value, were determined using current rates offered for similar obligations taking into account subsidiary credit risk, which is Level 2 as defined in the fair value hierarchy.

NOTE 6— Stockholders' Equity

Capital Stock

The following table sets forth the Company's authorized capital stock information:

	JUNE 30 2020	DECEMBER 31 2019	JUNE 30 2019
		(In thousands)	
Preferred stock, par value $0.01 per share			
Preferred stock authorized	**5,000**	5,000	5,000
Preferred stock outstanding	**—**	—	—
Class A Common stock, par value $0.01 per share			
Class A Common stock authorized	**70,000**	70,000	70,000
Class A Common issued[(1)(2)]	**9,946**	9,805	9,469
Treasury Stock	**365**	365	130
Class B Common stock, par value $0.01 per share, convertible into Class A on a one-for-one basis			
Class B Common stock authorized	**30,000**	30,000	30,000
Class B Common issued[(1)]	**4,063**	4,076	4,383

[(1)] Class B Common converted to Class A Common were 10 and 13 shares during the three and six months ending June 30, 2020, respectively, and 2 and 39 during the three and six months ending June 30, 2019, respectively.
[(2)] The Company issued Class A Common shares of 20 and 128 during the three and six months ending June 30, 2020, respectively, and 10 and 139 during the three and six months ending June 30, 2019, respectively.

Accumulated Other Comprehensive Loss: The following table summarizes changes in accumulated other comprehensive loss by component and related tax effects for periods shown:

	Foreign Currency	Deferred Gain (Loss) on Cash Flow Hedging	Pension Plan Adjustment	Total
As Restated Balance, January 1, 2020	$ (8,221)	$ (341)	$ (7,570)	$ (16,132)
Other comprehensive loss	(4,985)	(171)	—	(5,156)
Reclassification adjustment to net loss	—	154	239	393
Tax effects	1,132	(35)	(44)	1,053
Balance, March 31, 2020	$ (12,074)	$ (393)	$ (7,375)	$ (19,842)
Other comprehensive income (loss)	742	137	—	879
Reclassification adjustment to net income (loss)	—	(489)	140	(349)
Tax effects	(223)	97	(43)	(169)
Balance, June 30, 2020	$ (11,555)	$ (648)	$ (7,278)	$ (19,481)
As Restated Balance, January 1, 2019	$ (8,652)	$ 879	$ (9,328)	$ (17,101)
Other comprehensive income (loss)	246	(631)	—	(385)
Reclassification adjustment to net income (loss)	—	4	45	49
Tax effects	(17)	207	39	229
As Restated Balance, March 31, 2019	$ (8,423)	$ 459	$ (9,244)	$ (17,208)
Other comprehensive income (loss)	248	(1,198)	—	(950)
Reclassification adjustment to net income (loss)	—	202	142	344
Tax effects	(13)	263	(40)	210
As Restated Balance, June 30, 2019	$ (8,188)	$ (274)	$ (9,142)	$ (17,604)

NOTE 7—Revenue

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. A description of the performance obligations for HBB is as follows:

- Product revenue - Product revenue consist of sales of small electric household and specialty housewares appliances to traditional brick and mortar and ecommerce retailers, distributors and directly to the end consumer as well as sales of commercial products for restaurants, bars and hotels. Transactions with these customers generally originate upon the receipt of a purchase order from the customer, which in some cases are governed by master sales agreements, specifying product(s) that the customer desires. Contracts for product revenue have an original duration of one year or less, and payment terms are generally standard and based on customer creditworthiness. Revenue from product sales is recognized at the point in time when control transfers to the customer, which is either when product is shipped from the Company's facility, or delivered to customers, depending on the shipping terms. The amount of revenue recognized varies primarily with changes in returns. In addition, the Company offers price concessions to our customers for incentive offerings, special pricing agreements, price competition, promotions or other volume-based arrangements. We evaluated such agreements with our customers and determined returns and price concessions should be accounted for as variable consideration. As of December 31, 2019, we have determined that customer price concessions recorded as a reduction of revenue, certain of which were previously recorded in other current liabilities, meet all of the criteria specified in ASC 210-20, "Balance Sheet Offsetting". Accordingly, amounts related to such arrangements have now been classified as a reduction of trade receivables (prior periods have not been adjusted as all the criteria in ASC 210-20 had not previously been met).

- License revenues - From time to time, the Company enters into exclusive and non-exclusive licensing agreements which grant the right to use certain of HBB's intellectual property (IP) in connection with designing, manufacturing, distributing, advertising, promoting and selling the licensees' products during the term of the agreement. The IP that is licensed generally consists of trademarks, tradenames, patents, trade dress, and/or logos (the "Licensed IP"). In exchange for granting the right to use the Licensed IP, HBB receives a royalty payment, which is a function of (1) the total net sales of products that use the Licensed IP and (2) the royalty percentage that is stated in the licensing agreement. HBB recognizes revenue at the later of when the subsequent sales occur or satisfying the performance obligation (over time).

HBB's warranty program to the consumer consists generally of an assurance-type limited warranty lasting for varying periods of up to ten years for electric appliances, with the majority of products having a warranty of one to three years. There is no guarantee to the customer as HBB may repair or replace, at its option, those products returned under warranty. Accordingly, the Company determined that no separate performance obligation exists.

The following table sets forth Company's revenue on a disaggregated basis for the three and six months ended June 30:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
		As Restated and Recast		As Restated and Recast
	2020	2019	**2020**	2019
Type of good or service:				
Products	**$ 136,816**	$ 129,820	**$ 256,451**	$ 255,381
Licensing	**1,481**	1,245	**2,692**	2,326
Total revenues	**$ 138,297**	$ 131,065	**$ 259,143**	$ 257,707

NOTE 8—Contingencies

Various legal and regulatory proceedings and claims have been or may be asserted against Hamilton Beach Brands Holdings Company and certain subsidiaries relating to the conduct of its businesses, including product liability, patent infringement, asbestos related claims, environmental and other claims. These proceedings and claims are incidental to the ordinary course of business of the Company. Management believes that it has meritorious defenses and will vigorously defend the Company in these actions. Any costs that management estimates will be paid as a result of these claims are accrued when the liability is considered probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss.

HBB is a defendant in a legal proceeding in which the plaintiff alleges that certain HBB products infringe the plaintiff's patents. On May 3, 2019, the jury returned its verdict finding that the Company had infringed certain patents of the plaintiff and, as a result, awarded the plaintiff damages in the amount of $3.2 million. Accordingly, the Company recorded $3.2 million expense in selling, general and administrative expenses during the second quarter of 2019 for the contingent loss. The Company filed post-trial motions challenging the jury verdict of infringement and the award of damages and the plaintiff filed motions seeking interest, post-trial accounting, injunctive relief, and attorneys' fees. On May 2, 2020, the Company's motion for judgment as a matter of law for non-infringement of certain claims of one of the patents in the case was granted. Since May 2, 2020, the court has also issued orders denying plaintiff's motion for attorney's fees and reducing plaintiff's award by $0.9 million. Accordingly, the Company reduced the estimated contingent loss by $0.9 million during the first quarter of 2020. On July 16, 2020, the Court issued a narrow injunction prohibiting the sale of a particular line of mixing machines used in limited applications and denied plaintiff's motion for an injunction with respect to all other HBB machines alleged to have infringed plaintiff's patents. HBB has filed a Notice of Appeal with the U.S. Court of Appeals for the Federal Circuit, as HBB maintains it does not infringe any valid patent claim and the damages award is not supported by the evidence. On July 28, 2020, the Federal Circuit granted HBB's motion to stay the injunction pending the appeal.

Hamilton Beach Brands Holding Company is a defendant in a legal proceeding instituted in February 2020 in which the plaintiff seeks to hold the Company liable for the unsatisfied portion of an agreed final judgment that plaintiff obtained against KC related to KC's failure to continue to operate forty-nine stores during the term of the store leases. All KC stores were closed by December 31, 2019 and on January 23, 2020 a Certificate of Dissolution of Ohio Limited Liability Company was filed with the Ohio Secretary of State, effective as of January 21, 2020. In February 2020, KC agreed to the entry of a final judgment in favor of the plaintiff in the amount of $8.1 million and in April 2020 the plaintiff received $0.3 million in the final distribution of KC assets to KC creditors. The Company believes that the plaintiff's claims are without merit and will vigorously defend against plaintiff's claims.

On May 21, 2020 an owner of HBBHC class A common stock filed a class action complaint against HBBHC and the Company's Chief Executive and Chief Financial officers in the U.S. District Court for the Eastern District of New York. The complaint asserts claims under Sections 10(b) and 20 of the Securities Exchange Act on behalf of a putative class of investors who acquired HBBHC common stock between February 27, 2020 and May 8, 2020. The claims pertain to the accounting irregularities involving a Mexican subsidiary of the Company that were announced in the Form 12b-25 filed by the Company on May 8, 2020. The Company believes that the claims are without merit and will vigorously defend against the claims.
These matters are subject to inherent uncertainties and unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of an adverse impact on the Company's financial position, results of operations and cash flows of the period in which the ruling occurs, or in future periods.

Environmental matters

HBB is investigating or remediating historical environmental contamination at some current and former sites operated by HBB or by businesses it acquired. Based on the current stage of the investigation or remediation at each known site, HBB estimates the total investigation and remediation costs and the period of assessment and remediation activity required for each site. The estimate of future investigation and remediation costs is primarily based on variables associated with site clean-up, including, but not limited to, physical characteristics of the site, the nature and extent of the contamination and applicable regulatory programs and remediation standards. No assessment can fully characterize all subsurface conditions at a site. There is no assurance that additional assessment and remediation efforts will not result in adjustments to estimated remediation costs or the time frame for remediation at these sites.

HBB's estimates of investigation and remediation costs may change if it discovers contamination at additional sites or additional contamination at known sites, if the effectiveness of its current remediation efforts change, if applicable federal or state regulations change or if HBB's estimate of the time required to remediate the sites changes. HBB's revised estimates may differ materially from original estimates.

At June 30, 2020, December 31, 2019, and June 30, 2019, HBB had accrued undiscounted obligations of $4.2 million, $4.4 million and $4.6 million respectively, for environmental investigation and remediation activities. HBB estimates that it is reasonably possible that it may incur additional expenses in the range of zero to $3.9 million related to the environmental investigation and remediation at these sites. Additionally, the Company recorded a $1.5 million receivable as of December 31, 2019 related to a probable recovery of environmental investigation and remediation costs associated with one of the sites from a responsible party in exchange for release from all future obligations by that party. As of June 30, 2020, the receivable has been collected and $1.0 million is restricted cash.

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

(Dollars in thousands, except as noted and per share data)

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to various uncertainties and changes in circumstances. Important factors that could cause actual results to differ materially from those described in these forward-looking statements are set forth below under the heading “Forward-Looking Statements."

Hamilton Beach Brands Holding Company is a holding company and operates through its wholly-owned subsidiary Hamilton Beach Brands, Inc. (“HBB”) (collectively “Hamilton Beach Holding” or the “Company”). The Company previously operated through its other wholly-owned subsidiary, The Kitchen Collection, LLC ("KC"), which is reported as discontinued operations in all periods presented herein. KC completed its dissolution on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist. Neither Hamilton Beach Brands Holding Company nor Hamilton Beach Brands, Inc. received a distribution.

HBB is the Company's single reportable segment and intercompany balances and transactions have been eliminated.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For a summary of the Company's critical accounting policies, refer to “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies” in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2019 as there have been no material changes from those disclosed in our Annual Report.

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RESULTS OF OPERATIONS

The Company’s business is seasonal and a majority of revenue and operating profit typically occurs in the second half of the year when sales of small electric appliances and kitchenware historically increase significantly for the fall holiday-selling season. As described in Note 2 - Restatement of Previously Issued Financial Statements, amounts presented in prior periods have been restated. Additionally, in the fourth quarter of 2019, KC met the requirements to be reported as a discontinued operation. The following consolidated financial tables present KC as a discontinued operation for prior year periods presented and are labeled "Recast". See Note 3, Discontinued Operations for more information. The results of operations were as follows for the three months ended June 30:

Second Quarter of 2020 Compared with Second Quarter of 2019

	THREE MONTHS ENDED June 30,					
	2020	% of Revenue	2019 As Restated and Recast	% of Revenue	$ Change	% Change
Revenue	**$ 138,297**	100.0 %	$ 131,065	100.0 %	$ 7,232	5.5 %
Cost of sales	**103,043**	74.5 %	102,558	78.2 %	485	0.5 %
Gross profit	**35,254**	25.5 %	28,507	21.8 %	6,747	23.7 %
Selling, general and administrative expenses	**24,035**	17.4 %	24,976	19.1 %	(941)	(3.8)%
Amortization of intangible assets	**324**	0.2 %	346	0.3 %	(22)	(6.4)%
Operating profit	**10,895**	7.9 %	3,185	2.4 %	7,710	242.1 %
Interest expense, net	**366**	0.3 %	789	0.6 %	(423)	(53.6)%
Other expense (income), net	**(193)**	(0.1)%	(132)	(0.1)%	(61)	46.2 %
Income (loss) from continuing operations before income taxes	**10,722**	7.8 %	2,528	1.9 %	8,194	324.1 %
Income tax expense (benefit)	**2,657**	1.9 %	630	0.5 %	2,027	321.7 %
Net income (loss) from continuing operations	**8,065**	5.8 %	1,898	1.4 %	6,167	324.9 %
Income (loss) from discontinued operations, net of tax	**(305)**	n/m	(2,516)	n/m	2,211	n/m
Net income (loss)	**$ 7,760**		$ (618)		$ 8,378	
Effective income tax rate on continuing operations	**24.8%**		24.9%			

The following table identifies the components of the change in revenue for the three months ended June 30:

	Revenue
2019 As Restated	$ 131,065
Increase (decrease) from:	
Unit volume and product mix	7,744
Average sales price	1,331
Foreign currency	(1,843)
	$ 138,297

Revenue - Revenue increased $7.2 million, or 5.5%, due primarily to strong demand in the U.S. consumer markets as consumers continue to stay home and engaged in more meal and beverage preparation during the COVID-19 pandemic. The Canada consumer market also experienced increased demand. Demand continued to be particularly strong for the Company's countertop ovens, toasters, food processors, coffee makers, slow cookers, hand mixers, cocktail dispensers and breakfast appliances. Revenue from the international consumer and global commercial markets declined due to the ongoing adverse impact of the COVID-19 pandemic on emerging markets and on the restaurant and hotel industries. Foreign currency had a negative impact on revenue of $1.8 million. Ecommerce sales in the second quarter increased 77% and accounted for 37% of total revenue for the quarter.

Gross profit - Gross profit increased $6.7 million or 23.7% primarily due to higher sales volume. Gross profit margin was 25.5% compared to 21.8% due to customer and product mix and a benefit of approximately $1.6 million for tariff relief.

Selling, general and administrative expenses - Selling, general and administrative expenses decreased $0.9 million due to lower overall spend, partially offset by third party fees related to the investigation of accounting irregularities in our Mexican subsidiaries.

Certain former employees of one of our Mexican subsidiaries engaged in unauthorized transactions with the Company's Mexican subsidiaries and in doing so, expenditures were deferred on the balance sheet of the Mexican subsidiaries beyond the period for which the costs pertained. Included in selling, general and administrative expenses in the second quarter of 2019 are charges of $0.6 million to write-off unrealizable assets created as a result of these unauthorized transactions. See Note 2, Restatement of Previously Issued Financial Statements for additional information.

Interest expense, net - Interest expense, net decreased $0.4 million primarily due to lower average interest rates and decreased average borrowings outstanding under HBB's revolving credit facility.

First Six Months of 2020 Compared with First Six Months Quarter of 2019

	SIX MONTHS ENDED June 30,					
	2020	% of Revenue	2019 As Restated and Recast	% of Revenue	$ Change	% Change
Revenue	**$ 259,143**	100.0%	$ 257,707	100.0 %	$ 1,436	0.6 %
Cost of sales	**198,849**	76.7%	202,498	78.6 %	(3,649)	(1.8)%
Gross profit	**60,294**	23.3%	55,209	21.4 %	5,085	9.2 %
Selling, general and administrative expenses	**48,248**	18.6%	51,222	19.9 %	(2,974)	(5.8)%
Amortization of intangible assets	**648**	0.3%	691	0.3 %	(43)	(6.2)%
Operating profit	**11,398**	4.4%	3,296	1.3 %	8,102	245.8 %
Interest expense, net	**969**	0.4%	1,452	0.6 %	(483)	(33.3)%
Other expense (income), net	**1,509**	0.6%	(329)	(0.1)%	1,838	(558.7)%
Income (loss) from continuing operations before income taxes	**8,920**	3.4%	2,173	0.8 %	6,747	310.5 %
Income tax expense (benefit)	**2,209**	0.9%	937	0.4 %	1,272	135.8 %
Net income (loss) from continuing operations	**6,711**	2.6%	1,236	0.5 %	5,475	443.0 %
Income (loss) from discontinued operations, net of tax	**22,561**	n/m	(5,239)	n/m	27,800	n/m
Net income (loss)	**$ 29,272**		$ (4,003)		$ 33,275	
Effective income tax rate on continuing operations	**24.8%**		43.1%			

The following table identifies the components of the change in revenue for the six months ended June 30:

	Revenue
2019 As Restated	$ 257,707
Increase (decrease) from:	
Unit volume and product mix	2,113
Average sales price	1,599
Foreign currency	(2,276)
2020	**$ 259,143**

Revenue - Revenue increased $1.4 million. Revenue in the U.S. and Canada consumer markets significantly outpaced prior year while the international consumer and commercial markets declined. The six months started off strong compared to the prior year, due in part to U.S. customers increasing inventory positions in advance of expected disruptions from the supply chain in China, which stabilized. Momentum slowed across all markets towards the end of the first quarter as government measures to control the spread of COVID-19 were implemented in March. The lower revenue in the first quarter was more than offset by increased revenue in the second quarter due primarily to strong demand in the U.S. and Canada consumer markets as consumers continue to stay home and cook during the pandemic. On a year-to-date basis, ecommerce sales increased 52.6% and accounted for 32.8% of total revenue. Foreign currency had a negative impact on revenue of $2.3 million.

Gross profit - Gross profit increased $5.1 million or 9.2%. Gross profit margin was 23.3% compared to 21.1%. The improvement in gross profit margin is primarily due to customer and product mix. Additionally, gross profit in 2020 includes a benefit of approximately $1.6 million for tariff relief.

Selling, general and administrative expenses - Selling, general and administrative expenses decreased $3.0 million. The year-to-date decrease is due to lower overall spend including environmental expenses, legal fees and other corporate expenses. Selling, general and administrative expenses for the six months ended June 30, 2020 include a reduction of $0.9 million to the accrual for the contingent loss related to the patent infringement litigation.

Included in selling, general and administrative expenses are charges of $1.9 million in 2020 and $2.4 million in the prior year to write-off unrealizable assets created as a result of the unauthorized transactions at our Mexican subsidiaries. See Note 2, Restatement of Previously Issued Financial Statements for additional information.

Interest expense, net - Interest expense, net decreased $0.5 million million primarily due to decreased average borrowings outstanding under HBB's revolving credit facility and lower average interest rates.

Other expense (income), net - For the six months ended June 30, 2020, other expense, net was $1.5 million and includes currency loss of $1.8 million due to the re-measurement of liabilities related to inventory purchases denominated in U.S. dollars by HBB's foreign subsidiaries. For the six months ended June 30, 2019, other income was $0.3 million.

Income tax expense (benefit) - For the six months ended June 30, 2020, income tax expense was $2.2 million on income from continuing operations before income taxes of $8.9 million, an effective tax rate of 24.8%. Income tax expense for the six months ended June 30, 2019 was $0.9 million, on income from continuing operations before income taxes of $2.2 million, an effective rate of 43.1%. The higher effective tax rate in 2019 is attributable to non-cash charges to write-off unrealizable assets at our Mexican subsidiaries for which the corresponding tax benefit has been substantially offset by an increase in unrecognized tax benefits.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Hamilton Beach Brands Holding Company cash flows are provided by dividends paid or distributions made by its subsidiaries. The only material assets held by it are the investments in consolidated subsidiaries. As a result, certain statutory limitations or regulatory or financing agreements could affect the levels of distributions allowed to be made by its subsidiaries. Hamilton Beach Brands Holding Company has not guaranteed any of the obligations of its subsidiaries.

HBB's principal sources of cash to fund liquidity needs are: (i) cash generated from operations and (ii) borrowings available under the revolving credit facility, as defined below. HBB's primary use of funds consists of working capital requirements, capital expenditures, and payments of principal and interest on debt.

HBB maintains a $115.0 million senior secured floating-rate revolving credit facility (the "HBB Facility") that expires in June 30, 2021, within one year after the issuance of these financial statements. Given the market conditions including unfavorable pricing terms, HBB has not yet completed its refinancing of the HBB Facility and accordingly, all amounts outstanding have been classified as current liabilities. HBB has approved and begun the refinancing process, which is considered customary. Based on the current status of the refinancing and HBB's history of successfully refinancing its debt, HBB believes that it is probable that the HBB Facility will be refinanced before its maturity. HBB believes funds available from cash on hand, the HBB Facility and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments arising during the next twelve months.

The COVID-19 pandemic created significant economic uncertainty and volatility in the credit and capital markets during the first quarter of 2020. We believe we are well positioned to effectively navigate the COVID-19 pandemic for a number of reasons. Demand for certain small kitchen appliances in the U.S. remains strong as consumers prepare more food and beverages at home. We are managing discretionary expenses, and have sufficient availability under the revolving credit facility to meet our future obligations. We have demonstrated effective management of net working capital which was a major contributor to improved borrowing activity during the first six months of the year, with net borrowings of $40.2 million as compared to $80.5

million in the prior year. Additionally, the Company is no longer impacted by KC’s losses and negative cash flow. We will continue to work with our customers, employees, suppliers and communities to address the impacts of COVID-19 and closely monitor our liquidity.

On April 3, 2020, KC completed its dissolution with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist. Neither Hamilton Beach Brands Holding Company nor HBB has guaranteed any obligations of KC.

The following table presents selected cash flow information from continuing operations:

	THREE MONTHS ENDED June 30,	
		As Restated
	2020	2019
Net cash provided by (used for) operating activities	**$ 21,752**	$ (31,646)
Net cash used for investing activities	**$ (2,092)**	$ (1,972)
Net cash provided by (used for) financing activities	**$ (19,146)**	$ 30,099

Operating activities - Net cash provided by operating activities was $21.8 million compared to net cash used for operating activities of $31.6 million in 2019. The significant improvement is primarily due to improvements in net working capital as the result of effective inventory management and collection efforts of accounts receivable. Net working capital was a source of cash of $17.4 million compared to a use of cash of $18.2 million in the prior year.

Investing activities - Net cash used for investing activities increased $0.1 million due to an increase in other investments, offset by lower capital expenditures related to internal-use software development costs.

Financing activities - Net cash used for financing activities was $19.1 million compared with cash provided by financing activities of $30.1 million. The change is due to the decrease in outstanding borrowings as a result of the improvement in net working capital.

Capital Resources

HBB maintains a $115.0 million senior secured floating-rate revolving credit facility (the “HBB Facility”) that expires in June 2021. The entire outstanding balance has been classified as a current liability due to the fact the facility expires within one year and has not yet been refinanced. Expected voluntary repayments to be made in the next twelve months are $6.8 million.
The obligations under the HBB Facility are secured by substantially all of HBB's assets. The approximate book value of HBB's assets held as collateral under the HBB Facility was $242.6 million as of June 30, 2020. At June 30, 2020, the borrowing base under the HBB Facility was $102.2 million and borrowings outstanding were $41.8 million. At June 30, 2020, the excess availability under the HBB Facility was $54.2 million.

The maximum availability under the HBB Facility is governed by a borrowing base derived from advance rates against eligible trade receivables, inventory and trademarks of the borrowers, as defined in the HBB Facility. Borrowings bear interest at a floating rate, which can be a base rate, LIBOR or bankers' acceptance rate, as defined in the HBB Facility, plus an applicable margin. The applicable margins, effective June 30, 2020, for base rate loans and LIBOR loans denominated in U.S. dollars were 0.0% and 1.50%, respectively. The applicable margins, effective June 30, 2020, for base rate loans and bankers' acceptance loans denominated in Canadian dollars were 0.0% and 1.50%, respectively. The HBB Facility also requires a fee of 0.25% per annum on the unused commitment. The margins and unused commitment fee under the HBB Facility are subject to quarterly adjustment based on average excess availability. The weighted average interest rate applicable to the HBB Facility for the six months ended June 30, 2020 was 3.23% including the floating rate margin and the effect of the interest rate swap agreements described below.

To reduce the exposure to changes in the market rate of interest, HBB has entered into interest rate swap agreements for a portion of the HBB Facility. Terms of the interest rate swap agreements require HBB to receive a variable interest rate and pay a fixed interest rate. HBB has interest rate swaps with notional values totaling $25.0 million at June 30, 2020 at an average fixed interest rate of 1.6%.

The HBB Facility includes restrictive covenants, which, among other things, limit the payment of dividends to Hamilton Beach Holding, subject to achieving availability thresholds. Under Amendment No. 6 to the HBB Facility, dividends to Hamilton Beach Holding are not to exceed $5.0 million during any calendar year to the extent that for the thirty days prior to the dividend payment date, and after giving effect to the dividend payment, HBB maintains excess availability of not less than $15.0 million. Dividends to Hamilton Beach Holding are discretionary to the extent that for the thirty days prior to the dividend payment date, and after giving effect to the dividend payment, HBB maintains excess availability of not less than $25.0 million. The HBB Facility also requires HBB to achieve a minimum fixed charge coverage ratio in certain circumstances, as defined in the HBB Facility. At June 30, 2020, HBB was in compliance with all financial covenants in the HBB Facility.

In December 2015, the Company entered into an arrangement with a financial institution to sell certain U.S. trade receivables on a non-recourse basis. The Company utilizes this arrangement as an integral part of financing working capital. See Note 4 of the unaudited condensed consolidated financial statements.

HBB believes funds available from cash on hand, the HBB Facility and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments arising during the next twelve months and until the expiration of the HBB Facility.

Contractual Obligations, Contingent Liabilities and Commitments

For a summary of the Company's contractual obligations, contingent liabilities and commitments, refer to "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations, Contingent Liabilities and Commitments" in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2019 as there have been no material changes in contractual obligations for HBB from those disclosed in our Annual Report. KC completed its dissolution on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist.

Off Balance Sheet Arrangements

For a summary of the Company's off balance sheet arrangements, refer to "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Off Balance Sheet Arrangements" in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2019 as there have been no material changes from those disclosed in our Annual Report.

FORWARD-LOOKING STATEMENTS

The statements contained in this news release that are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Such risks and uncertainties include, without limitation: (1) the unpredictable nature of the COVID-19 pandemic and its potential impact on our business; (2) changes in the sales prices, product mix or levels of consumer purchases of small electric and specialty housewares appliances, (3) changes in consumer retail and credit markets, including the increasing volume of transactions made through third-party internet sellers, (4) bankruptcy of or loss of major retail customers or suppliers, (5) changes in costs, including transportation costs, of sourced products, (6) delays in delivery of sourced products, (7) changes in or unavailability of quality or cost effective suppliers, (8) exchange rate fluctuations, changes in the import tariffs and monetary policies and other changes in the regulatory climate in the countries in which HBB buys, operates and/or sells products, (9) the impact of tariffs on customer purchasing patterns, (10) product liability, regulatory actions or other litigation, warranty claims or returns of products, (11) customer acceptance of, changes in costs of, or delays in the development of new products, (12) increased competition, including consolidation within the industry, (13) shifts in consumer shopping patterns, gasoline prices, weather conditions, the level of consumer confidence and disposable income as a result of economic conditions, unemployment rates or other events or conditions that may adversely affect the level of customer purchases of HBB products, (14) changes mandated by federal, state and other regulation, including tax, health, safety or environmental legislation, (15) risks associated with the wind down of KC including unexpected costs, contingent liabilities and the potential disruption of our other businesses, (16) the result of shareholder or governmental actions relating to the restatement of our financial statements and accounting and legal fees that we may incur in connection with the restatement, (17) our ability to successfully remediate the material weaknesses in our internal control over financial reporting disclosed in Form 10-K/A within the time periods and in the manner currently anticipated, additional material weaknesses or other deficiencies that may arise in the future or our ability to maintain an effective system of internal controls, (18) difficulties arising as a result of our implementation of an enterprise resource planning system in the US, and (19) other risk factors, including those described in the Company's filings with the Securities and Exchange Commission, including, but not limited to, the Annual Report on Form 10-K/A for the year ended December 31, 2019 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2020. Furthermore, the situation surrounding COVID-19 remains fluid and the potential for a material impact on the Company’s results of operations, financial condition, liquidity, and stock price increases the longer the virus impacts activity levels in the United States and globally. For this reason, the Company cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on its results of operations, financial position, liquidity and stock price. The extent of any impact will depend on the extent of new outbreaks as communities reopen, the extent to which returns to lockdown may be needed, the nature of government public health guidelines and the public’s adherence to those guidelines, the impact of government economic relief on the US economy, unemployment levels, the success of businesses reopening, the timing for proven treatments and vaccines for COVID-19, consumer confidence and demand for our products.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

INTEREST RATE RISK

HBB enters into certain financing arrangements that require interest payments based on floating interest rates. As such, the Company's financial results are subject to changes in the market rate of interest. There is an inherent rollover risk for borrowings as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and business financing requirements. To reduce the exposure to changes in the market rate of interest, HBB has entered into interest rate swap agreements for a portion of its floating rate financing arrangements. The Company does not enter into interest rate swap agreements for trading purposes. Terms of the interest rate swap agreements require HBB to receive a variable interest rate and pay a fixed interest rate.

For purposes of risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in interest rates. The Company assumes that a loss in fair value is an increase to its receivables. The fair value of the Company's interest rate swap agreements was a payable of $1.4 million at June 30, 2020. A hypothetical 10% decrease in interest rates would cause a decrease of $0.1 million in the fair value of interest rate swap agreements. Additionally, a hypothetical 10% increase in interest rates would not have a material impact to the Company's interest expense, net of $1.0 million for the six months ended June 30, 2020.

FOREIGN CURRENCY EXCHANGE RATE RISK

HBB operates internationally and enters into transactions denominated in foreign currencies, principally the Canadian dollar, the Mexican peso and, to a lesser extent, the Chinese yuan and Brazilian real. As such, HBB's financial results are subject to the variability that arises from exchange rate movements. The fluctuation in the value of the U.S. dollar against other currencies affects the reported amounts of revenues, expenses, assets and liabilities. The potential impact of currency fluctuation increases as international expansion increases.

HBB uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies and not for trading purposes. These contracts generally mature within twelve months and require HBB to buy or sell the functional currency in which the applicable subsidiary operates and buy or sell U.S. dollars at rates agreed to at the inception of the contracts.

For purposes of risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in foreign currency exchange spot rates. The Company assumes that a loss in fair value is either a decrease to its assets or an increase to its liabilities. The fair value of the Company's foreign currency exchange contracts was a receivable of less than $0.1 million at June 30, 2020. Assuming a hypothetical 10% weakening of the U.S. dollar at June 30, 2020, the fair value of foreign currency-sensitive financial instruments, which represents forward foreign currency exchange contracts, would be decreased by $0.3 million compared with its fair value at June 30, 2020.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures: Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2020, due to the existence of the material weaknesseses in our internal control over financial reporting at our Mexican subsidiaries as described below, our disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Material Weaknesses in Internal Control over Financial Reporting: A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As previously disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2019, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2019 due to the material weaknesses at our Mexican subsidiaries described below.

We identified deficiencies at our Mexican subsidiaries as follows:

- Review controls performed at our Mexican subsidiaries did not operate effectively as account reconciliations and manual journal entries were not supported by accurate and complete information, which resulted in expenditures being deferred on the balance sheet beyond the period for which the costs pertained and the failure to detect unauthorized transactions deferred on the balance sheet as a result of wrongdoing by certain former employees of one of our Mexican subsidiaries; and

- Transaction level controls over authorization of spending with vendors, adjusting product costing and selling prices, new customer setup and accounting for price concessions with our customers at our Mexican subsidiaries were not sufficiently designed or operating effectively to provide reasonable assurance regarding the prevention and timely detection of misappropriation of assets.

We have concluded that each of these deficiencies at our Mexican subsidiaries constitutes a material weakness in our internal control over financial reporting.

Remediation of Material Weaknesses: Our management, with oversight from our Audit Review Committee, has initiated a plan to remediate the material weaknesses previously identified in the Annual Report on Form 10-K/A for the year ended December 31, 2019. The remediation efforts are intended to address the deficiencies and enhance our overall internal control environment:

- Personnel Actions - We have terminated employees of one of our Mexican subsidiaries found to have engaged in misconduct, which included collusion between these employees and vendors and customers of our Mexican subsidiaries in which such employees had an interest. Additional training on our code of conduct will be implemented for all employees of the Mexican subsidiaries.

- Organizational Enhancements - We have implemented and are in the process of implementing organizational enhancements as follows: (i) augmenting our local accounting team for our Mexican subsidiaries with additional professionals with the relevant levels of accounting and controls knowledge, experience and training in the area of account reconciliations and manual journal entries to validate that account reconciliations and manual journal entries are supported by accurate and complete information; (ii) developing a more comprehensive review process and monitoring controls over the approval for vendor payments, changes to product cost and selling prices, approval for new customer setup including related terms and accounting for price concessions with our customers at our Mexican subsidiaries; and (iii) outsourcing functions at our Mexican subsidiaries where third-party service providers provide expertise or technical skillset, as appropriate.

We believe the measures described above along with other elements of our remediation plan will remediate the material weaknesses identified and strengthen our internal control over financial reporting. We are committed to continuing to improve our internal control processes and have begun to implement the steps described above. We will also continue to review, optimize and enhance our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies or we may modify certain of the remediation measures described above. We will not consider our material weaknesses remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in internal control over financial reporting: During the three months ended June 30, 2020, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1 Legal Proceedings
The information required by this Item 1 is set forth in Note 8 "Contingencies" included in our Financial Statements contained in Part I of this Form 10-Q and is hereby incorporated herein by reference to such information.

Item 1A Risk Factors
No material changes to the risk factors for Hamilton Beach Holding, HBB, or KC from the Company's Annual Report on Form 10-K/A for the year ended December 31, 2019, except for the following, which should be read in conjunction with the risk factors in such Annual Report on Form 10-K/A.

Our results of operations have been adversely affected and, in the future, may be materially adversely impacted by the coronavirus (COVID-19) pandemic.

The ongoing global Coronavirus Disease 2019 (COVID-19) pandemic has resulted in governments around the world implementing increasingly stringent measures to help control the spread of the virus, including business shutdowns, travel restrictions, border closings, restrictions on public gatherings, shelter-in-place restrictions and limitations on business. This has negatively impacted the global economy, disrupted financial markets and resulted in increased unemployment levels, all of which have negatively impacted various industries. The continued spread of COVID-19 and efforts to contain the virus could:

- continue to impact demand for our products;
- cause the Company to experience an increase in costs as a result of the Company’s emergency measures, delayed payments from customers and increased risk of uncollectible accounts;
- limit the Company’s access to further capital resources, if needed, and increase associated costs;
- result in disruptions to our supply chain; and
- adversely impact economies and financial markets of our international operations resulting in an economic downturn that could affect the value of foreign currencies.

The situation surrounding the COVID-19 pandemic remains fluid and the potential for a material impact on the Company’s results of operations, financial condition, liquidity, and stock price increases the longer the virus impacts activity levels in the United States and globally. For this reason, the Company cannot reasonably estimate with any degree of certainty the future impact the COVID-19 pandemic may have on the Company’s results of operations, financial position, liquidity and stock price. The extent of any impact will depend on the extent of new outbreaks as communities reopen, the extent to which returns to lockdown may be needed, the nature of government public health guidelines and the public’s adherence to those guidelines, the impact of government economic relief on the US economy, unemployment levels, the success of businesses reopening, the timing for proven treatments and vaccines for COVID-19, consumer confidence and demand for our products. Any of these factors could cause or contribute to the risks and uncertainties enumerated in our 2019 Annual Report on Form 10-K/A and could materially adversely affect our business, financial condition, results of operations and/or stock price.

The Company’s business could suffer if the implementation of its enterprise resource planning (“ERP”) system is not successful or is more difficult, costly or time consuming than expected.

HBB recently implemented an enterprise resource planning (“ERP”) system in the U.S and will be implementing the ERP system at other subsidiaries over the next few years. Such an implementation is a major undertaking from a financial, management and personnel perspective. The implementation, integration and successful operation of the ERP system may prove to be more difficult, costly, or time consuming than expected, and there can be no assurance that this system will be beneficial to the extent anticipated. Any disruptions, delays or deficiencies in the implementation, integration or operation of our new ERP system could cause information, including data related to customer orders, to be lost or delayed. Such a loss or delay could reduce demand and cause our sales and/or profitability to decline. In addition, any significant disruption, delay or deficiency in the design and implementation of the ERP system could adversely affect our ability to process orders, ship products, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. Any disruptions, delays or deficiencies in the implementation, integration or operation of our new ERP system could adversely affect our financial position, results of operations and cash flows in addition to the effectiveness of our internal controls over financial reporting.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

In May 2018, the Company approved a stock repurchase program for the purchase of up to $25.0 million of the Company's Class A Common Stock outstanding through December 31, 2019. As of December 31, 2019, the Company repurchased 364,893 shares for an aggregate purchase price of $6.0 million.

On November 5, 2019, the Company's Board adopted a new stock repurchase program for the purchase of up to $25.0 million of the Company's Class A Common outstanding starting January 1, 2020 and ending December 31, 2021.

There were no share repurchases during the six months ended June 30, 2020.

Item 3 Defaults Upon Senior Securities
None.

Item 4 Mine Safety Disclosures
None.

Item 5 Other Information
None.

Item 6 Exhibits

Exhibit Number*	Description of Exhibits
31(i)(1)	Certification of Gregory H. Trepp pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act
31(i)(2)	Certification of Michelle O. Mosier pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act
32	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Gregory H. Trepp and Michelle O. Mosier
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Numbered in accordance with Item 601 of Regulation S-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hamilton Beach Brands Holding Company
(Registrant)

Date: August 5, 2020

/s/ Michelle O. Mosier

Michelle O. Mosier
Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)/(Principal Accounting Officer)

Exhibit 31(i)(1)

Certifications

I, Gregory H. Trepp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hamilton Beach Brands Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Gregory H. Trepp

Gregory H. Trepp
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31(i)(2)

Certifications

I, Michelle O. Mosier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hamilton Beach Brands Holding Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Michelle O. Mosier

Michelle O. Mosier

Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)/(Principal Accounting Officer)

Exhibit 32

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

In connection with the Quarterly Report of Hamilton Beach Holding Company (the "Company") on Form 10-Q for the quarter ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

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

Date:	August 5, 2020	/s/ Gregory H. Trepp
		Gregory H. Trepp
		President and Chief Executive Officer (Principal Executive Officer)
Date:	August 5, 2020	/s/ Michelle O. Mosier
		Michelle O. Mosier
		Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)/(Principal Accounting Officer)