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 September 30, 2022

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 October 28, 2022: 10,025,235
Number of shares of Class B Common Stock outstanding at October 28, 2022: 3,856,041

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

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	SEPTEMBER 30 2022	DECEMBER 31 2021	SEPTEMBER 30 2021
		(In thousands)	
Assets			
Current assets			
Cash and cash equivalents	**$ 1,504**	$ 1,125	$ 1,463
Trade receivables, net	**97,802**	119,580	120,672
Inventory	**244,464**	183,382	176,982
Prepaid expenses and other current assets	**13,295**	14,273	22,755
Total current assets	**357,065**	318,360	321,872
Property, plant and equipment, net	**28,363**	30,485	31,699
Goodwill	**6,253**	6,253	6,253
Other intangible assets, net	**1,542**	1,692	1,742
Deferred income taxes	**1,800**	4,006	3,088
Deferred costs	**14,465**	18,703	14,785
Other non-current assets	**7,432**	3,005	3,024
Total assets	**$ 416,920**	$ 382,504	$ 382,463
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	**$ 111,485**	$ 131,912	$ 126,231
Accrued compensation	**10,543**	11,719	10,797
Accrued product returns	**4,651**	6,429	6,048
Other current liabilities	**13,222**	14,116	17,084
Total current liabilities	**139,901**	164,176	160,160
Revolving credit agreements	**146,051**	96,837	114,950
Other long-term liabilities	**13,019**	19,212	19,448
Total liabilities	**298,971**	280,225	294,558
Stockholders' equity			
Class A Common stock	**106**	103	102
Class B Common stock	**39**	40	41
Capital in excess of par value	**64,117**	61,586	61,233
Treasury stock	**(8,939)**	(5,960)	(5,960)
Retained earnings	**74,597**	60,753	49,505
Accumulated other comprehensive loss	**(11,971)**	(14,243)	(17,016)
Total stockholders' equity	**117,949**	102,279	87,905
Total liabilities and stockholders' equity	**$ 416,920**	$ 382,504	$ 382,463

See notes to unaudited consolidated financial statements.

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
	(In thousands, except per share data)		(In thousands, except per share data)	
Revenue	**$ 150,823**	$ 156,740	**$ 444,701**	$ 460,644
Cost of sales	**115,979**	123,456	**349,649**	367,284
Gross profit	**34,844**	33,284	**95,052**	93,360
Selling, general and administrative expenses	**25,425**	25,788	**67,361**	79,614
Amortization of intangible assets	**50**	50	**150**	150
Operating profit (loss)	**9,369**	7,446	**27,541**	13,596
Interest expense, net	**1,289**	662	**2,889**	2,080
Other expense (income), net	**432**	(126)	**1,646**	(179)
Income (loss) before income taxes	**7,648**	6,910	**23,006**	11,695
Income tax expense (benefit)	**1,741**	1,204	**4,837**	3,027
Net income (loss)	**$ 5,907**	$ 5,706	**$ 18,169**	$ 8,668
Basic and diluted earnings (loss) per share	**$ 0.43**	$ 0.41	**$ 1.30**	$ 0.62
Basic weighted average shares outstanding	**13,869**	13,887	**13,999**	13,872
Diluted weighted average shares outstanding	**13,892**	13,902	**14,026**	13,888

See notes to unaudited consolidated financial statements.

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
	(In thousands)		(In thousands)	
Net income (loss)	**$ 5,907**	$ 5,706	**$ 18,169**	$ 8,668
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	**(1,144)**	306	**(3,260)**	229
(Loss) gain on long-term intra-entity foreign currency transactions	**(14)**	(960)	**1,584**	(626)
Cash flow hedging activity	**1,963**	526	**5,384**	130
Reclassification of foreign currency adjustments into earnings	**—**	—	**2,085**	—
Reclassification of hedging activities into earnings	**210**	129	**78**	355
Pension plan adjustment	**(4,013)**	—	**(4,013)**	—
Reclassification of pension adjustments into earnings	**305**	147	**414**	372
Total other comprehensive income (loss), net of tax	**(2,693)**	148	**2,272**	460
Comprehensive income (loss)	**$ 3,214**	$ 5,854	**$ 20,441**	$ 9,128

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021
	(In thousands)	
Operating activities		
Net income (loss)	**$ 18,169**	$ 8,668
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	**3,552**	3,077
Deferred income taxes	**912**	4,245
Stock compensation expense	**2,533**	2,883
Brazil foreign currency loss	**2,085**	—
Other	**898**	1,208
Net changes in operating assets and liabilities:		
Affiliate payable	**—**	(505)
Trade receivables	**21,370**	26,546
Inventory	**(63,328)**	(3,082)
Other assets	**2,181**	(12,160)
Accounts payable	**(20,150)**	(27,868)
Other liabilities	**(8,395)**	(7,118)
Net cash provided by (used for) operating activities	**(40,173)**	(4,106)
Investing activities		
Expenditures for property, plant and equipment	**(1,560)**	(9,109)
Net cash provided by (used for) investing activities	**(1,560)**	(9,109)
Financing activities		
Net additions (reductions) to revolving credit agreements	**49,604**	16,580
Purchase of treasury stock	**(2,979)**	—
Cash dividends paid	**(4,325)**	(4,078)
Financing fees paid	**(47)**	—
Other financing	**—**	(243)
Net cash provided by (used for) financing activities	**42,253**	12,259
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	**(204)**	4
Cash, cash equivalents and restricted cash		
Increase (decrease) for the period	**316**	(952)
Balance at the beginning of the period	**2,150**	3,436
Balance at the end of the period	**$ 2,466**	$ 2,484
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	**$ 1,504**	$ 1,463
Restricted cash included in prepaid expenses and other current assets	**58**	208
Restricted cash included in other non-current assets	**904**	813
Total cash, cash equivalents, and restricted cash	**$ 2,466**	$ 2,484

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
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)						
Balance, January 1, 2022	$ 103	$ 40	$ 61,586	$ (5,960)	$ 60,753	$ (14,243)	$ 102,279
Net income (loss)	—	—	—	—	7,173	—	7,173
Issuance of common stock, net of conversions	2	(1)	(1)	—	—	—	—
Share-based compensation expense	—	—	764	—	—	—	764
Cash dividends, $0.10 per share	—	—	—	—	(1,392)	—	(1,392)
Other comprehensive income (loss), net of tax	—	—	—	—	—	2,321	2,321
Reclassification adjustment to net income (loss)	—	—	—	—	—	2,013	2,013
Balance, March 31, 2022	105	39	62,349	(5,960)	66,534	(9,909)	113,158
Net income (loss)	—	—	—	—	5,089	—	5,089
Purchase of treasury stock	—	—	—	(1,640)	—	—	(1,640)
Issuance of common stock, net of conversions	1	—	(1)	—	—	—	—
Share-based compensation expense	—	—	1,042	—	—	—	1,042
Cash dividends, $0.105 per share	—	—	—	—	(1,478)	—	(1,478)
Other comprehensive income (loss), net of tax	—	—	—	—	—	582	582
Reclassification adjustment to net income (loss)	—	—	—	—	—	49	49
Balance, June 30, 2022	106	39	63,390	(7,600)	70,145	(9,278)	116,802
Net income (loss)	—	—	—	—	5,907	—	5,907
Purchase of treasury stock	—	—	—	(1,339)	—	—	(1,339)
Issuance of common stock, net of conversions	—	—	—	—	—	—	—
Share-based compensation expense	—	—	727	—	—	—	727
Cash dividends, $0.105 per share	—	—	—	—	(1,455)	—	(1,455)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(3,208)	(3,208)
Reclassification adjustment to net income	—	—	—	—	—	515	515
Balance, September 30, 2022	$ 106	$ 39	$ 64,117	$ (8,939)	$ 74,597	$ (11,971)	$ 117,949

	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
Balance, January 1, 2021	$	100	$	41	$	58,485	$	(5,960)	$	44,915	$	(17,476)	$ 80,105
Net income (loss)		—		—		—		—		2,876		—	2,876
Issuance of common stock, net of conversions		2		—		(2)		—		—		—	—
Share-based compensation expense		—		—		973		—		—		—	973
Cash dividends, $0.095 per share		—		—		—		—		(1,302)		—	(1,302)
Other comprehensive income (loss), net of tax		—		—		—		—		—		(191)	(191)
Reclassification adjustment to net income (loss)		—		—		—		—		—		238	238
Balance, March 31, 2021		102		41		59,456		(5,960)		46,489		(17,429)	82,699
Net income (loss)		—		—		—		—		86		—	86
Share-based compensation expense		—		—		1,425		—		—		—	1,425
Cash dividends, $0.10 per share		—		—		—		—		(1,387)		—	(1,387)
Other comprehensive income (loss), net of tax		—		—		—		—		—		52	52
Reclassification adjustment to net income (loss)		—		—		—		—		—		213	213
Balance, June 30, 2021		102		41		60,881		(5,960)		45,188		(17,164)	83,088
Net income (loss)		—		—		—		—		5,706		—	5,706
Issuance of common stock, net of conversions		—		—		—		—		—		—	—
Share-based compensation expense		—		—		352		—		—		—	352
Cash dividends, $0.10 per share		—		—		—		—		(1,389)		—	(1,389)
Other comprehensive income (loss), net of tax		—		—		—		—		—		(128)	(128)
Reclassification adjustment to net loss		—		—		—		—		—		276	276
Balance, September 30, 2021	$	102	$	41	$	61,233	$	(5,960)	$	49,505	$	(17,016)	$ 87,905

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(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 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, bars, and hotels. HBB operates in the consumer, commercial, and specialty appliance markets.

The financial statements have been prepared in accordance with US generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by US 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 for the year ended December 31, 2021.

Operating results for the nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the remainder of the year due to the highly seasonal nature of the Company's primary markets. A majority of revenue and operating profit typically occurs in the second half of the calendar year when sales of products to retailers and consumers historically increase significantly for the fall holiday-selling season.

Accounting Standards Adopted

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The new accounting rules provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform. During the third quarter of 2022, the Company adopted certain optional expedients provided under Topic 848 that permit its hedging relationships to continue without de-designation upon changes due to reference rate reform. The adoption of this guidance resulted in no material impact to the Company's consolidated financial statements. The optional expedients and accounting relief in Topic 848 remain effective through December 31, 2022.

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. We will lose our status as an emerging growth company as of December 31, 2022, the last day of the fiscal year following the fifth anniversary of our spin-off from NACCO Industries, Inc.

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 using the modified retrospective transition method applied on the effective date. The Company's preliminary assessment has focused on the policy elections and practical expedients permitted by the standard. The Company currently anticipates electing to apply the package of practical expedients to all leases that commenced prior to the date of adoption. Based on the analysis performed to date, the Company anticipates making a policy election to not include short-term leases on the Consolidated Balance Sheets and to not separate lease and non-lease components as permitted by the accounting guidance. The assessment is ongoing and the preliminary conclusions are subject to change. We continue to evaluate to what extent ASU 2016-02 will affect the Company's financial position, results of operations, cash flows and related disclosures. The Company expects to record additional material assets and corresponding liabilities related to operating leases in the statement of financial position.

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 and smaller reporting companies, 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 2016-13 for its year beginning January 1, 2023 and subsequent interim periods 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.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” The new accounting rules reduce complexity by removing specific exceptions to general principles related to intraperiod tax allocations, ownership changes in foreign investments, and interim period income tax accounting for year-to-date losses that exceed anticipated losses. The new accounting rules also simplify accounting for franchise taxes that are partially based on income, transactions with a government that result in a step up in the tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. The Company will adopt ASU 2019-12 for the fiscal year ending December 31, 2022 and the adoption of this guidance is not expected to have a material impact on the Company’s financial condition, results of operations or cash flows.

Assets Held for Sale

During the fourth quarter of 2020, the Company committed to a plan to sell its Brazilian subsidiary and determined that it met all of the criteria to classify the assets and liabilities of this business as held for sale. In April 2021, the Company made the decision to wind down the Brazilian subsidiary and enter into a licensing agreement with a third party to service the Brazilian market. The carrying amounts of the assets were reclassified to held and used during the second quarter of 2021. During the first quarter of 2022, the criteria for substantially complete liquidation were met, and $2.1 million of accumulated other comprehensive losses were released into other expense (income), net in the consolidated results of operations during the three months ended March 31, 2022.

Insurance Recovery

In the first quarter of 2022, the Company recognized $10.0 million of insurance recovery associated with unauthorized transactions by former employees at our Mexican subsidiaries, which were identified in the quarter ended March 31, 2020. The Company maintains fidelity insurance and filed a claim to recover losses incurred up to the policy maximum of $10.0 million. The insurance recovery was received during the second quarter of 2022, and the benefit was recognized in selling, general and administrative expenses in our Consolidated Statement of Operations during the first quarter of 2022.

U.S. Pension Plan Termination

During the second quarter of 2022, the Board of Directors of HBB approved the termination of the Company's U.S. defined benefit pension plan (the "Plan") with an effective date of September 30, 2022. The Plan was previously frozen, effective December 31, 1996, for participation and benefit accrual purposes (except cash balance interest credits required by law). The Company has started the process to terminate and settle the Plan, which could take up to an estimated 24 months to complete. Benefit obligations under the Plan will be settled through a combination of lump sum payments to eligible plan participants and the purchase of a group annuity contract, under which future benefit obligations will be transferred to a third-party insurance company. As of September 30, 2022, December 31, 2021, and September 30, 2021, the plan was overfunded under U.S. generally accepted accounting principles (“GAAP”) measures by $12.0 million, $16.0 million and $13.4 million, respectively. In light of the termination process, the Plan transferred a significant portion of its assets to lower risk investments in 2022. The Company expects that there will be no further required minimum contributions to the Plan. We currently expect that all surplus assets remaining after the Plan termination will be transferred to a qualified replacement plan.

Pension Settlement

In the third quarter of 2022, the Company remeasured the Plan which was triggered by the level of lump sum distributions from the Plans' assets exceeding the Plan's service and interest cost threshold. The Company recognized a pre-tax pension settlement loss in Other expense (income), net of $0.3 million ($0.2 million after-tax or $0.01 per diluted share). The remeasurement resulted in a decrease in the pension benefit obligation of $2.6 million and a decrease in the fair value of the pension plan assets of $6.6 million. The impact of the remeasurement on net periodic pension benefit cost will be recognized prospectively from the remeasurement date.

Amended Credit Agreement

On August 15, 2022, the Company entered into Amendment No. 12 to Amended and Restated Credit Agreement by and among Wells Fargo Bank, National Association, as Administrative Agent, the Lenders that are Parties thereto as the Lenders, Hamilton Beach Brands, Inc., as Parent and U.S. Borrower, and Hamilton Beach Brands Canada, Inc., as Canadian Borrower (the "Amendment"). For a period of ninety days, the Amendment increases the credit facility under the Amended and Restated Credit Amendment from $150 million to $165 million and increases the eligible inventory included in the borrowing base. Additionally, the Amendment amends the pricing grid. The Amendment provides the Company flexibility on a short-term basis as it manages working capital into the holiday selling season. The pricing grid was amended to, among other matters, include an interest rate of Secured Overnight Financing Rate ("SOFR") plus an applicable margin, as allowed under Amendment No. 10 due to the transition away from LIBOR as a benchmark interest rate.

NOTE 2—Transfer of Financial Assets

The Company has entered into an arrangement with a financial institution to sell certain US 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 $28.7 million and $81.0 million of trade receivables during the three and nine months ending September 30, 2022, respectively, $28.1 million and $94.1 million of trade receivables during the three and nine months ending September 30, 2021, respectively, and $140.7 million during the year ending December 31, 2021. The loss incurred on sold receivables in the consolidated results of operations for the nine months ended September 30, 2022 and 2021 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 Consolidated Statements of Cash Flows.

NOTE 3—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	**SEPTEMBER 30 2022**	DECEMBER 31 2021	SEPTEMBER 30 2021
Assets:				
Interest rate swap agreements				
Current	Prepaid expenses and other current assets	**$ 894**	$ —	$ —
Long-term	Other non-current assets	**4,958**	—	—
Foreign currency exchange contracts				
Current	Prepaid expenses and other current assets	**522**	73	182
		$ 6,374	$ 73	$ 182
Liabilities:				
Interest rate swap agreements				
Current	Other current liabilities	**$ —**	$ 216	$ 333
Long-term	Other long-term liabilities	**—**	655	864
Foreign currency exchange contracts				
Current	Other current liabilities	**50**	41	24
		$ 50	$ 912	$ 1,221

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 SOFR 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 value of the revolving credit agreement, including book overdrafts, which approximate book value, was 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.

There were no transfers into or out of Levels 1, 2, or 3 during the three and nine months ended September 30, 2022.

NOTE 4—Stockholders' Equity

Capital Stock

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

	SEPTEMBER 30 2022	DECEMBER 31 2021	SEPTEMBER 30 2021
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 authorized	**70,000**	70,000	70,000
Class A Common issued[(1)(2)]	**10,623**	10,267	10,245
Treasury Stock	**626**	365	365
Class B Common stock, par value $0.01 per share, convertible into Class A on a one-for-one basis			
Class B Common authorized	**30,000**	30,000	30,000
Class B Common issued[(1)]	**3,860**	4,000	4,007

[(1)] Class B Common converted to Class A Common were 5 and 140 shares during the three and nine months ending September 30, 2022, respectively, and 18 and 38 shares during the three and nine months ending September 30, 2021.

[(2)] The Company issued Class A Common of 26 and 216 shares during the three and nine months ending September 30, 2022, respectively, and 13 and 201 shares during the three and nine months ending September 30, 2021.

Stock Repurchase Program: On February 22, 2022, the Company's Board approved a stock repurchase program for the purchase of up to $25 million of the Company's Class A Common outstanding starting February 22, 2022 and ending December 31, 2023. During the three and nine months ended September 30, 2022, the Company repurchased 109,828 and 261,049 shares, respectively, at prevailing market prices for an aggregate purchase price of $1.4 million and $3.0 million, respectively. There were no share repurchases during the three and nine months ended September 30, 2021 or the twelve months ended December 31, 2021.

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
Balance, January 1, 2022	**$ (9,877)**	**$ (638)**	**$ (3,728)**	**$ (14,243)**
Other comprehensive income (loss)	**359**	**2,691**	**—**	**3,050**
Reclassification adjustment to net income (loss)	**1,267**	**(126)**	**50**	**1,191**
Tax effects	**727**	**(609)**	**(25)**	**93**
Balance, March 31, 2022	**(7,524)**	**1,318**	**(3,703)**	**(9,909)**
Other comprehensive income (loss)	**(726)**	**1,789**	**—**	**1,063**
Reclassification adjustment to net income (loss)	**—**	**(49)**	**109**	**60**
Tax effects	**(60)**	**(407)**	**(25)**	**(492)**
Balance, June 30, 2022	**(8,310)**	**2,651**	**(3,619)**	**(9,278)**
Other comprehensive income (loss)	**(1,164)**	**2,584**	**(5,294)**	**(3,874)**
Reclassification adjustment to net income (loss)	**—**	**290**	**397**	**687**
Tax effects	**6**	**(701)**	**1,189**	**494**
Balance, September 30, 2022	**$ (9,468)**	**$ 4,824**	**$ (7,327)**	**$ (11,971)**
Balance, January 1, 2021	$ (9,775)	$ (1,344)	$ (6,357)	$ (17,476)
Other comprehensive income (loss)	(276)	222	—	(54)
Reclassification adjustment to net income (loss)	—	182	156	338
Tax effects	(79)	(115)	(43)	(237)
Balance, March 31, 2021	(10,130)	(1,055)	(6,244)	(17,429)
Other comprehensive income (loss)	725	(800)	—	(75)
Reclassification adjustment to net income (loss)	—	145	155	300
Tax effects	(113)	196	(43)	40
Balance, June 30, 2021	(9,518)	(1,514)	(6,132)	(17,164)
Other comprehensive income (loss)	(747)	753	—	6
Reclassification adjustment to net income (loss)	—	180	190	370
Tax effects	93	(278)	(43)	(228)
Balance, September 30, 2021	$ (10,172)	$ (859)	$ (5,985)	$ (17,016)

NOTE 5—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, which includes an estimate for variable consideration.

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.

HBB products are not sold with a general right of return. However, based on historical experience, a portion of products sold are estimated to be returned due to reasons such as product failure and excess inventory stocked by the customer, which, subject to certain terms and conditions, HBB will agree to accept. Product returns, customer programs and incentive offerings, including special pricing agreements, price competition, promotions, and other volume-based incentives are accounted for as variable consideration.

A description of revenue sources and performance obligations for HBB are as follows:

Consumer and Commercial product revenue
Transactions with both consumer and commercial 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 price concessions and changes in returns. The Company offers price concessions to its customers for incentive offerings, special pricing agreements, price competition, promotions or other volume-based arrangements. The Company evaluated such agreements with its customers and determined returns and price concessions should be accounted for as variable consideration.

Consumer product revenue consists 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. A majority of this revenue is in North America.

Commercial product revenue consists of sales of products to restaurants, fast-food chains, bars and hotels. Approximately one-half of commercial sales are in the U.S. and the other half is in markets across the globe.

License revenue
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, trade names, 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).

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	**2022**	2021
Type of good or service:				
Consumer products	**$ 134,813**	$ 144,734	**$ 395,270**	$ 426,463
Commercial products	**14,819**	10,915	**44,992**	30,498
Licensing	**1,191**	1,091	**4,439**	3,683
Total revenues	**$ 150,823**	$ 156,740	**$ 444,701**	$ 460,644

NOTE 6—Contingencies

Hamilton Beach Brands Holdings Company and its subsidiaries are involved in various legal and regulatory proceedings and claims that have arisen in the ordinary course of business, including product liability, patent infringement, asbestos related claims, environmental and other claims. Although it is difficult to predict the ultimate outcome of these proceedings and claims, management believes the ultimate disposition of these matters will not have a material adverse effect on the financial condition, results of operation or cash flows of the Company. 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.

Proceedings and claims asserted against the Company or its subsidiaries 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 for the period in which the ruling occurs, or in future periods.

Hamilton Beach Brands Holding Company (HBBHC) 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 The Kitchen Collection, LLC ("KC") related to KC’s failure to continue to operate forty-nine stores during the term of the store leases. 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.

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 September 30, 2022, December 31, 2021, and September 30, 2021, HBB had accrued undiscounted obligations of $3.3 million, $3.4 million and $3.4 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 $1.6 million related to the environmental investigation and remediation at these sites.

NOTE 7—Income Taxes

The Company's provision for income taxes for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period.

The effective tax rate on income was 21.0% and 25.9% for the nine months ended September 30, 2022 and 2021, respectively. The effective tax rate was higher for the nine months ended September 30, 2021 due to the inclusion of interest and penalties on unrecognized tax benefits as a discrete expense item. The interest and penalties on unrecognized tax benefits were reversed during the second quarter of 2022 due to a change in the Company's position on an unresolved Mexico tax matter, favorably impacting the effective tax rate for the nine months ended September 30, 2022, partially offset by a valuation allowance on certain foreign deferred tax assets related to the Brazil liquidation.

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."

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 and Estimates” in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 as there have been no material changes from those disclosed in the Annual Report.

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.

Third Quarter of 2022 Compared with Third Quarter of 2021

	THREE MONTHS ENDED SEPTEMBER 30					
					Increase / (Decrease)	
	2022	% of Revenue	2021	% of Revenue	$ Change	% Change
Revenue	**$ 150,823**	100.0 %	$ 156,740	100.0 %	$ (5,917)	(3.8)%
Cost of sales	**115,979**	76.9 %	123,456	78.8 %	(7,477)	(6.1)%
Gross profit	**34,844**	23.1 %	33,284	21.2 %	1,560	4.7 %
Selling, general and administrative expenses	**25,425**	16.9 %	25,788	16.5 %	(363)	(1.4)%
Amortization of intangible assets	**50**	— %	50	— %	—	— %
Operating profit (loss)	**9,369**	6.2 %	7,446	4.8 %	1,923	25.8 %
Interest expense, net	**1,289**	0.9 %	662	0.4 %	627	94.7 %
Other expense (income), net	**432**	0.3 %	(126)	(0.1)%	558	(442.9)%
Income (loss) before income taxes	**7,648**	5.1 %	6,910	4.4 %	738	10.7 %
Income tax expense (benefit)	**1,741**	1.2 %	1,204	0.8 %	537	44.6 %
Net income (loss)	**$ 5,907**	3.9 %	$ 5,706	3.6 %	$ 201	3.5 %
Effective income tax rate	22.8 %		17.4 %			

The following table identifies the components of the change in revenue:

	Revenue
2021	$ 156,740
Increase (decrease) from:	
Unit volume and product mix	(16,273)
Average sales price	10,956
Foreign currency	(600)
2022	**$ 150,823**

Revenue - Revenue decreased $5.9 million, or 3.8% compared to prior year, due primarily to lower unit volume partially offset by price increases and a favorable product mix. Sales decreases in the Company's Latin American, Mexican and US Consumer markets were partially offset by increases in the Global Commercial and Canadian Consumer markets. Additionally, there was a decrease in revenue compared to the prior year due to the Company's decision to move to a licensing model from a company-managed model for its consumer business in Brazil and China, as reported in early 2021. In the Company's consumer markets, decreased sales in the third quarter reflected continued inventory rebalancing overall by many retailers, timing of holiday build orders, and slightly softer point of sale. Revenue in the Global Commercial market increased as the foodservice and hospitality industries continued to rebound strongly from pandemic-driven demand softness.

Gross profit - As a percentage of revenue, gross profit margin increased from 21.2% in the prior year to 23.1% in the current year due to the impact of pricing initiatives, favorable product mix, and lower expenses for outside warehousing and labor compared to the prior year.

Selling, general and administrative expenses - Selling, general and administrative expenses decreased $0.4 million due primarily to incremental expenses incurred during the relocation to the Company's new distribution center in 2021 that did not recur. Included in selling, general and administrative expenses for the three months ended September 30, 2021 is a $0.9 million non-recurring benefit related to an insurance settlement.

Interest expense - Interest expense, net increased $0.6 million due to rising interest rates, as well as increased average borrowings outstanding under HBB's revolving credit facility.

Other expense (income), net - Other expense (income), net includes currency losses of $0.4 million in the current year compared to currency losses of $0.2 million in the prior year. The currency losses arise from the remeasurement of liabilities related to inventory purchases by foreign subsidiaries denominated in US dollars. Additionally, in the third quarter of 2022, the Company recorded a $0.3 million pension settlement charge.

Income tax expense (benefit) - The effective tax rate on income was 22.8% and 17.4% for the three months ended September 30, 2022 and 2021, respectively. The effective tax rate was lower for the three months ended September 30, 2021 due to a tax benefit from reversing temporary differences on foreign items that did not recur, partially offset by the inclusion of interest and penalties on uncertain tax benefits as a discrete item.

First Nine Months of 2022 Compared with First Nine Months of 2021

	NINE MONTHS ENDED SEPTEMBER 30					
	2022	% of Revenue	2021	% of Revenue	$ Change	% Change
Revenue	**$ 444,701**	100.0 %	$ 460,644	100.0 %	$ (15,943)	(3.5)%
Cost of sales	**349,649**	78.6 %	367,284	79.7 %	(17,635)	(4.8)%
Gross profit	**95,052**	21.4 %	93,360	20.3 %	1,692	1.8 %
Selling, general and administrative expenses	**67,361**	15.1 %	79,614	17.3 %	(12,253)	(15.4)%
Amortization of intangible assets	**150**	— %	150	— %	—	— %
Operating profit	**27,541**	6.2 %	13,596	3.0 %	13,945	102.6 %
Interest expense, net	**2,889**	0.6 %	2,080	0.5 %	809	38.9 %
Other expense (income), net	**1,646**	0.4 %	(179)	— %	1,825	(1,019.6)%
Income (loss) before income taxes	**23,006**	5.2 %	11,695	2.5 %	11,311	96.7 %
Income tax expense (benefit)	**4,837**	1.1 %	3,027	0.7 %	1,810	59.8 %
Net income (loss)	**$ 18,169**	4.1 %	$ 8,668	1.9 %	$ 9,501	109.6 %
Effective income tax rate	**21.0 %**		25.9 %			

The following table identifies the components of the change in revenue:

	Revenue
2021	$ 460,644
Increase (decrease) from:	
Unit volume and product mix	(47,297)
Average sales price	32,516
Foreign currency	(1,162)
2022	**$ 444,701**

Revenue - Revenue decreased by $15.9 million or 3.5% over the prior year due primarily to lower sales volume in all Consumer markets. Price increases partially offset the volume decreases in the US, Latin American, and Mexican Consumer markets compared to prior year. Additionally, revenue decreased compared to the prior year due to the Company's decision to move to a licensing model from a company-managed model for its consumer business in Brazil and China. Partially offsetting these decreases was a $14.5 million, or 47.5% increase in revenue in the Global Commercial market compared to prior year due to the continued rebound of customer demand from pandemic-driven softness. The Canadian Consumer market also had a decline in sales volume compared to prior year, however price increases fully offset the volume decline.

Gross profit - Gross profit margin increased to 21.4% from 20.3% due to price increases implemented during 2022 that partially offset the higher product and transportation costs. Additionally, for the nine months ended September 30, 2022, there was a reduction in carrier storage charges as compared to the same period in 2021.

Selling, general and administrative expenses - Selling, general and administrative expenses decreased $12.3 million due primarily to the $10.0 million insurance recovery recognized during the first quarter of 2022. Compared to prior year, outside services decreased, and incremental expenses incurred during the relocation to the Company's new distribution center did not recur.

Interest expense - Interest expense, net increased $0.8 million due to rising interest rates and increased average borrowings outstanding under HBB's revolving credit facility.

Other expense (income), net - Other expense (income), net includes currency losses of $2.2 million in the current year compared to currency losses of $0.6 million in the prior year. This increase is driven by the liquidation of the Brazilian subsidiary, which resulted in $2.1 million of accumulated other comprehensive losses being released into other expense (income), net during the first quarter of 2022. Additionally, in the third quarter 2022, the Company recorded a $0.3 million pension settlement charge.

Income tax expense (benefit) - The effective tax rate was 21.0% compared to 25.9% in the prior year. The effective tax rate was higher for the nine months ended September 30, 2021 due to the inclusion of interest and penalties on unrecognized tax benefits as a discrete expense item. The interest and penalties on unrecognized tax benefits were reversed during the second quarter of 2022 due to a change in the Company's position on an unresolved Mexico tax matter, favorably impacting the effective tax rate for the nine months ended September 30, 2022, partially offset by a valuation allowance on certain foreign deferred tax assets related to the Brazil liquidation.

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, operating expenses, capital expenditures, cash dividends, and payments of principal and interest on debt.

HBB maintains a $150.0 million senior secured floating-rate revolving credit facility (the “HBB Facility”) that expires on June 30, 2025. 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.

On August 15, 2022, the Company entered into Amendment No. 12 to Amended and Restated Credit Agreement by and among Wells Fargo Bank, National Association, as Administrative Agent, the Lenders that are Parties thereto as the Lenders, Hamilton Beach Brands, Inc., as Parent and U.S. Borrower, and Hamilton Beach Brands Canada, Inc., as Canadian Borrower (the “Amendment”). For a period of ninety days, the Amendment increases the credit facility under the Amended and Restated Credit Amendment from $150 million to $165 million and increases the eligible inventory included in the borrowing base. Additionally, the Amendment amends the pricing grid. The Amendment provides the Company flexibility on a short-term basis as it manages working capital into the holiday selling season. The pricing grid was amended to, among other matters, include an interest rate of Secured Overnight Financing Rate ("SOFR") plus an applicable margin, as allowed under Amendment No. 10 due to the transition away from LIBOR as a benchmark interest rate.

The following table presents selected cash flow information:

	NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021
Net cash provided by (used for) operating activities	**$ (40,173)**	$ (4,106)
Net cash provided by (used for) investing activities	**$ (1,560)**	$ (9,109)
Net cash provided by (used for) financing activities	**$ 42,253**	$ 12,259

Operating activities - Net cash used for operating activities was $40.2 million compared to cash used for operating activities of $4.1 million in the prior year primarily due to net working capital which was a use of cash of $62.1 million in 2022 compared to a use of cash of $4.4 million in 2021. Trade receivables provided net cash of $21.4 million during 2022 compared to $26.5 million in the prior year. Net cash used for inventory and accounts payable combined was $83.5 million in 2022 compared to $30.9 million in 2021. Inventory has increased compared to the quarter-ended September 30, 2021 and the year-ended December 31, 2021 driven by longer lead times in the supply chain, retailer inventory rebalancing programs, and normal variations in holiday build ordering patterns.

Investing activities - Net cash used for investing activities decreased in 2022 compared to 2021 due to capital spending for the Company's new distribution center leased facility in 2021 that did not recur.

Financing activities - Net cash used for financing activities was $42.3 million in 2022 compared to cash used for financing activities of $12.3 million in 2021. The change is due to an increase in HBB's net borrowing activity on the revolving credit facility to fund net working capital.

Capital Resources

The Company expects to continue to borrow against the HBB Facility and make voluntary repayments within the next twelve months. The obligations under the HBB Facility are secured by substantially all of HBB's assets. At September 30, 2022, the borrowing base under the HBB Facility was $164.3 million and borrowings outstanding were $146.1 million. At September 30, 2022, the excess availability under the HBB Facility was $18.2 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, SOFR or bankers' acceptance rate, as defined in the HBB Facility, plus an applicable margin. The applicable margins, effective September 30, 2022, for base rate loans and SOFR loans denominated in US dollars were 0.0% and 1.80%, respectively. The applicable margins, effective September 30, 2022, for base rate loans and bankers' acceptance loans denominated in Canadian dollars were 0.0% and 1.80%, 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 nine months ended September 30, 2022 was 3.00% 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 $50.0 million at September 30, 2022 at an average fixed interest rate of 0.85%. HBB also entered into delayed-start interest rate swaps. These swaps have notional values totaling $50.0 million as of September 30, 2022, with an average fixed interest rate of 1.59%.

The HBB Facility includes restrictive covenants, which, among other things, limit the payment of dividends to Hamilton Beach Holding, subject to achieving availability thresholds. Dividends to Hamilton Beach Holding are not to exceed $7.0 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 at least $18.0 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 at least $30.0 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 September 30, 2022, 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 US trade receivables on a non-recourse basis. The Company utilizes this arrangement as an integral part of financing working capital. See Note 2 of the unaudited 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.

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 for the year ended December 31, 2021 as there have been no material changes from those disclosed in the Annual Report.

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 for the year ended December 31, 2021 as there have been no material changes from those disclosed in the Annual Report.

FORWARD-LOOKING STATEMENTS

The statements contained in this Form 10-Q 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 Company’s ability to source and ship products to meet anticipated demand, (2) the Company’s ability to successfully manage ongoing constraints throughout the global transportation supply chain, (3) the unpredictable nature of the COVID-19 pandemic and its potential impact on the Company's business; (4) the direct and indirect impacts of the increasingly volatile global economic conditions as a result of the conflict in Ukraine; (5) changes in the sales prices, product mix or levels of consumer purchases of small electric and specialty housewares appliances, (6) changes in consumer retail and credit markets, including the increasing volume of transactions made through third-party internet sellers, (7) bankruptcy of or loss of major retail customers or suppliers, (8) changes in costs, including transportation costs, of sourced products, (9) delays in delivery of sourced products, (10) changes in or unavailability of quality or cost effective suppliers, (11) exchange rate fluctuations, changes in the import tariffs and monetary policies and other changes in the regulatory climate in the countries in which the Company operates or buys and/or sells products, (12) the impact of tariffs on customer purchasing patterns, (13) product liability, regulatory actions or other litigation, warranty claims or returns of products, (14) customer acceptance of, changes in costs of, or delays in the development of new products, (15) increased competition, including consolidation within the industry, (16) 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, (17) changes mandated by federal, state and other regulation, including tax, health, safety or environmental legislation, and (18) 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 for the year ended December 31, 2021. Furthermore, the situation surrounding COVID-19, including the mutation of variants, continues to remain fluid globally and the Company continues to manage ongoing challenges associated with the pandemic as they relate to demand, supply and operations. The potential for a material impact on the Company’s results of operations, financial condition, liquidity, and stock price remains a risk. The Company cannot reasonably estimate with any degree of certainty any future impact of COVID-19. The extent of any impact will depend on the scope of any new virus mutations and outbreaks, the nature of government public health guidelines and the public’s adherence to those guidelines, the success of business and economic recovery as the pandemic recedes, the easing of pandemic-driven supply chain disruptions, unemployment levels, and the extent to which new lockdowns may be needed or are required in particular countries including China.

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 an asset of $5.7 million at September 30, 2022. A hypothetical 10% decrease in interest rates would cause a decrease of $0.3 million in the fair value of interest rate swap agreements. Additionally, a hypothetical 10% increase in interest rates would cause an increase of $0.3 million in the fair value of interest rate swap agreements. Neither would have a material impact to the Company's interest expense, net of $2.9 million for the nine months ended September 30, 2022.

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 US dollar against other currencies affects the reported amounts of revenues, expenses, assets and liabilities.

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 US 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 $0.5 million at September 30, 2022. Assuming a hypothetical 10% weakening of the US dollar at September 30, 2022, the fair value of foreign currency-sensitive financial instruments, which represents forward foreign currency exchange contracts, would be decreased by $0.6 million compared with its fair value at September 30, 2022.

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 September 30, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2022.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting identified during the quarter ended September 30, 2022, in connection with the evaluation by the Company’s management required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, 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 6 "Contingencies" included in the 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 or HBB, from the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities (1)

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of the Publicly Announced Program	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
Month #1 July 1 to 31, 2022	109,828	$ 12.19	109,828	$ 22,020,771
Month #2 August 1 to 31, 2022	—	$ —	—	$ 22,020,771
Month #3 September 1 to 30, 2022	—	—	—	$ 22,020,771
	109,828	$ 12.19	109,828	$ 22,020,771

(1) On February 22, 2022, the Company's Board approved a stock repurchase program for the purchase of up to $25 million of the Company's Class A Common outstanding starting February 22, 2022 and ending December 31, 2023.

There were no share repurchases during the three and nine months ended September 30, 2021.

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
10.1	Amendment No. 12 to Amended and Restated Credit Agreement by and among Wells Fargo Bank, National Association, as Administrative Agent, the Lenders that are Parties thereto as the Lenders, Hamilton Beach Brands, Inc., as U.S. Borrower, and Hamilton Beach Brands Canada, Inc., as Canadian Borrower, dated August 15, 2022 is incorporated by reference to Exhibit 10.1 of Hamilton Beach Brands Holding Company's Current Report on Form 8-K, filed on August 18, 2022.
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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* 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: November 2, 2022

/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: November 2, 2022

/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: November 2, 2022

/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 September 30, 2022, 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: November 2, 2022

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

Date: November 2, 2022

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