

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended

March 31, 2021

or

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

For the transition period from _____ to _____

Commission File Number: 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 April 30, 2021: 9,845,038

Number of shares of Class B Common Stock outstanding at April 30, 2021: 4,029,355

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)

	MARCH 31 2021	DECEMBER 31 2020	MARCH 31 2020
	(In thousands)		
Assets			
Current assets			
Cash and cash equivalents	\$ 1,375	\$ 2,415	\$ 2,078
Trade receivables, net	107,934	144,797	69,569
Inventory	163,831	173,962	89,986
Prepaid expenses and other current assets	13,770	15,118	16,427
Current assets of discontinued operations	—	—	324
Total current assets	286,910	336,292	178,384
Property, plant and equipment, net	24,252	23,490	22,465
Goodwill	6,253	6,253	6,253
Other intangible assets, net	1,842	1,892	2,818
Deferred income taxes	3,416	6,965	5,128
Deferred costs	13,960	13,449	11,172
Other non-current assets	2,708	2,827	2,150
Total assets	\$ 339,341	\$ 391,168	\$ 228,370
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	\$ 102,725	\$ 152,054	\$ 61,578
Accounts payable to NACCO Industries, Inc.	10	505	496
Revolving credit agreements	—	—	34,547
Accrued compensation	10,894	15,981	8,126
Accrued product returns	5,860	6,853	7,536
Other current liabilities	18,465	23,677	14,098
Current liabilities of discontinued operations	—	—	1,099
Total current liabilities	137,954	199,070	127,480
Revolving credit agreements	102,555	98,360	35,000
Other long-term liabilities	16,133	13,633	12,494
Total liabilities	256,642	311,063	174,974
Stockholders' equity			
Class A Common stock	102	100	99
Class B Common stock	41	41	41
Capital in excess of par value	59,456	58,485	55,062
Treasury stock	(5,960)	(5,960)	(5,960)
Retained earnings	46,489	44,915	23,996
Accumulated other comprehensive loss	(17,429)	(17,476)	(19,842)
Total stockholders' equity	82,699	80,105	53,396
Total liabilities and stockholders' equity	\$ 339,341	\$ 391,168	\$ 228,370

See notes to unaudited consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31	
	2021	2020
	(In thousands, except per share data)	
Revenue	\$ 149,249	\$ 120,846
Cost of sales	117,556	95,806
Gross profit	31,693	25,040
Selling, general and administrative expenses	26,379	24,213
Amortization of intangible assets	50	324
Operating profit	5,264	503
Interest expense, net	720	603
Other expense, net	171	1,702
Income (loss) from continuing operations before income taxes	4,373	(1,802)
Income tax expense (benefit)	1,497	(448)
Net income (loss) from continuing operations	2,876	(1,354)
Income from discontinued operations, net of tax	—	22,866
Net income	\$ 2,876	\$ 21,512
Basic and diluted earnings (loss) per share:		
Continuing operations	\$ 0.21	\$ (0.10)
Discontinued operations	—	1.68
Basic and diluted earnings (loss) per share	\$ 0.21	\$ 1.58
Basic weighted average shares outstanding	13,855	13,625
Diluted weighted average shares outstanding	13,874	13,625

See notes to unaudited consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31	
	2021	2020
	(In thousands)	
Net income	\$ 2,876	\$ 21,512
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	678	1,057
(Loss) gain on long-term intra-entity foreign currency transactions	(1,033)	(4,910)
Cash flow hedging activity	164	(162)
Reclassification of hedging activities into earnings	125	110
Reclassification of pension adjustments into earnings	113	195
Total other comprehensive income (loss), net of tax	<u>47</u>	<u>(3,710)</u>
Comprehensive income	<u>\$ 2,923</u>	<u>\$ 17,802</u>

See notes to unaudited consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31	
	2021	2020
	(In thousands)	
Operating activities		
Net income (loss) from continuing operations	\$ 2,876	\$ (1,354)
Adjustments to reconcile net income (loss) from continuing operations to net cash used for operating activities:		
Depreciation and amortization	896	792
Deferred income taxes	3,702	1,182
Stock compensation expense	1,107	555
Other	405	343
Net changes in operating assets and liabilities:		
Affiliate payable	(495)	—
Trade receivables	36,853	34,811
Inventory	9,774	17,047
Other assets	926	(5,637)
Accounts payable	(49,152)	(49,550)
Other liabilities	(8,781)	(8,231)
Net cash provided by (used for) operating activities from continuing operations	(1,889)	(10,042)
Investing activities		
Expenditures for property, plant and equipment	(1,746)	(625)
Net cash provided by (used for) investing activities from continuing operations	(1,746)	(625)
Financing activities		
Net additions to revolving credit agreements	4,129	11,102
Cash dividends paid	(1,302)	(1,226)
Other financing	(134)	—
Net cash provided by (used for) financing activities from continuing operations	2,693	9,876
Cash flows from discontinued operations		
Net cash provided by (used for) operating activities from discontinued operations	—	(4,968)
Net cash provided by (used for) investing activities from discontinued operations	—	6
Net cash provided by (used for) financing activities from discontinued operations	—	—
Cash provided by (used for) discontinued operations	—	(4,962)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(85)	1,376
Cash, cash equivalents and restricted cash		
Increase (decrease) for the period from continuing operations	(1,027)	585
Decrease for the period from discontinued operations	—	(4,962)
Balance at the beginning of the period	3,436	7,164
Balance at the end of the period	\$ 2,409	\$ 2,787
Reconciliation of cash, cash equivalents and restricted cash		
Continuing operations:		
Cash and cash equivalents	\$ 1,375	\$ 2,078
Restricted cash included in prepaid expenses and other current assets	210	186
Restricted cash included in other non-current assets	824	378
Cash and cash equivalents of discontinued operations	—	145
Total cash, cash equivalents, and restricted cash	\$ 2,409	\$ 2,787

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, 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	—	—	—	—	—	238	238
Balance, March 31, 2021	\$ 102	\$ 41	\$ 59,456	\$ (5,960)	\$ 46,489	\$ (17,429)	\$ 82,699
Balance, January 1, 2020	\$ 98	\$ 41	\$ 54,509	\$ (5,960)	\$ 3,710	\$ (16,132)	\$ 36,266
Net income (loss)	—	—	—	—	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 income (loss), net of tax	—	—	—	—	—	(4,015)	(4,015)
Reclassification adjustment to net loss	—	—	—	—	—	305	305
Balance, March 31, 2020	\$ 99	\$ 41	\$ 55,062	\$ (5,960)	\$ 23,996	\$ (19,842)	\$ 53,396

See notes to unaudited consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

(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 a wide range of branded, small electric household and specialty housewares appliances, as well as commercial products for restaurants, fast food chains, bars, and hotels. HBB operates in the consumer, commercial and specialty small 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 2 for further information on discontinued operations.

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, 2020.

Operating results for the three months ended March 31, 2021 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.

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, 2021, 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, 2022 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 new accounting rules will be effective for the Company for its year ending December 31, 2022. The Company is currently in the process of evaluating the impact of adoption of the new accounting rules on the Company’s financial condition, results of operations, cash flows and disclosures.

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. The amendments in this standard can be applied anytime between the first quarter of 2020 and the fourth quarter of 2022. The Company is currently in the process of evaluating the impact of adoption of the new rules on the Company’s financial condition, results of operations, cash flows and disclosures.

Assets Held for Sale

During the fourth quarter of 2020, the Company committed to a plan to sell our Brazilian subsidiary and determined that we met all of the criteria to classify the assets and liabilities of this business as held for sale. The carrying amounts of the major classes of assets that are classified as held for sale as of March 31, 2021 are as follows: \$1.6 million of trade receivables, net, and \$0.5 million of inventory. As of March 31, 2021, the total of these amounts are included in the prepaid expenses and other current assets line item on the Consolidated Balance Sheet. The carrying value of the disposal group approximates the fair value, which we determined based on the expected sales price.

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. As a result, we are no longer committed to selling the subsidiary. The carrying amounts of the assets will be reclassified to held and used during the second quarter of 2021. The disposal group had \$2.5 million of accumulated other comprehensive losses at March 31, 2021, which will be recognized in net income upon substantial liquidation of the Brazilian subsidiary which we expect to occur in the back half of 2021.

NOTE 2—Discontinued Operations

On October 10, 2019, the Board approved the wind down of KC's retail operations. 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. 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 MARCH 31
	2020
Revenue	\$ 631
Cost of sales	—
Gross profit	631
Selling, general and administrative expenses	1,047
Adjustment of lease termination liability ⁽¹⁾	(16,457)
Adjustment of other current liabilities ⁽²⁾	(6,608)
Operating income	22,649
Income from discontinued operations before income taxes	22,649
Income tax benefit	(217)
Income from discontinued operations, net of tax	<u>\$ 22,866</u>

(1) Represents an adjustment to the lease termination obligation based on the final distribution of KC's remaining assets on April 3, 2020.

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

Due to the deconsolidation of KC on April 3, 2020, there are no assets or liabilities associated with KC as of March 31, 2021 and December 31, 2020. The major classes of KC's assets and liabilities included as part of discontinued operations as of March 31, 2020 are as follows:

	MARCH 31 2020
Assets	
Cash and cash equivalents	\$ 145
Prepaid expenses and other current assets	179
Current assets of discontinued operations	\$ 324
Liabilities	
Accounts payable	\$ 63
Lease termination liability	791
Other current liabilities	245
Current liabilities of discontinued operations	\$ 1,099

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

NOTE 3—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 \$29.8 million and \$36.5 million of trade receivables during the three months ending March 31, 2021 and 2020, respectively, and \$162.4 million during the year ending December 31, 2020. The loss incurred on sold receivables in the consolidated results of operations for the three months ended March 31, 2021 and 2020 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 4—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	MARCH 31 2021	DECEMBER 31 2020	MARCH 31 2020
Assets:				
Interest rate swap agreements				
Current	Prepaid expenses and other current assets	\$ —	\$ —	\$ —
Foreign currency exchange contracts				
Current	Prepaid expenses and other current assets	—	—	767
		<u>\$ —</u>	<u>\$ —</u>	<u>\$ 767</u>
Liabilities:				
Interest rate swap agreements				
Current	Other current liabilities	\$ 333	\$ 380	\$ 362
Long-term	Other long-term liabilities	591	779	818
Foreign currency exchange contracts				
Current	Other current liabilities	249	518	—
		<u>\$ 1,173</u>	<u>\$ 1,677</u>	<u>\$ 1,180</u>

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 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 months ended March 31, 2021.

NOTE 5—Stockholders' Equity

Capital Stock

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

	MARCH 31 2021	DECEMBER 31 2020	MARCH 31 2020
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⁾	10,186	10,006	9,917
Treasury Stock	365	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 stock authorized	30,000	30,000	30,000
Class B Common issued ⁽¹⁾	4,037	4,045	4,074

⁽¹⁾ Class B Common converted to Class A Common were 8 and 3 shares during the three months ending March 31, 2021 and 2020, respectively.

⁽²⁾ The Company issued Class A Common shares of 172 and 108 during the three months ending March 31, 2021 and 2020, 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
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	<u>\$ (10,130)</u>	<u>\$ (1,055)</u>	<u>\$ (6,244)</u>	<u>\$ (17,429)</u>
Balance, January 1, 2020	\$ (8,221)	\$ (341)	\$ (7,570)	\$ (16,132)
Other comprehensive income (loss)	(4,985)	(171)	—	(5,156)
Reclassification adjustment to net income (loss)	—	154	239	393
Tax effects	1,132	(35)	(44)	1,053
Balance, March 31, 2020	<u>\$ (12,074)</u>	<u>\$ (393)</u>	<u>\$ (7,375)</u>	<u>\$ (19,842)</u>

NOTE 6—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 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.

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 for restaurants, fast-food chains, bars and hotels. Approximately one-half of our 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 months ended March 31:

	THREE MONTHS ENDED MARCH 31	
	2021	2020
Type of good or service:		
Consumer products	\$ 139,513	\$ 109,717
Commercial products	8,593	9,918
Licensing	1,143	1,211
Total revenues	<u>\$ 149,249</u>	<u>\$ 120,846</u>

NOTE 7—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.

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 for the period in which the ruling occurs, or in future periods.

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. 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. In August 2020, the court entered an order awarding the plaintiff additional sales posttrial and interest on the damages award through July 31, 2020 and continuing interest in a de minimis amount until the judgment is satisfied. As of March 31, 2021, the accrual for the contingent loss is \$3.1 million. HBB continues to vigorously pursue the appeal of the judgment and adverse lower court rulings with the US 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.

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 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 March 31, 2021, December 31, 2020, and March 31, 2020, HBB had accrued undiscounted obligations of \$3.1 million, \$3.1 million and \$4.2 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 \$1.7 million related to the environmental investigation and remediation at these sites.

NOTE 8—Income Taxes

The effective tax rate on income from continuing operations was 34.2% and 24.9% for the three months ended March 31, 2021 and 2020, respectively. The effective tax rate was higher for the three months ended March 31, 2021 due to the inclusion of \$0.4 million related to interest and penalties on unrecognized tax benefits as a discrete expense item.

NOTE 9—Subsequent Events

On April 9, 2021, the Company entered into Amendment No. 9 to the 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”). Due to the highly seasonal nature of the Company’s primary markets, Amendment No. 8 dated November 23, 2020 provided for increases in advance rates used to determine the borrowing base during periods of the second half of the calendar year. Amendment No. 9 increases the credit facility from \$125 million to \$140 million for a period of sixty days from its effective date to provide similar flexibility as demand for small kitchen appliances is expected to remain strong in the first half of 2021. The Amendment did not result in any other changes to the terms or due date of the credit facility.

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 for the year ended December 31, 2020 as there have been no material changes from those disclosed in our 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. Additionally, in the fourth quarter of 2019, KC met the requirements to be reported as a discontinued operation. See Note 2, Discontinued Operations for more information.

First Quarter of 2021 Compared with First Quarter of 2020

	THREE MONTHS ENDED MARCH 31					
	2021	% of Revenue	2020	% of Revenue	Increase / (Decrease)	
	\$		\$		\$ Change	% Change
Revenue	\$ 149,249	100.0 %	\$ 120,846	100.0 %	\$ 28,403	23.5 %
Cost of sales	117,556	78.8 %	95,806	79.3 %	21,750	22.7 %
Gross profit	31,693	21.2 %	25,040	20.7 %	6,653	26.6 %
Selling, general and administrative expenses	26,379	17.7 %	24,213	20.0 %	2,166	8.9 %
Amortization of intangible assets	50	— %	324	0.3 %	(274)	(84.6)%
Operating profit	5,264	3.5 %	503	0.4 %	4,761	n/m
Interest expense, net	720	0.5 %	603	0.5 %	117	19.4 %
Other expense, net	171	0.1 %	1,702	1.4 %	(1,531)	(90.0)%
Income (loss) from continuing operations before income taxes	4,373	2.9 %	(1,802)	(1.5)%	6,175	n/m
Income tax expense (benefit)	1,497	1.0 %	(448)	(0.4)%	1,945	n/m
Net income (loss) from continuing operations	2,876	1.9 %	(1,354)	(1.1)%	4,230	n/m
Income from discontinued operations, net of tax	—	n/m	22,866	n/m	(22,866)	n/m
Net income	\$ 2,876		\$ 21,512		\$ (18,636)	
Effective income tax rate on continuing operations						
		34.2 %		24.9 %		

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

	Revenue
2020	\$ 120,846
Increase from:	
Unit volume and product mix	26,925
Foreign currency	652
Average sales price	826
2021	\$ 149,249

Revenue - Revenue increased \$28.4 million, or 23.5%, due primarily to higher sales volume in the North American consumer market, as we continue to see strong demand for small kitchen appliances in the US, Canadian and Latin American markets. Revenue in the Global Commercial market decreased as compared to prior year as recovery from the pandemic-related demand softness continues. The Company remains focused on ecommerce, as revenue from this channel increased 59% and accounted for 35% of total revenue in the first quarter of 2021 compared to 27% of total revenue in the first quarter of 2020.

Gross profit - Gross profit increased due to the higher sales volume. As a percentage of revenue, gross profit margin increased from 20.7% in the prior year to 21.2% primarily due to customer and product mix.

Selling, general and administrative expenses - Selling, general and administrative expenses increased \$2.2 million, driven primarily by an increase in third-party and consulting services fees as well as increased employee-related costs. Included in selling, general and administrative expenses for the first quarter of 2020 is \$1.9 million charges to write-off unrealizable assets created as a result of the Mexico unauthorized transactions, offset by a \$1.6 million reduction to the accrual for litigation and environmental reserves.

Interest expense - Interest expense increased \$0.1 million due to increased average borrowings outstanding under HBB's revolving credit facility.

Other expense, net - For the first quarter of 2021, other expense includes currency losses of \$0.4 million compared with currency losses of \$1.9 million in 2020. The currency losses arise from the remeasurement of liabilities related to inventory purchases by foreign subsidiaries denominated in US dollars.

Income tax expense (benefit) - The Company recognized an income tax expense of \$1.5 million on income from continuing operations before income taxes of \$4.4 million, an effective tax rate of 34.2% compared to income tax benefit of \$0.5 million on loss from continuing operations before income taxes of \$1.8 million in the prior year, an effective tax rate of 24.9%. The effective tax rate was higher for the quarter ended March 31, 2021 due to the inclusion of \$0.4 million related to interest and penalties on unrecognized tax benefits as a discrete expense item.

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, and payments of principal and interest on debt.

HBB maintains a \$125.0 million senior secured floating-rate revolving credit facility (the "HBB Facility") that expires on June 30, 2025, therefore all borrowings are classified as long term debt as of March 31, 2021. 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 April 9, 2021, the Company entered into Amendment No. 9 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"). Due to the highly seasonal nature of the Company's primary markets, Amendment No. 8 dated November 23, 2020 provided for increases in advance rates used to determine the borrowing base during periods of the second half of the calendar year. Amendment No. 9 increases the credit facility from \$125 million to \$140 million for a period of sixty days from its effective date to provide similar flexibility as demand for small kitchen appliances is expected to remain strong in the first half of 2021.

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 and it was deconsolidated. 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 MARCH 31	
	2021	2020
Net cash provided by (used for) operating activities	\$ (1,889)	\$ (10,042)
Net cash provided by (used for) investing activities	\$ (1,746)	\$ (625)
Net cash provided by (used for) financing activities	\$ 2,693	\$ 9,876

Operating activities - Net cash used for operating activities was \$1.9 million compared to \$10.0 million in the prior year. As compared to the prior year, the lower net cash used by operating activities was primarily due to higher net income and changes in other assets, which provided a source of cash of \$0.9 million in 2021 compared to a use of cash of \$5.6 million in 2020.

Investing activities - Net cash used for investing activities increased in 2021 compared to 2020 due to capital spending for the Company's new distribution center lease, which will begin in the third quarter of 2021.

Financing activities - Net cash provided by financing activities was \$2.7 million compared to \$9.9 million in 2020. The change is due to a decrease in HBB's net borrowing activity on the revolving credit facility during the first quarter of 2021 as compared to the first quarter of 2020. Borrowings on the revolving credit facility are used to fund net working capital.

Capital Resources

HBB maintains a \$125.0 million senior secured floating-rate revolving credit facility (the "HBB Facility") that expires on June 30, 2025. Therefore, all borrowings are classified as long term debt as of March 31, 2021. The Company expects to continue to borrow against the 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 March 31, 2021, the borrowing base under the HBB Facility was \$123.3 million and borrowings outstanding were \$102.6 million. At March 31, 2021, the excess availability under the HBB Facility was \$20.7 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 March 31, 2021, for base rate loans and LIBOR loans denominated in US dollars were 0.0% and 2.00%, respectively. The applicable margins, effective March 31, 2021, for base rate loans and bankers' acceptance loans denominated in Canadian dollars were 0.0% and 2.00%, 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 three months ended March 31, 2021 was 2.77% 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 March 31, 2021 at an average fixed interest rate of 1.66%.

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. 8 to the HBB Facility, dividends to Hamilton Beach Holding are not to exceed \$6.0 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 \$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 at least \$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 March 31, 2021, 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 3 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, 2020 as there have been no material changes from those disclosed in our 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, 2020 as there have been no material changes from those disclosed in our 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 ship products to meet the anticipated increase in demand, (2) the Company's ability to successfully manage the anticipated transportation constraints, (3) the unpredictable nature of the COVID-19 pandemic and its potential impact on our business; (4) changes in the sales prices, product mix or levels of consumer purchases of small electric and specialty housewares appliances, (5) changes in consumer retail and credit markets, including the increasing volume of transactions made through third-party internet sellers, (6) bankruptcy of or loss of major retail customers or suppliers, (7) changes in costs, including transportation costs, of sourced products, (8) delays in delivery of sourced products, (9) changes in or unavailability of quality or cost effective suppliers, (10) 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, (11) the impact of tariffs on customer purchasing patterns, (12) product liability, regulatory actions or other litigation, warranty claims or returns of products, (13) customer acceptance of, changes in costs of, or delays in the development of new products, (14) increased competition, including consolidation within the industry, (15) 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, (16) changes mandated by federal, state and other regulation, including tax, health, safety or environmental legislation, (17) difficulties arising as a result of our implementation, integration or operation of an enterprise resource planning system in the US, (18) our ability to successfully remediate the material weaknesses in our internal control over financial reporting disclosed in Item 9A of the

Annual Report on Form 10-K 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, (19) the Company's ability to effectively plan and manage the relocation to our new distribution center, and (20) 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, 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 US 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, the extent to which new shutdowns 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 fully, the timing for proven treatments and the availability of 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 \$0.9 million at March 31, 2021. A hypothetical 10% decrease in interest rates would cause a decrease of less than \$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 \$0.7 million for the three months ended March 31, 2021.

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. 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 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 payable of \$0.2 million at March 31, 2021. Assuming a hypothetical 10% weakening of the US dollar at March 31, 2021, the fair value of foreign currency-sensitive financial instruments, which represents forward foreign currency exchange contracts, would be decreased by \$2.5 million compared with its fair value at March 31, 2021.

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 March 31, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2021, due to the existence of the material weaknesses in our internal control over financial reporting at our Mexican subsidiaries and over income taxes 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 for the year ended December 31, 2020, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2020 due to the material weaknesses as described below.

Mexican subsidiaries

As of December 31, 2019, we identified two material weaknesses at our Mexican subsidiaries related to (1) the design and operating effectiveness of review controls for account reconciliations and manual journal entries and (2) the design and operating effectiveness of 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.

Income taxes

Management determined that we did not design and maintain effective controls over our income tax accounting process to identify and accurately measure deferred tax assets, deferred tax liabilities and income taxes payable and the related income tax expense. While the control deficiency did not result in a misstatement of our previously issued consolidated financial statements, the control deficiency could result in a material misstatement of the aforementioned account balances or disclosures that would result in a material misstatement in our annual or interim consolidated financial statements that would not be prevented or detected.

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

Remediation of Material Weaknesses: We are committed to remediating the control deficiencies that gave rise to the material weaknesses. Management is responsible for implementing changes and improvements to internal control over financial reporting and for remediating the control deficiencies that gave rise to the material weaknesses.

Mexican subsidiaries

With oversight from the Audit Review Committee, we have taken significant steps to remediate the internal control deficiencies at our Mexican subsidiaries by redesigning our controls, many of which operated for the first time during the fourth quarter of 2020. Our efforts have consisted primarily of strengthening our organization and designing a suite of controls that address the material weaknesses. Until the remediation actions are fully implemented and the operational effectiveness of related internal controls is validated through testing, the material weaknesses described above will continue to exist.

Income taxes

With oversight from the Audit Review Committee, we have developed a plan to remediate the material weakness in internal control over financial reporting related to our income taxes accounting process, which consists of:

- a. Reviewing the organization structure, resources, processes, and controls in place to measure and record income taxes to enhance the effectiveness of the design and operation of those controls;
- b. Enhancing monitoring activities related to income taxes; and
- c. Evaluating and enhancing the level of precision in the management review controls related to income taxes.

Until the remediation actions are fully implemented and the operational effectiveness of related internal controls is validated through testing, the material weakness described above will continue to exist.

We are committed to achieving and maintaining a strong internal control environment and believe the remediation measures will strengthen our internal control over financial reporting and remediate the material weakness identified.

Changes in internal control over financial reporting: During the three months ended March 31, 2021, 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 7 "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 or HBB, from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, except for the following, which should be read in conjunction with the risk factors in such Annual Report on Form 10-K.

Failure to adequately plan and manage the relocation of our distribution center may interrupt our operations and lower our operating income.

HBB has signed a lease agreement and will be relocating to a new US distribution center during the second and third quarter of 2021. The planned move entails risk that could cause delays and cost overruns, such as: reduced shipping capabilities; unforeseen construction or scheduling problems; disruptions in the integration of the new distribution center with our warehouse management system; and unanticipated cost increases. There is also the risk that we will not adequately adjust our business processes or appropriately manage our work force during the transition. Failure to adequately plan and manage the relocation efforts could cause a disruption in our operations and lower our operating income.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

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 three months ended March 31, 2021 and 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
10.1	Amendment No. 9 to Amended and Restated Credit Agreement by and among Wells Fargo Bank, National Association, as Administrative Agent, the Lenders that are Parties Hereto as the Lenders, Hamilton Beach Brands, Inc., as Parent and U.S. Borrower, and Hamilton Beach Brands Canada, Inc., as Canadian Borrower, dated April 9, 2021.
10.2	Form of Cashless Exercise Award Agreement for the Hamilton Beach Brands Holding Company Executive Long-Term Equity Incentive Plan
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.

Date: May 5, 2021

Hamilton Beach Brands Holding Company
(Registrant)

/s/ Michelle O. Mosier

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

AMENDMENT NO. 9 TO AMENDED AND RESTATED CREDIT AGREEMENT

AMENDMENT NO. 9 TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of April 9, 2021 (this “Amendment No. 9”), is by and among Wells Fargo Bank, National Association, in its capacity as agent pursuant to the Credit Agreement (as hereinafter defined) acting for and on behalf of the parties thereto as lenders (in such capacity, “Agent”), the parties to the Credit Agreement as lenders (individually, each a “Lender” and collectively, “Lenders”), Hamilton Beach Brands, Inc., formerly known as Hamilton Beach/Proctor-Silex Inc., a Delaware corporation (“US Borrower”), and Hamilton Beach Brands Canada, Inc., formerly known as Proctor-Silex Canada Inc., an Ontario corporation (“Canadian Borrower”, and together with US Borrower, each individually a “Borrower” and collectively, “Borrowers”).

WITNESSETH:

WHEREAS, Agent, Lenders and Borrowers have entered into financing arrangements pursuant to which Lenders (or Agent on behalf of Lenders) have made and may make loans and advances and provide other financial accommodations to Borrowers as set forth in the Amended and Restated Credit Agreement, dated as of May 31, 2012, by and among Agent, Lenders and Borrowers, as amended by Amendment No. 1 to Amended and Restated Credit Agreement, dated July 29, 2014, Amendment No. 2 to Amended and Restated Credit Agreement, dated November 20, 2014, Amendment No. 3 to Amended and Restated Credit Agreement, dated December 23, 2015, Amendment No. 4 to Amended and Restated Credit Agreement, dated as of June 30, 2016, Amendment No. 5 to Amended and Restated Credit Agreement, dated as of September 13, 2017, Amendment No. 6 to Amended and Restated Credit Agreement, dated as of May 14, 2018, Amendment No. 7 to Amended and Restated Credit Agreement and Waiver, dated as of May 20, 2020 and Amendment No. 8 to Amended and Restated Credit Agreement and Joinder, dated as of November 23, 2020 (as the same now exists, the “Existing Credit Agreement” and the Existing Credit Agreement, as amended and supplemented pursuant hereto and as may hereafter be further amended, modified, supplemented, extended, renewed, restated or replaced, the “Credit Agreement”) and the other Loan Documents;

WHEREAS, Borrowers, Agent and Lenders have agreed to amend the Existing Credit Agreement pursuant to the terms and conditions of this Amendment No. 9;

WHEREAS, by this Amendment No. 9, Agent, Lenders and Borrowers desire and intend to evidence such amendments;

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

(a) Additional Definitions. Schedule 1.1 to the Credit Agreement is hereby amended by inserting the following new definitions in the appropriate alphabetical order:

(i) “Amendment No. 9” shall mean Amendment No. 9 to Amended and Restated Credit Agreement, dated as of April 9, 2021, by and among Agent, Lenders and Borrowers, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(ii) “Amendment No. 9 Effective Date” shall mean the date upon which all of the conditions precedent set forth in Amendment No. 9 are satisfied.

(b) Amendments to Definitions.

(i) The definition of “Maximum US Revolver Amount” set forth in the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“Maximum US Revolver Amount” means (a) \$130,000,000 during the period from and including the Amendment No. 9 Effective Date through and including the date that is sixty (60) days after the Amendment No. 9 Effective Date, and (b) \$115,000,000 at all times thereafter, in each case, as decreased by the amount of reductions in the US Revolver Commitments made in accordance with Section 2.4(c) of the Agreement and increased by the amount of any Increase made in accordance with Section 2.16 of this Agreement.

(ii) The definition of “US Eligible Inventory Amount” set forth in the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“US Eligible Inventory Amount” means, on any date of determination, the lesser of the amounts set forth in clause (i) and (ii) as follows: (i) an amount equal to (A) \$77,000,000 (minus the amount of Eligible Inventory then included in the Canadian Borrowing Base as calculated in accordance with clause (b) of the definition thereof) during the period from and including the Amendment No. 9 Effective Date through and including the date that is sixty (60) days after the Amendment No. 9 Effective Date and (B) \$70,000,000 (minus the amount of Eligible Inventory then included in the Canadian Borrowing Base as calculated in accordance with clause (b) of the definition thereof) at all times thereafter, and (ii) the product of (A) the Applicable Inventory Percentage applicable on such date multiplied by (B) the Value of Eligible Inventory of the US Borrowers as of such date.

(c) Interpretation. For purposes of this Amendment No. 9, all terms used herein which are not otherwise defined herein, including but not limited to, those terms used in the recitals hereto, shall have the respective meanings assigned thereto in the Credit Agreement as amended by this Amendment No. 9.

2. Commitment Schedule. Effective as of the Amendment No. 9 Effective Date, Schedule C-1 to the Credit Agreement is hereby deleted in its entirety and replaced with the amended Schedule C-1 attached hereto as Exhibit A.

3. Collateral Reporting/Borrowing Base Delivery Frequency. Schedule 5.2 to the Credit Agreement is hereby amended by deleting the contents of the column to the left of clauses (a) through (j) therein and replacing it with the following: “Monthly (no later than the twentieth (20th) day of each month), or (1) if either (x) an Event of Default exists or (y) a Compliance Period exists, weekly (no later than Wednesday of the immediately succeeding week), or at such other times as Agent shall request in its Permitted Discretion, or (2) during the period from and including the Amendment No. 9 Effective Date through and

including the date that is sixty (60) days after the Amendment No. 9 Effective Date, weekly (no later than Tuesday of the immediately succeeding week)”.

4. Amendment Fee. In consideration of the amendments set forth herein, Borrowers shall pay to Agent, for the account of Lenders, or Agent, at its option, may charge the loan account of Borrowers maintained by Agent, an amendment fee in the amount of \$25,000 (the “Amendment Fee”), which fee is fully earned and payable on the date of this Amendment No. 9 and shall constitute part of the Obligations.

5. Representations and Warranties. Borrowers, jointly and severally, represent and warrant with and to Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

(a) no Default or Event of Default exists or has occurred and is continuing as of the date of this Amendment No. 9;

(b) this Amendment No. 9 and each other agreement to be executed and delivered by Borrowers in connection herewith (together with this Amendment No. 9, the “Amendment Documents”) has been duly authorized, executed and delivered by all necessary corporate or organizational action on the part of each Borrower which is a party and is in full force and effect as of the date hereof, as the case may be, and the agreements and obligations of each of the Borrowers, as the case may be, contained herein and therein constitute legal, valid and binding obligations of each of the Borrowers, enforceable against them in accordance with their terms, except as enforceability is limited by equitable principals or by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights generally;

(c) the execution, delivery and performance of this Amendment No. 9 and the other Amendment Documents (i) are all within each Borrower’s corporate or other organizational powers and (ii) are not in contravention of law or the terms of any Borrower’s certificate of incorporation, bylaws, or other organizational documentation, or any material indenture, agreement or undertaking to which any Borrower is a party or by which any Borrower or its property are bound which such contravention could individually or in the aggregate reasonably be expected to have a Material Adverse Effect; and

(d) all of the representations and warranties set forth in the Credit Agreement and the other Loan Documents, each as amended hereby, are true and correct in all material respects on and as of the date hereof, as if made on the date hereof, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects as of such date.

6. Conditions Precedent. The amendments contained herein shall only be effective upon the satisfaction of each of the following conditions precedent in a manner reasonably satisfactory to Agent or waived in writing by Agent (the date on which each of such conditions precedent are completed or waived, the “Amendment No. 9 Effective Date”):

(a) Agent shall have received counterparts of this Amendment No. 9, duly authorized, executed and delivered by Borrowers and Lenders;

(b) Agent shall have received in immediately available funds (or Agent shall have charged the loan account of Borrowers) the full amount of the Amendment Fee;

(c) Agent shall have received the consent or authorization from such Lenders as are required for the amendments provided for herein to execute this Amendment No. 9 on behalf of the Lenders;

(d) Agent shall have received a true and correct copy of each consent, waiver or approval (if any) to or of this Amendment No. 9, which any Borrower is required to obtain from any other Person, and such consent, approval or waiver (if any) shall be in form and substance reasonably satisfactory to Agent;

(e) Agent shall have received internal Flood Disaster Prevention Act approval; and

(f) No Default or Event of Default shall exist or have occurred and be continuing as of the date of this Amendment No. 9 and immediately after giving effect to this Amendment No. 9.

7. Release. In consideration of the Agent's and the Lenders' willingness to enter into this Amendment No. 9, each Borrower hereby releases and forever discharges the Agent and the Lenders and each of their respective affiliates, predecessors, successors and assigns, and the officers, managers, directors, employees, agents, attorneys, advisors and representatives of the foregoing (hereinafter all of the above collectively referred to as "Releasees"), from (and agrees not to sue the Releasees for) any and all claims, counterclaims, demands, damages, debts, suits, liabilities, actions and causes of action of any nature whatsoever (whether arising in contract, tort, in law or in equity or otherwise) that such Borrower may have or claim to have against any of the Releasees on or prior to the Amendment No. 9 Effective Date, arising under or in connection with this Amendment No. 9, the Credit Agreement, the Loan Documents, any documents or instruments delivered pursuant thereto, the transactions governed thereby or the dealings among each Borrower and its Affiliates with the Releasees with respect thereto, or in any way based on or related to any of the foregoing, including any transactions contemplated by or funded with the proceeds of the foregoing, in each case based on facts, circumstances, acts or omissions occurring or in existence on or prior to the date hereof.

8. Effect of this Amendment. Except as expressly set forth herein, no other amendments, changes or modifications to the Loan Documents are intended or implied, and in all other respects the Loan Documents are hereby specifically ratified, restated and confirmed by all parties hereto as of the Amendment No. 9 Effective Date and Borrowers shall not be entitled to any other or further amendment by virtue of the provisions of this Amendment No. 9 or with respect to the subject matter of this Amendment No. 9. To the extent of conflict between the terms of this Amendment No. 9 and the other Loan Documents, the terms of this Amendment No. 9 shall control. The Credit Agreement and this Amendment No. 9 shall be read and construed as one agreement.

9. Governing Law. The validity, interpretation and enforcement of this Amendment No. 9 and any dispute arising out of the relationship between the parties hereto whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.

10. Binding Effect. This Amendment No. 9 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

11. Further Assurances. Borrowers shall execute and deliver such additional documents and take such additional action as may be reasonably requested by Agent to effectuate the provisions and purposes of this Amendment No. 9.
12. Entire Agreement. This Amendment No. 9 represents the entire agreement and understanding concerning the subject matter hereof among the parties hereto, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.
13. Headings. The headings listed herein are for convenience only and do not constitute matters to be construed in interpreting this Amendment No. 9.
14. Counterparts. This Amendment No. 9, any documents executed in connection herewith and any notices delivered under this Amendment No. 9, may be executed by means of (i) an electronic signature that complies with the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, or any other relevant and applicable electronic signatures law; (ii) an original manual signature; or (iii) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. Agent reserves the right, in its sole discretion, to accept, deny, or condition acceptance of any electronic signature on this Amendment No. 9 or on any notice delivered to Agent under this Amendment No. 9. This Amendment No. 9 and any notices delivered under this Amendment No. 9 may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute only one instrument. Delivery of an executed counterpart of a signature page of this Amendment No. 9 and any notices as set forth herein will be as effective as delivery of a manually executed counterpart of the Amendment No. 9 or notice.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 9 to be duly executed and delivered by their authorized officers as of the day and year first above written.

US BORROWER

HAMILTON BEACH BRANDS, INC.

By: /s/ Michelle Mosier

Title: Senior Vice President and Chief Financial Officer

CANADIAN BORROWER

HAMILTON BEACH BRANDS CANADA, INC.

By: /s/ Michelle Mosier

Title: Senior Vice President and Chief Financial Officer

[Signatures Continued on Following Page]

AGENT AND LENDERS

WELLS FARGO BANK, NATIONAL

ASSOCIATION, as Agent and a Lender

By: /s/ Sang Kim

Title: Authorized Signatory

WELLS FARGO CAPITAL FINANCE

CORPORATION CANADA, as a Lender

By: /s/ David G. Phillips

Title: Senior Vice President Credit Officer, Canada Wells Fargo Capital Finance Corporation Canada__

Amendment No. 9 to A&R Credit Agreement – Hamilton Beach

BANK OF AMERICA, N.A., as a Lender

By: /s/ Michelle L. Terwilleger

Title: Vice President

Amendment No. 9 to A&R Credit Agreement – Hamilton Beach

TRUIST BANK, as a Lender

By: /s/ Mark Bohntinsky

Title: Managing Director

Amendment No. 9 to A&R Credit Agreement – Hamilton Beach

Exhibit A
to
Amendment No. 9 to Amended and Restated Credit Agreement

Schedule C-1
to
Credit Agreement

Revolver Commitments

<u>Lender</u>	<u>US Revolver Commitment</u>	<u>Canadian Revolver Commitment</u>
Wells Fargo Bank, National Association	(i) \$62,200,000 during the period from and including the Amendment No. 9 Effective Date through and including the date that is sixty (60) days after the Amendment No. 9 Effective Date, and (ii) \$55,000,000 at all times thereafter	\$-0-
Wells Fargo Capital Finance Corporation Canada	\$-0-	\$10,000,000
Bank of America, N.A.	(i) \$33,900,000 during the period from and including the Amendment No. 9 Effective Date through and including the date that is sixty (60) days after the Amendment No. 9 Effective Date, and (ii) \$30,000,000 at all times thereafter	\$-0-
Truist Bank	(i) \$33,900,000 during the period from and including the Amendment No. 9 Effective Date through and including the date that is sixty (60) days after the Amendment No. 9 Effective Date, and (ii) \$30,000,000 at all times thereafter	\$-0-
Total	(i) \$130,000,000 during the period from and including the Amendment No. 9 Effective Date through and including the date that is sixty (60) days after the Amendment No. 9 Effective Date, and (ii)\$115,000,000 at all times thereafter	\$10,000,000

Hamilton Beach Brands Holding Company

Hamilton Beach Brands Holding Company
4421 Waterfront Drive
Glen Allen, VA 23060
Attention: Secretary

Re: HBBHC Executive Long-Term Incentive Compensation Plan (“Equity LTIP”) Letter Agreement – [DATE] Grant of Award Shares

The undersigned is an employee of Hamilton Beach Brands Holding Company (the “Company”) or its wholly-owned subsidiary (together with the Company, the “Employers”) to whom payment of an award (the “Award”) of fully paid and non-assessable shares (the “Award Shares”) of Class A Common Stock, par value \$0.01 per share, of the Company (“Class A Common”) was approved on [DATE] by the Compensation Committee (the “Committee”) of the Board of Directors of the Company (the “Board”) pursuant to the Hamilton Beach Brands Holding Company Executive Long-Term Equity Incentive Plan, as amended and restated, effective [DATE] (the “Plan”), as approved by stockholders at the Company’s Annual Meeting of Stockholders on [DATE]. I hereby accept the Award and acknowledge to and agree with the Company as follows:

1. Award/Surrender of Award Shares for Cashless Exercise. I acknowledge that the Company has paid the Award to me subject to the terms of the Plan and the related Executive Long-Term Incentive Compensation Plan Guidelines for the [DATE] through [DATE] Performance Period (the “[DATE] Guidelines”) and the terms of this Agreement. I hereby acknowledge the initial grant of [number] shares of Class A Common under the Plan. Coincident with my receipt of the Award, I immediately and irrevocably surrendered [number] Award Shares to the Company to be used to satisfy a portion of my income and employment withholding tax obligations with respect to the Award. As a result, upon receipt by the Company of this signed Agreement I will receive a paper stock certificate for [number] shares of Class A Common representing my non-surrendered Award Shares.
 2. Restrictions on Transfer. I represent and covenant that, other than a Transfer (as defined below) (a) by will or the laws of descent and distribution, (b) pursuant to a domestic relations order that would meet the definition of a qualified domestic relations order under Section 206(d)(3)(B) of the Employee Retirement Income Security Act of 1974, as amended, if such provisions applied to the Plan, or a similar binding judicial order (a “domestic relations order”), (c) directly or indirectly to a trust or partnership for my benefit or the benefit of my spouse, my children or my grandchildren (provided that Award Shares transferred to such a trust or partnership shall continue to remain subject to the transfer restrictions hereinafter set forth), or (d) as otherwise permitted under the Plan with the consent of the Committee (including, without limitation, a cashless surrender in order to satisfy tax withholding obligations), the Award Shares shall be non-transferable and I shall not make (or attempt to make) any sale, assignment, transfer, exchange, pledge, hypothecation or encumbrance of the Award Shares (collectively, a “Transfer”).
-

3. Lapse of Restrictions. I acknowledge that the transfer restrictions on the non-surrendered Award Shares set forth in paragraph (2) above shall lapse for all purposes and shall be of no further force or effect upon the earliest to occur of: (a) December 31, [DATE] (b) the date of my death or permanent disability (as reasonably determined by the Committee); (c) three years after retirement in accordance with the terms of any of the qualified defined benefit pension plans sponsored by the Employers (or, if I am not a participant of any such plan, three years after my termination of employment with the Employers after reaching (A) age 65 or (B) age 60 with at least 5 years of service with the Employers (or earlier with the approval of the Committee)); (d) an extraordinary release of transfer restrictions, pursuant to Section 8(d) of the Plan, by application to and approval of the Committee; (e) the Transfer of Award Shares pursuant to a domestic relations order, but only as to the shares so transferred; and (f) any other lapse of transfer restrictions as determined by the Committee in accordance with the Plan. As notice of such transfer restrictions, I acknowledge that there is affixed to each stock certificate representing Award Shares the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN THE HAMILTON BEACH BRANDS HOLDING COMPANY EXECUTIVE LONG-TERM EQUITY INCENTIVE PLAN ("PLAN"). SUCH RESTRICTIONS ON TRANSFER UNDER THE PLAN SHALL LAPSE FOR ALL PURPOSES AND SHALL BE OF NO FURTHER FORCE OR EFFECT AFTER, DECEMBER 31, [DATE] OR SUCH EARLIER TIME AS PROVIDED IN THE PLAN.

4. Obligations. I agree that I and any applicable trust or partnership shall fulfill the obligations imposed with respect to Award Shares by the Plan, this Agreement and the [DATE] Guidelines.

5. Rights. I understand that, subject to the transfer restrictions set forth herein, I shall have all of the rights of a holder of Class A Common with respect to the Award Shares, including the right to vote such shares, to receive any dividends paid thereon. I also understand that the Award Shares are subject to withholding, offset, and adjustment as described in Sections 6 and 9 of the Plan and that any securities I receive in respect to Award Shares in connection with an adjustment shall be deemed to be Award Shares, and shall be subject to the transfer restrictions set forth herein to the same extent and for the same period as if such securities were the original Award Shares with respect to which they were issued (unless such restrictions are modified or eliminated by the Committee).

6. Removal of Restrictions. I understand that: (a) as the owner of the Award Shares, it will be my responsibility to contact the Company (or its delegate) to arrange for the removal of the restrictions upon the lapse of the restriction period or as permitted under the Plan, and (b) upon surrender to the Company (or its delegate) of the appropriate certificate or certificates reflecting Award Shares with respect to which the transfer restrictions were approved for removal or otherwise lapsed in accordance with paragraph 3 above, the Company shall take all such action as may be necessary to remove such restrictions from the stock certificates or other applicable records with respect to uncertificated shares, representing the Award Shares, such that the resulting shares shall be fully paid, non-assessable and unrestricted by the terms of the Plan and this Agreement.

7. Withholding. In order that the applicable Employer may satisfy its withholding obligations with respect to the compensation income resulting from the payment of any Award Shares, I agree to surrender the number of Award Shares listed in paragraph 1 above to satisfy a portion of my income and employment tax withholding obligations with respect to my Award. In the event that the surrender of such Award Shares is insufficient to satisfy such withholding obligations, I authorize and direct the applicable Employer to withhold from any amounts otherwise payable to me (to the extent permitted under Section 409A of the Internal Revenue Code) such amounts of taxes with respect to the income attributable to such shares and at such time or times as may be required to be withheld, including, without limitation, taxes required to be withheld by reason of the compensation required to be reported for Federal income and employment tax purposes by me, all as determined in good faith in the sole judgment of the Company. If there are no such amounts otherwise payable to me, or if such amounts are insufficient, I will reimburse or indemnify the applicable Employer or make provision satisfactory to the Board or the Committee (or to any officer authorized for that purpose by the Board or the Committee) to reimburse or indemnify the applicable Employer for such amounts of taxes at such time and from time to time, as the Company may make demand for such reimbursement or indemnity. If and to the extent that in the sole judgment of the Board or the Committee (or any officer authorized for that purpose by the Board or the Committee) it appears advisable to do so, in order to enforce the Company's rights under the Plan and this Agreement, the Company shall not issue or cause to be issued to me (or to my successor in interest), any new stock certificate without any legend (or notation) referring to the transfer restrictions with respect to the Award Shares as to which such restrictions have lapsed, unless and until such amounts of taxes have been withheld from amounts otherwise payable to me (or any of my successors in interest), or I (or such successor in interest) reimburse or indemnify the applicable Employer for such amounts of such taxes or make other provisions for reimbursement or indemnification to the applicable Employer of such taxes, satisfactory in the sole judgment of the Board or the Committee (or such officer) exercised in good faith.

8. No Right to Employment. I acknowledge that the grant of Award Shares to me does not in any way entitle me to continued employment with the Employers and does not limit or restrict any right that the Employers otherwise may have to terminate my employment.

9. Transfer Agent. I understand my Award Shares will be registered with the Company's Transfer Agent (currently, Computershare) who also will disburse dividend payments, distribute proxies and other disclosures, issue replacement stock certificates, and facilitate share transfers pursuant to instructions received in good order. As owner of the Award Shares, I understand I am responsible for managing my account with the Transfer Agent. I acknowledge that in the event that my stock certificate is lost or stolen, I may be required to pay to Computershare a bond as security for the replacement of any stock certificate that is lost or stolen.

[Name]

Accepted: [DATE]

HAMILTON BEACH BRANDS HOLDING COMPANY

By: _____

Senior Vice President, General Counsel and Secretary

HAMILTON BEACH BRANDS HOLDING COMPANY EQUITY LTIP

SHARE INSTRUCTIONS FORM (NAME AND ADDRESS)

The Plan allows Participants to request that the Transfer Agent issue Award Shares in the Participant's name or in the name of a trust or partnership created for the benefit of the Participant's spouse, child(ren), or grandchild(ren).

A. Name

Please issue my Award shares in the following name *(insert either your name OR the name of a trust or partnership created for the benefit of your spouse, child(ren), and/or grandchild(ren))*:

B. Address

Please deliver my Awards Shares certificate to the following address:

I acknowledge that in the event that my stock certificate is not received within 7 days of my receipt of confirmation of mailing it is my responsibility to immediately notify the HBBHC Law Department. I also acknowledge that failure on my part to timely notify the HBBHC Law Department in the event that my stock certificate is not received may result in fees being charged for the reissuance of my stock certificate by the Company's transfer agent, Computershare, for which I will be responsible.

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: May 5, 2021

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

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: May 5, 2021

/s/ Michelle O. Mosier

Michelle O. Mosier

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)/(Principal Accounting Officer)

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 March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: May 5, 2021

/s/ Gregory H. Trepp

Gregory H. Trepp

President and Chief Executive Officer (Principal Executive Officer)

Date: May 5, 2021

/s/ Michelle O. Mosier

Michelle O. Mosier

Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)/(Principal Accounting Officer)