Hamilton Beach BRANDS

Hamilton Beach Brands Holding Company | 2020 Annual Report

About the Company

Hamilton Beach Brands Holding Company is an operating holding company for Hamilton Beach Brands, Inc., 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.

Our brands include Hamilton Beach®, Hamilton Beach Professional®, Hamilton Beach Commercial®, Proctor Silex®, Proctor Silex Commercial®, Weston® field-to-table and farm-to-table food preparation equipment, TrueAir® air purifiers, and Brightline™ personal care products. We license the brands for Wolf Gourmet® countertop appliances and for CHI® premium garment care products. We market the Bartesian® premium cocktail delivery system through an exclusive multiyear agreement.

Our leading portfolio of iconic consumer brands ranges from value to luxury products, across a wide range of price points. We participate in more than 50 product categories. The Hamilton Beach® brand continues to hold the number one position in the US small kitchen appliance industry for brand units sold in both the brick-and-mortar and ecommerce channels.

Our brands have a strong presence in all the retail channels where consumers want to buy small kitchen appliances, including the fast-growing ecommerce channel. The principal market for our consumer products is North America, including the United States, Canada, Mexico, and Latin America. Our commercial products are sold globally, serving food service and hospitality customers around the world.

Our Brands

Registered Trademarks: Wolf Gourmet®- Sub-Zero Group, Inc.; CHI® - Farouk Systems, Inc.; Bartesian® - the Bartesian company.

Financial Highlights

Hamilton Beach Brands Holding Company

	Year Ended December 31	
	2020	2019
	(In thousands, except per share)	
Income Statement Data		
Revenue	**$ 603,713**	$ 611,786
Operating profit	**$ 37,415**	$ 26,794
Income from continuing operations, net of tax	**$ 24,067**	$ 15,093
Basic and diluted earnings per share from continuing operations	**$ 1.76**	$ 1.10
Shares outstanding at December 31	**13,686**	13,516
Balance Sheet Data at December 31		
Total assets	**$ 391,168**	$ 288,663
Debt	**$ 98,360**	$ 58,497
Stockholders' equity	**$ 80,105**	$ 36,266
Cash Flow Data		
(Used for) provided by operating activities	**$ (27,934)**	$ 222
(Used for) investing activities	**$ (3,812)**	$ (4,122)
Before financing activities	**$ (31,746)**	$ (3,900)
Provided by financing activities	**$ 34,180**	$ 1,062
Cash dividends paid	**$ 5,053**	$ 4,851
Purchase of treasury stock	**$ -**	$ 5,960

Use of cash in 2020 was primarily due to timing of trade receivables shifting into the first quarter of 2021 and to building inventory to support anticipated first-half 2021 sales.

Our Vision

Achieve leadership positions in retail and commercial appliances with our consumer-preferred portfolio of brands and products.

Our Mission

Deliver profitable growth from innovative solutions that improve everyday living.

To Our Stockholders

Celebrating 110 Years

In 2020, our Company marked 110 years serving as a leading provider of consumer and commercial small appliances. Throughout this time, we have been a trusted, resilient and enduring partner for the consumers and customers that we serve.

Leadership in customer-driven innovation has kept us at the forefront of our industry. Our talented, experienced, creative, and dedicated employees are the power behind our success, and we are proud of our team.

Insight into our longevity may be found in one of our earliest innovations. In 1911, we introduced a drink mixer that used a small, high-powered motor to rotate a spindle at high speed, which was developed under the leadership of our founders Louis Hamilton and Chester Beach. The same type of drink mixer is still in use today. Moreover, the motor's legacy continues to power a broad array of small kitchen electrics.

Our heritage, culture and core values have stood the test of time, even as we have evolved and changed with the times. We have a long history of financial strength. These influences have helped guide us through the Covid-19 pandemic and what was undoubtedly one of the most challenging years in our history.

Navigating the Pandemic

Our priorities during the pandemic have been to protect the health and safety of our employees as we strive to meet the needs of our customers and consumers. I am very proud of how well our employees have worked together during this unprecedented set of circumstances, supporting our customers, and keeping themselves and others safe.

While we have not dealt with a pandemic before, we're fortunate to have experienced team members who have managed through challenging situations in the past. We emerged from those challenges as a stronger company and expect to this time as well. We are well positioned to maintain a strong business while vaccines are administered and the pandemic begins to diminish.

2020 Financial Results

Our Company is fortunate to be a leader in an industry that is providing essential products to people who are sheltering at home during the pandemic and engaging in a higher level of food and beverage preparation than ever before. This development has spurred robust consumer demand for small appliances, particularly in the US and Canada.

We are focused on our strategic priorities of revenue growth, margin expansion and strong cash flow generation.

At the same time, the pandemic caused much disruption with some of our retail partners that faced store closures and decreased foot traffic. Many of our international consumer markets felt the impact even more severely, and the food service and hospitality industries that use our commercial products were devastated. Our investments in talent, new products and global infrastructure enabled our team to keep our company strong during these challenging conditions and will continue to propel us forward as the pandemic recedes.

We also faced two internal challenges in 2020. First, we were deeply disappointed to discover that certain employees at our Mexican subsidiaries engaged in unauthorized transactions, which resulted in non-cash write-offs and a financial restatement. Secondly, we experienced greater than expected shipping hurdles with a long-planned implementation of a new ERP system in the US, which had a temporary unfavorable impact on our shipping capabilities. In 2021, we expect improved performance as a result of putting these challenges behind us.

Additionally, as with all importers, we experienced difficulties moving product from our third-party suppliers in China to our distribution centers in the US and Canada and out to retailers and consumers due to demand-driven congestion in all parts of the global transportation system. Shipping challenges related to congestion persist.

Our team worked tirelessly to address these challenges. I am extremely grateful for their exceptional efforts.

While we continue to feel the unfavorable impact of the pandemic on certain parts of our business, we ended the year on a strong note. Fourth-quarter revenue grew in the double-digits, and operating profit was 49% higher than the prior year period. Strong consumer demand has continued into 2021, especially in the US and Canada.

For the full year 2020, revenue decreased 1.3% to $603.7 million due to the impact of Covid-19 on our international consumer and global commercial markets, both of which declined significantly, and to the ERP-related shipping challenges. Revenue increased in our US and Canadian consumer markets. Operating profit increased 40% to $37.4 million due to gross margin expansion and a small decrease in selling, general and administrative expenses.

Use of cash before financing activities was $31.7 million compared to a use of $3.9 million in 2019 due to an increase in net working capital. We built inventory in anticipation of sales growth in the first half of 2021, in combination with longer shipping lead times due to congestion in the freight supply chain globally and the need to source product in advance of the annual Chinese New Year shutdown. Trade receivables increased due to the timing of collections shifting into the first quarter of 2021 as some of our third-quarter sales moved into the fourth quarter. We expect net working capital to improve significantly in the first half of 2021.

The Board increased our regular quarterly dividend by 6% and we paid $5.1 million in dividends for the year. There were no share repurchases in 2020.

Health & Wellness

We are increasing our participation in the large and fast-growing health and wellness market. New products to support this initiative include our AquaFusion™ Water Filtration+Flavor System, Compact Air Purifier with HEPA Filter, and Ultra Air Purifier.

Premium Products

New products in our line of premium brands include the Bartesian® Cocktail Dispenser, CHI® Mini Iron, Wolf Gourmet® True Temperature Electric Kettle, Hamilton Beach Professional® Stand Mixer, and Weston® Butcher Series Meat Grinder.

We said our final goodbye to Kitchen Collection on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors. Its liabilities at March 31 were adjusted to the amounts distributed and reflected as income from discontinued operations. As a result, Kitchen Collection's net losses and negative cash flow no longer have an impact on the Company. While we were disappointed we could not find a path to profitability for Kitchen Collection, the timing of our difficult choice to close was fortunate as it would have been far more challenging to execute during the pandemic.

Building on Our Strengths

We entered 2021 well positioned to build on our strengths as we focus on our commitment to build long-term shareholder value.

Our strong and experienced team has deep industry, customer and consumer knowledge. We're a leader in an industry with proven durable demand. We believe important underlying trends will continue to drive future demand, even as consumers begin to return to more normal activity. Many consumers learned new food and beverage preparation skills that we anticipate will continue to be used post-pandemic. Demographic trends related to millennials forming new households and boomers moving into new homes or remodeling are expected to benefit us for years to come.

We've built a portfolio of leading, trusted brands, covering a wide range of price points, from value to luxury, which enables us to meet the needs of most retailers and consumers. We've invested to ensure we participate in over 50 categories. Our diversified coverage provides a portfolio that is unlikely to be disrupted even if market forces impact one category.

We have a broad customer base. As consumers move from channel to channel or customer to customer, we have a very strong presence across the marketplace. We have a global infrastructure and efficient supply chain. Our asset light model allows us to minimize capital investments. Historically, we have generated strong cash flow and a strong return on total capital employed.

We're a proven innovator. One of our key competitive advantages is that year after year we continue to bring out new on-trend and innovative products that consumers want. In 2020, we introduced nearly 70 new products, even with employees working remotely. We plan to introduce 100 more new products over the next 24 months. Our new products will cross a wide range of brands, price points and categories, leveraging our leading brand portfolio in markets around the world.

Strategic Initiatives

We're executing on several strategic initiatives that are designed to build long-term shareholder value. In 2020, we reviewed all our initiatives and refreshed some of them. Over time, we expect our initiatives to drive revenue growth and operating margin expansion.

We expect to grow revenue through new product development and a focus on higher priced products as well as by adding new brands from licensing and partnerships. We expect to expand operating profit margin by leveraging existing operating expenses as we grow our revenue.

Accelerating Flagship Brand Growth In Our Core North American Market

A key to our continued success is our ability to leverage our trusted, well recognized flagship brands, Hamilton Beach® and Proctor Silex®, particularly in the North American marketplace where they have competed successfully for over 100 years.

Demand in our US and Canadian consumer markets is expected to remain strong as consumers continue to shelter at home and engage in meal and beverage preparation. We expect the Mexican and Latin American markets to rebound in 2021 as more people gain access to vaccines and economies begin to recover.

In 2020, Hamilton Beach® was once again the number one brand in both the brick-and-mortar and ecommerce channels, based on units sold. We intend to maintain and grow this position. The key elements of our strategy include new product development, refreshed packaging and online content, new digital marketing and social media campaigns, all with the aim of driving conversion.

We plan to drive growth of the Proctor Silex® brand with a new 'Simply Better' positioning. We recently launched four products in core categories and will have more coming in 2021 and beyond. This new product family merges sleek design with superior performance and durability. A key supporting element is investments in digital marketing.

We entered 2021 with significant opportunities for long-term profitable growth.

Certain emerging markets have experienced greater challenges from the pandemic and their outlook is uncertain. After assessing the potential for growth in emerging markets, we are pivoting to a licensing model from a company managed model in countries such as Brazil, China, and India. This change will result in reallocating certain resources to our focus on North America while others will be eliminated.

Accelerating Our Digital Transformation

We're fortunate that our team recognized the shift by consumers to ecommerce channels many years ago. The ecommerce channel represents a very strong and fast-growing part of our business and this trend accelerated significantly during the pandemic. Our ecommerce sales increased 30% in 2020 and accounted for 32% of total revenue. Online sales are expected to continue to grow significantly in 2021.

We're supporting growth in this channel with digital marketing programs, expansion of our direct to consumer distribution operation, and increasing our participation with pure-play and omnichannel customers. Hamilton Beach® remains the number one selling brand in the US ecommerce channel based on units. Online ratings and reviews are the lifeblood of ecommerce sales and all nine of our brands average a four-star rating or better.

While we have positioned ourselves to be a leader in this important channel, we're accelerating our investment in people, capabilities, content and digital marketing to increase our leadership role in 2021 and beyond.

Growing in the Premium Market

Premium products account for approximately one-third of US small kitchen appliance industry annual sales. We were not a participant in this part of the industry until 2014 when we began to build a premium portfolio and have since added several new brands.

Our premium owned brands include Hamilton Beach Professional®, which leverages our commercial product expertise and Weston®, a provider of field-to-table and farm-to-table food preparation equipment. Our licensed brands include Wolf Gourmet® countertop appliances and CHI®, premium garment care products. We market the Bartesian® premium cocktail dispensing machine through an exclusive multiyear agreement.

In 2020, our revenue from the sale of premium products increased 12% and accounted for 11% of total revenue. Our newest entrant in the premium market, Bartesian®, is the first to use flavor capsules to create a premier mixed drink at home. In its first full year, Bartesian® received very strong consumer response and is poised for continued growth in 2021.

We plan to further expand our presence in the premium market with continued new product development and by pursuing additional partnerships and licensing agreements.

Broadening into New Categories

In 2021, we're increasing our investment in new opportunities in the home, particularly in the large and fast-growing health and wellness space. Two examples of this include expanding our air purification offerings and entering the water filtration category. We're pursuing additional opportunities that we expect to be able to discuss in the coming months.

Increasing Commercial Leadership

We continue to expand our product offerings in the global commercial small appliance market. Our commercial products generally sell at higher prices and higher margins than most of our consumer products. Pre-pandemic, our global commercial products had achieved a compound annual growth rate of more than 5% since 2010 and accounted for 8% of total revenue.

We have a strong commitment to building long-term shareholder value.

In 2020, our sales of commercial products decreased 37% and the share of total revenue dropped to 5% as the pandemic forced many of our customers to close or dramatically curtail their food service and hospitality businesses. Certain global commercial markets began to recover in the second half of 2020. Quick service restaurants have adjusted well, and many casual and fine dining restaurants have been successful with takeout and delivery models, while bars continue to struggle due to Covid-19 restrictions. Our food service customers are ordering our products at an increased rate, particularly in the US and in Asia, and we're starting to see an uptick in hospitality sales.

While we expect the global commercial market recovery to take some time, we continue to be very optimistic about the potential for this business and expect it to return to growth in 2021. We continue to invest in new commercial products and expand our offerings across the kitchen. We've also invested in digital marketing and ecommerce as well as strengthened our partnerships with regional and global chains, all of which position us well to participate in the rebound of these industries.

This Annual Report to Stockholders contains forward-looking statements. For a discussion of the factors that may cause the Company's actual results to differ from these forward-looking statements, refer to page 4 in the attached Form 10-K.

Strategic Acquisitions and Partnerships

In 2020, we increased our focus on identifying acquisitions that would provide the right fit at the right value. Our focus is on tuck-ins that would add revenue in the range of $50 to $100 million. We're pursuing partnerships that will allow us to combine the strengths of our team with the capabilities and assets of other companies to create mutually beneficial value and profitable growth.

We prioritize opportunities that will provide entry into consumer or commercial markets where we can become stronger participants. Our aim is to accelerate revenue growth and margin expansion and ensure that we meet or exceed our return on capital targets.

Looking Ahead

As discussed throughout this letter, our team is committed to building long-term value for our shareholders. We've proven our resilience in tough times. I am deeply grateful to our employees for their extraordinarily hard work and dedication last year.

We serve a diversified group of large and successful retailers. I thank our customers and the consumers who purchase our products for their loyalty to our brands. We greatly appreciate their business.

We're very fortunate to have a committed Board of Directors whose members bring a broad diversity of experience to our deliberations. I thank the directors for their engagement and wisdom as we worked through the many issues we faced in 2020. We believe the challenges of the past year strengthened us in many ways.

We value the investment our shareholders have made as we work to create long-term value for you. We're excited about the many opportunities we see for profitable growth in 2021 and beyond.

Gregory H. Trepp
President and Chief Executive Officer

Commercial Products

New commercial products include our Hamilton Beach Commercial® BigRig™ Family of Immersion Blenders, augmenting our position as a back-of-house supplier, and three new Hamilton Beach Commercial® Bar Blender lines offering enhanced performance.

Hamilton Beach Brands Holding Company

Directors and Officers

Directors

Mark R. Belgya
Retired Vice Chair and Chief Financial Officer,
The J. M. Smucker Company

J.C. Butler, Jr.
President and Chief Executive Officer,
NACCO Industries, Inc.

President and Chief Executive Officer,
The North American Coal Corporation

Paul D. Furlow
Co-Founder/Co-President,
Dixon Midland Company

John P. Jumper
Retired Chief of Staff,
United States Air Force

Dennis W. LaBarre
Retired Partner,
Jones Day

Michael S. Miller
Retired Managing Director,
The Vanguard Group

Alfred M. Rankin, Jr.
Non-Executive Chairman,
Hamilton Beach Brands Holding Company

Non-Executive Chairman,
NACCO Industries, Inc.

Chairman and Chief Executive Officer,
Hyster-Yale Materials Handling, Inc.

Thomas T. Rankin
Retired Owner and President,
Cross Country Marketing

James A. Ratner
Partner,
RMS Investment Group, LLC

Gregory H. Trepp
President and Chief Executive Officer,
Hamilton Beach Brands Holding Company

President and Chief Executive Officer,
Hamilton Beach Brands, Inc.

Clara Williams
President and Founder,
The Clara Williams Company

Officers

Gregory H. Trepp
President and Chief Executive Officer

Michelle O. Mosier
Senior Vice President,
Chief Financial Officer and Treasurer

Gregory E. Salyers
Senior Vice President,
Global Operations
Hamilton Beach Brands, Inc.

Dana B. Sykes
Senior Vice President,
General Counsel and Secretary

R. Scott Tidey
Senior Vice President,
North America Sales and Marketing
Hamilton Beach Brands, Inc.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

or

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

Commission File No. 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)

Registrant's telephone number, including area code: **(804) 273-9777**
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act:
Class B Common Stock, Par Value $0.01 Per Share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ **No** ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ **No** ☑

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 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** (Do not check if a smaller reporting company)	☐	**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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ **No** ☑

Aggregate market value of Class A Common Stock and Class B Common Stock held by non-affiliates as of June 30, 2020 (the last business day of the registrant's most recently completed second fiscal quarter): $81,044,593

Number of shares of Class A Common Stock outstanding at March 19, 2021: 9,814,732
Number of shares of Class B Common Stock outstanding at March 19, 2021: 4,043,637

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 2021 annual meeting of stockholders are incorporated herein by reference in Part III of this Form 10-K.

HAMILTON BEACH BRANDS HOLDING COMPANY
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PART I

Item 1. BUSINESS

General

Hamilton Beach Brands Holding Company ("Hamilton Beach Holding" or the "Company") is a holding company and operates through its wholly-owned subsidiary Hamilton Beach Brands, Inc. ("HBB"). HBB is the Company's single reportable segment.

The only material assets held by Hamilton Beach Brands Holding Company are its investments in its consolidated subsidiaries. Substantially all of its cash flows are provided by dividends paid or distributions made by its subsidiaries. Hamilton Beach Brands Holding Company has not guaranteed any obligations of its subsidiaries.

The Company also previously operated through its former 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.

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.

On September 29, 2017, NACCO Industries, Inc. ("NACCO"), Hamilton Beach Holding's former parent company, spun-off the Company to NACCO stockholders. In the spin-off, NACCO stockholders, in addition to retaining their shares of NACCO common stock, received one share of Hamilton Beach Brands Holding Company Class A common stock ("Class A Common") and one share of Hamilton Beach Brands Holding Company Class B common stock ("Class B Common") for each share of NACCO Class A or Class B common stock. In accordance with applicable authoritative accounting guidance, the Company accounted for the spin-off from NACCO based on the historical carrying value of assets and liabilities. As a result of the distribution of one share of Class A Common and one share of Class B Common for each share of NACCO Class A or NACCO Class B common stock, the earnings per share amounts for the Company for periods prior to the spin-off have been calculated based upon the number of shares distributed in the spin-off. NACCO did not receive any proceeds from the spin-off.

The Company makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports available, free of charge, through its website, www.hamiltonbeachbrands.com, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). The content of our website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our website is intended to be inactive textual references only.

Sales and Marketing

HBB designs, markets and distributes a wide range of branded, small electric household and specialty housewares appliances, including, but not limited to, air fryers, blenders, coffee makers, food processors, indoor electric grills, irons, juicers, mixers, slow cookers, toasters and toaster ovens. HBB also designs, markets and distributes commercial products for restaurants, fast food chains, bars and hotels. HBB generally markets its "good" and "better" consumer products under the Hamilton Beach® and Proctor Silex® brands. HBB participates in the premium market with its owned brands Hamilton Beach® Professional and Weston® farm-to-table and field-to-table food processing equipment. Additionally, the Company participates in the premium market through multiyear licensing agreements to market and distribute a line of countertop appliances under the Wolf Gourmet® brand, a line of premium garment care products under the CHI® brand, and the Bartesian® premium cocktail delivery system. The Company also sells TrueAir® air purifiers and Brightline™ brand personal care products. HBB markets its commercial products under the Hamilton Beach Commercial® and the Proctor Silex Commercial® brands. HBB supplies private label products on a limited basis. HBB also licenses certain of its trademarks to various licensees in categories such as microwave ovens, among others.

Sales promotion activities are supported through print and digital marketing vehicles. HBB promotes certain of its innovative products through the use of television, internet and print advertising.

Customers

Sales in North America are generated predominantly by a network of inside sales employees to mass merchandisers, ecommerce retailers, national department stores, variety store chains, drug store chains, specialty home retailers, distributors, restaurants, bars, hotels and other retail outlets. Walmart Inc. and its global subsidiaries accounted for approximately 35%, 33% and 33% of the HBB's revenue in 2020, 2019 and 2018, respectively. Amazon.com, Inc. and its subsidiaries accounted for approximately 16%, 14% and 10% of the HBB's revenue in 2020, 2019 and 2018, respectively. HBB's five largest customers accounted for approximately 64%, 58%, and 53% of HBB's revenue for the years ended December 31, 2020, 2019 and 2018, respectively.

Product Warranty

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 consumer as HBB may repair or replace, at its option, those products returned under warranty.

Working Capital

The market for small electric household and specialty housewares appliances is highly seasonal in nature. The majority of HBB's revenue and operating profit typically occurs in the second half of the year due to the fall holiday-selling season. Due to the seasonality of purchases of its products, HBB generally uses a substantial amount of cash or short-term debt to finance inventory in anticipation of the fall holiday-selling season.

Patents, Trademarks, Copyrights and Licenses

HBB holds patents and trademarks registered in the United States ("U.S.") and foreign countries for various products. HBB believes its business is not dependent upon any individual patent, copyright or license, but that the Hamilton Beach®, Proctor Silex®, Hamilton Beach® Professional, and Weston® trademarks are material to its business.

Product Design and Development

HBB incurred $10.0 million, $12.1 million and $11.0 million in 2020, 2019 and 2018, respectively, on product design and development activities.

Key Suppliers and Raw Material

HBB's products are supplied to its specifications by third-party suppliers. HBB does not maintain long-term purchase contracts with suppliers and operates mainly on a purchase order basis. HBB generally negotiates the purchases from its foreign suppliers in U.S. dollars.

During 2020, HBB purchased substantially all of its finished products from suppliers in China. HBB purchases its inventory from approximately 63 suppliers, one of which represented more than 10% of purchases during the year ended December 31, 2020. HBB believes the loss of any one supplier would not have a long-term material adverse effect on its business because there are adequate supplier choices available that can meet HBB's production and quality requirements. However, the loss of a supplier could, in the short term, adversely affect HBB's business until alternative supply arrangements are secured.

The principal raw materials used by HBB's third-party suppliers to manufacture its products are plastic, glass, steel, copper, aluminum and packaging materials. HBB believes adequate quantities of raw materials are available from various suppliers.

Competition

HBB believes the principal areas of competition with respect to its products are product design and innovation, quality, price, product features, supply chain excellence, merchandising, promotion and warranty. HBB competes with many manufacturers and distributors of housewares products. As brick and mortar retailers generally purchase a limited selection of branded, small electric appliances, HBB competes with other suppliers for retail shelf space. In the ecommerce channel, HBB must compete with a broad list of competitors for brand reputation through strong ratings and reviews from consumers.

To meet these competitive challenges, the Company has focused on continued innovation in its leading brands as well as expanding into new categories using existing core competencies. HBB's presence in a significant number of product categories across various price points allows the Company to meet the needs of a wide range of retailers and consumers. Based on publicly available information about the industry, HBB believes it is one of the largest full-line distributors and marketers of small electric household and specialty housewares appliances in North America, including the U.S., Canada, Mexico and Latin America, based on key product categories. Hamilton Beach® is the #1 small kitchen appliance brand in the US, in brick-and-mortar and ecommerce channels, based on units sold.

To a lesser degree, HBB retail product lines compete outside of North America. HBB's commercial products compete globally. The competition in these geographic markets is fragmented and HBB is not yet a significant participant although our commercial business has generated a stronger position in these markets.

Government Regulation

HBB is subject to numerous federal and state health, safety and environmental regulations. HBB believes the impact of expenditures to comply with such laws will not have a material adverse effect on HBB.

As a marketer and distributor of consumer products, HBB is subject to the Consumer Products Safety Act and the Federal Hazardous Substances Act, which empower the U.S. Consumer Product Safety Commission ("CPSC") to seek to exclude products that are found to be unsafe or hazardous from the market. Under certain circumstances, the CPSC could require HBB to repair, replace or refund the purchase price of one or more of HBB's products, or HBB may voluntarily do so.

Throughout the world, electrical appliances are subject to various mandatory and voluntary standards, including requirements in some jurisdictions that products be listed by Underwriters' Laboratories, Inc. ("UL") or other similar recognized laboratories. HBB also uses Intertek Testing Services for certification and testing of compliance with UL standards, as well as other national and industry specific standards. HBB endeavors to have its products designed to meet the certification requirements of, and to be certified in, each of the jurisdictions in which they are sold.

Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") requires public companies to disclose whether certain minerals, commonly known as "conflict minerals," are necessary to the functionality or production of a product manufactured by those companies and if those minerals originated in the Democratic Republic of the Congo ("DRC") or an adjoining country. HBB conducts supply-chain due diligence investigations required by the conflict minerals rules and makes disclosures required by the Dodd Frank Act. Our compliance with these investigation and disclosure requirements could adversely affect our ability to sell products to customers that HBB is unable to designate as "DRC conflict free."

Transactions with Related Parties

Mr. Alfred M. Rankin is the former executive chairman of the Company and current non-executive chairman of the Board of the Company. Mr. Rankin provides consulting services to the Company under the terms of a consulting agreement pursuant to which Mr. Rankin supports the president and chief executive officer of the Company upon request. Fees for consulting services rendered by Mr. Rankin were $0.5 million for each of the years ended December 31, 2020 and 2019. There were no fees for consulting services rendered by Mr. Rankin in 2018.

Human Capital Management

The Company's success is a result of its organizational culture built on and centered around Good Thinking which incorporates teamwork and inspired thinking into all areas of our business. The Company employed approximately 700 individuals, as of December 31, 2020, in four countries—Canada, China, Mexico, and the United States. There are approximately 500 employees in the United States with about half of this group based at the Company's headquarters in Richmond, Virginia, which is home to the Company's product design, development and marketing teams (led by long-tenured Company leaders) and its state-of-the-art test kitchen. We pride ourselves on attracting and retaining highly dedicated and customer-focused employees at all levels of the organization. As an example, our engineering department, which focuses on continued innovation and development, has on average 12 years of experience with the Company.

We believe that our Good Thinking values-based culture is a core strength that provides the foundation for our employees. Our business is about people– our employees, our customers who enjoy our appliances, and the communities in which we live. In 2020, we adopted a parental leave policy that provides four weeks of paid leave. In response to COVID-19, we enacted swift measures to provide safe environments for our employees world-wide by implementing recommended safety protocols at all of our locations. We also provided periods of time-off, time-away, and other increased flexibility (above and beyond federal and state mandates) for our employees. Then, in a joint effort with our employees at our corporate headquarters, we increased our donations in 2020 to a local foodbank that provides meals and other support to families in need. We recognize that the strength of our relationships with our employees, customers, and other stakeholders directly contributes to our long-term success and, in 2021, will continue internal assessment of opportunities to implement corporate social responsibility initiatives.

Information about our Executive Officers

There exists no arrangement or understanding between any executive officer and any other person pursuant to which such executive officer was selected.

The following tables set forth, as of March 22, 2021, the name, age, current position and principal occupation and employment during the past five years of the Company's executive officers.

EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Current Position	Other Positions
Gregory H. Trepp	59	President and Chief Executive Officer of Hamilton Beach Holding (from September 2017); President and Chief Executive Officer of HBB (from prior to 2015)	Chief Executive Officer of KC (from prior to 2015 to April 2020)
Gregory E. Salyers	60	Senior Vice President, Global Operations of HBB (from prior to 2015)	
R. Scott Tidey	56	Senior Vice President, North America Sales and Marketing of HBB (from prior to 2015)	
Michelle O. Mosier	55	Senior Vice President, Chief Financial Officer and Treasurer of Hamilton Beach Holding (from January 2020)	Successor Vice President and Chief Financial Officer of HBB (from October 2018 to December 2019); Chief Financial Officer of United Sporting Companies (from September 2015 to June 2018) a subsidiary of SportsCo Holding, Inc. which filed for Chapter 11 bankruptcy in June 2019, and Controller for Reynolds Groups Holdings Limited (from September 2011 to August 2015).
Dana B. Sykes	59	Senior Vice President, General Counsel and Secretary of Hamilton Beach Holding (from January 2020)	Vice President, General Counsel and Secretary of HBB (from September 2015 to December 2019); From July 2014 to September 2015, Associate General Counsel, Assistant Secretary, Senior Director, Human Resources of HBB, and Assistant Secretary of KC (from May 2015 to April 2020)

Item 1A. RISK FACTORS

Industry Risks

HBB's business is sensitive to the strength of the North American consumer markets and weakness in these markets could adversely affect its business.

The strength of the economy in the U.S., and to a lesser degree in Canada and Mexico, has a significant impact on HBB's performance. Weakness in consumer confidence and poor financial performance by mass merchandisers, ecommerce retailers, warehouse clubs, department stores or any of HBB's other customers could result in reduced revenue and profitability. A general slowdown in the consumer sector could result in additional pricing and marketing support pressures on HBB.

HBB is dependent on key customers and the loss of, or significant decline in business from, one or more of its key customers could materially reduce its revenue and profitability and its ability to sustain or grow its business.

HBB relies on several key customers. Although HBB has long-established relationships with many customers, it does not have any long-term supply contracts with these customers, and purchases are generally made using individual purchase orders. A loss of or significant reduction in sales to any key customer could result in significant decreases in HBB's revenue and profitability and an inability to sustain or grow its business.

HBB must receive a continuous flow of new orders from its large, high-volume retail customers; however, it may be unable to continually meet the needs of those customers. In addition, failure to obtain anticipated orders or delays or cancellations of orders or significant pressure to reduce prices from key customers could impair its ability to sustain or grow its business.

As a result of dependence on its key customers, HBB could experience a material adverse effect on its revenue and profitability if any of the following were to occur:

- the insolvency or bankruptcy of any key customer;
- a declining market in which customers materially reduce orders or demand lower prices; or

- a strike or work stoppage at a key customer facility, which could affect both its suppliers and customers.

If HBB were to lose, or experience a significant decline in business from any major customer, or if any major customers were to go bankrupt, HBB might be unable to find alternate distribution outlets.

The increasing concentration of HBB's branded small electric household and specialty housewares appliance sales among a few retailers and the trend toward private label brands could materially reduce revenue and profitability.

With the growing trend towards the concentration of HBB's branded small electric household and specialty housewares appliance sales among fewer retailers, HBB is increasingly dependent upon fewer customers whose bargaining strength is growing as a result of this concentration. HBB sells a substantial quantity of products to mass merchandisers, ecommerce retailers, national department stores, variety store chains, drug store chains, specialty home retailers and other retail outlets. As a result, these retailers generally have a large selection of small electric household and specialty housewares appliance suppliers to choose from. In addition, certain of HBB's larger customers use their own private label brands on household appliances that compete directly with some of HBB's products. As the retailers in the small electric household appliance industry become more concentrated, competition for sales to these retailers may increase, which could materially reduce our revenue and profitability.

If HBB is unable to continue to enhance existing products, as well as develop and market new products that respond to customer needs and preferences and achieve market acceptance, we may experience a decrease in demand for our products, which could materially reduce revenue and profitability, which have historically benefited from sales of new products.

HBB may not be able to compete as effectively with competitors, and ultimately satisfy the needs and preferences of customers, unless HBB can continue to enhance existing products and develop new innovative products for the markets in which HBB competes. Product development requires significant financial, technological, and other resources. Product improvements and new product introductions also require significant research, planning, design, development, engineering, and testing at the technological and product process levels and HBB may not be able to timely develop and introduce product improvements or new products. Competitors' new products may beat HBB's products to market, be higher quality or more reliable, be more effective with more features, obtain better market acceptance, or render HBB's products obsolete. Any new products that HBB develops may not receive market acceptance or otherwise generate any meaningful revenue or profit relative to our expectations based on, among other things, commitments to fund advertising, marketing, promotional programs and development.

HBB's inability to compete effectively with competitors in its industry could result in lost market share and decreased revenue.

The small electric household, specialty housewares appliances and commercial appliance industry does not have substantial entry barriers. As a result, HBB competes with many manufacturers and distributors of housewares products. Additional competitors may also enter this market and cause competition to intensify. For example, some of HBB's customers have expressed interest in sourcing, or expanding the extent of sourcing, small electric household and commercial appliances directly from manufacturers in Asia. We believe competition is based upon several factors, including product design and innovation, quality, price, product features, merchandising, promotion and warranty. If HBB fails to compete effectively with these manufacturers and distributors, it could lose market share and experience a decrease in revenue, which would adversely affect our results of operations.

HBB also competes with established companies, a number of which have substantially greater facilities, personnel, financial and other resources. In addition, HBB competes with its own retail customers, who use their own private label brands, and importers and foreign manufacturers of unbranded products. Some competitors may be willing to reduce prices and accept lower profit margins to compete. As a result of this competition, HBB could lose market share and revenue.

Changes in consumer shopping trends and changes in distribution channels could result in lost market share and decreased revenue and profitability.

Traditional brick-and-mortar retail channels have experienced low growth or declines in recent years, while the ecommerce channel has experienced significant growth. Consumer shopping preferences have shifted, and may continue to shift in the future, to distribution channels other than traditional brick-and-mortar retail channels. Success in the ecommerce channel requires providing products at the right price, products that earn strong ratings and reviews and meaningful engagement with online shoppers. HBB has invested in industry leading selling and marketing capabilities, while maintaining its presence in traditional brick-and-mortar retail channels. However, if we are not successful in developing and utilizing ecommerce channels that future consumers may prefer, we may experience a loss in market share and decreased revenue and profitability.

HBB's business involves the potential for product recalls, which could affect HBB's revenue and profitability.

As a marketer and distributor of consumer products, HBB is subject to the Consumer Products Safety Act and the Federal Hazardous Substances Act, which empower the CPSC to seek to exclude from the market those products that are found to be unsafe or hazardous. Under certain circumstances, the CPSC could require HBB to repair, replace or refund the purchase price of one or more of our products, or HBB may voluntarily do so. Electrical appliances are subject to various mandatory and voluntary standards. Any repurchases or recalls of our products could be costly to us and could damage our reputation or the value of our brands. If HBB is required to remove, or HBB voluntarily removes our products from the market, our reputation or brands could be tarnished, and HBB might have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the CPSC of a potential safety hazard can result in fines being assessed against HBB. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which HBB sells our products, and more restrictive laws and regulations may be adopted in the future. HBB's results of operations are also susceptible to adverse publicity regarding the quality and safety of our products. In particular, product recalls may result in a decline in sales for a particular product.

The markets for HBB's products are highly seasonal and dependent on consumer spending, which could result in significant variations in revenue and profitability.

Sales of HBB products are related to consumer spending, including general economic conditions affecting disposable consumer income such as unemployment rates, business conditions, interest rates, levels of consumer confidence, energy prices, mortgage rates, the level of consumer debt and taxation. In addition, the retail market for small electric household and specialty housewares appliances are highly seasonal in nature. Accordingly, HBB generally recognizes a substantial portion of our revenue in the second half of the year as sales increase significantly with the fall holiday-selling season. Accordingly, quarter-to-quarter comparisons of past operating results of HBB are meaningful only when comparing equivalent time periods, if at all. Any economic downturn, decrease in consumer spending or shift in consumer spending away from small electric household and specialty housewares appliances may significantly reduce revenue and profitability.

Business Risks

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

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

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

The situation surrounding the COVID-19 pandemic remains fluid and the potential for a material impact on the Company's results of operations, financial condition, liquidity, and stock price increases the longer the virus impacts activity levels in the United States and globally. For this reason, the Company cannot reasonably estimate with any degree of certainty the future impact the COVID-19 pandemic may have on the Company's results of operations, financial position, liquidity and stock price. The extent of any impact will depend on the extent of new outbreaks, 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 availability of vaccines for COVID-19, consumer confidence and demand for our products. Any of these factors could cause or contribute to the risks and uncertainties included within this Annual Report on Form 10-K and could materially adversely affect our business, financial condition, results of operations and/or stock price.

HBB is subject to foreign currency exchange risk.

HBB’s products are supplied by third-party suppliers located primarily in China. HBB generally negotiates the purchases from its foreign suppliers in U.S. dollars. A weakening of the U.S. dollar against local currencies could result in certain non-U.S. manufacturers increasing the U.S. dollar prices for future product purchases.

As a result of our international operations, we are exposed to foreign currency risks that arise from our normal business operations, including risks in connection with our transactions that are denominated in foreign currencies. In addition, we translate sales and other results denominated in foreign currencies into U.S. dollars for purposes of our consolidated financial statements. As a result, appreciation of the U.S. dollar against these foreign currencies generally will have a negative impact on our reported revenues and profitability, while depreciation of the U.S. dollar against these foreign currencies will generally have a positive effect on reported revenues and profitability.

Any hedging activities HBB engages in may only offset a portion of the adverse financial impact resulting from unfavorable changes in foreign currency exchange rates. HBB cannot predict with any certainty changes in foreign currency exchange rates or the degree to which HBB can mitigate these risks.

Increases in costs of products may materially reduce our profitability.

Factors that are largely beyond HBB's control, such as commodity prices for the raw materials needed by suppliers of HBB’s products, may affect the cost of products, and HBB may not be able to pass those costs on to its customers. As an example, HBB’s products require a substantial amount of plastic. Because the primary resource used in plastic is petroleum, the cost and availability of plastic varies to a great extent with the price of petroleum. When the prices of petroleum, as well as steel, aluminum and copper, increase significantly, supplier price increases may materially reduce our profitability.

To the extent that HBB relies on newly acquired businesses or new product lines to expand its business, these acquisitions or new product lines may not contribute positively to HBB’s earnings because anticipated sales volumes and synergies may not materialize, cost savings may be less than expected or acquired businesses may carry unexpected liabilities.

HBB may acquire partial or full ownership in businesses or may acquire rights to market and distribute particular products or lines of products. The acquisition of a business or of the rights to market specific products or use specific product names may involve a financial commitment by HBB, either in the form of cash or stock consideration. HBB may not be able to acquire businesses and develop products that will contribute positively to HBB’s earnings. Anticipated synergies may not materialize, cost savings may be less than expected, sales of products may not meet expectations or acquired businesses may carry unexpected liabilities.

HBB depends on third-party suppliers for all of our products, which subjects the Company to risks, including unanticipated increases in expenses, decreases in revenue and disruptions in the supply chain.

HBB is dependent on third-party suppliers for the manufacturing and distribution of our products. Our ability to select reliable suppliers that provide timely deliveries of quality products will impact our success in meeting customer demand. Any supplier's inability to timely deliver products that meet desired specifications or any unanticipated changes in suppliers could be disruptive and costly. Any significant failure by HBB to obtain quality products, in sufficient quantities, on a timely basis, and at an affordable cost or any significant delays or interruptions of supply would have a material adverse effect on revenue and profitability. As certain suppliers are primarily based in China, international operations are subject to additional risks including, among others:

- currency fluctuations;
- labor unrest;
- potential political, economic and social instability;
- restrictions on transfers of funds;
- import and export duties and quotas;
- changes in domestic and international customs and tariffs, including embargoes and customs restrictions;
- uncertainties involving the costs to transport products;

- long distance shipping routes dependent upon a small group of shipping and rail carriers and import facilities;
- unexpected changes in regulatory environments;
- regulatory issues involved in dealing with foreign suppliers and in exporting and importing products;
- protection of intellectual property;
- difficulty in complying with a variety of foreign laws;
- difficulty in obtaining distribution and administrative support;
- natural or human induced disasters such as earthquakes, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, power or water shortages, telecommunications failures, and medical epidemics or pandemics, including potential consequences from the coronavirus; and
- potentially adverse tax consequences, including significant changes in tax law.

The foregoing factors could have a material adverse effect on our ability to maintain or increase the supply of products, which may result in material increases in expenses and decreases in revenue and profitability.

Our financial results may be negatively impacted by transportation constraints on shipping capabilities.

Our ability to meet customers' demands depends, in part, on our ability to obtain the timely and adequate shipment of our products. Certain transportation industry vendors may experience capacity constraints due to increases in volume. For example, in the third and fourth quarters of 2020, congestion in several areas of the supply chain, including the supply chain from China to our distribution facility as well as certain customers' ability to send in equipment to pick up or receive goods due to congestion at their facilities, impacted our ability to ship inventory in a timely manner and resulted in increased freight charges. If our transportation industry vendors become capacity constrained, then we may have to identify new vendors or explore alternative order fulfillment methods to ensure we have sufficient shipping capabilities. We have experienced and may continue to experience significant delays in shipping our products to customers and incur additional costs to establish alternative shipping sources if existing vendors are unable to sufficiently handle our shipping volume. We cannot predict if we will be able to obtain alternative shipping sources within the time frames that we require and at a comparable cost.

The Company is dependent on key personnel and the loss of these key personnel could significantly reduce its consolidated profitability.

The Company is highly dependent on the skills, experience and services of its and its subsidiaries' key personnel and the loss of key personnel could have a material adverse effect on its consolidated business, operating results and financial condition. Employment and retention of qualified personnel is important to the successful conduct of Hamilton Beach Holding's business. Therefore, the Company's success also depends upon its ability to recruit, hire, train and retain current and additional skilled and experienced management personnel. The Company's inability to hire and retain personnel with the requisite skills could impair its ability to manage and operate its consolidated business effectively and could significantly reduce its consolidated profitability.

The Company's business could suffer if information technology systems are disrupted, cease to operate effectively or become subject to a security breach.

The Company relies heavily on information technology systems to operate websites; record and process transactions; respond to customer inquiries; manage inventory; purchase, sell and ship merchandise on a timely basis; and maintain cost-efficient operations. Given the significant number of transactions that are completed annually, it is vital to maintain constant operation of computer hardware and software systems and maintain cybersecurity. In addition, we collect, store, have access to and otherwise process certain confidential or sensitive data.

Cyber-attacks are becoming more sophisticated and include computer viruses or other malicious codes, attacks to gain unauthorized access to data, and other security breaches that could lead to the loss of valuable business data, misappropriation of our consumers' or employees' personal information, or a disruption of our critical systems. The Audit Review Committee of the Company is regularly briefed on cybersecurity matters, however despite our security efforts, if unauthorized access does occur, we could become the subject of regulatory action or litigation from our customers, employees, suppliers, and shareholders, which could damage our reputation, require significant expenditures of capital, and cause us to lose business and revenue. Additionally, unauthorized access could also cause interruptions in our operations and might require us to spend significant management time and other resources investigating the event and dealing with local and federal law enforcement.

While we have not experienced any material impacts from a cyber-attack, any one or more future cyber-attacks could have a material adverse effect on our financial statements.

Our information technology systems may be vulnerable from time to time to damage and other technical malfunctions. If our systems are damaged, or fail to function properly, we may have to make monetary investments to repair or replace the systems and could endure delays in operations. Any material disruption or slowdown of our systems, including our failure to successfully upgrade systems, could cause information, including data related to customer orders, to be lost or delayed. Such a loss or delay could reduce demand and cause our sales and/or profitability to decline.

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

HBB recently implemented an enterprise resource planning ("ERP") system in the U.S and will be implementing the ERP system at other subsidiaries over the next few years. Such an implementation is a major undertaking from a financial, management and personnel perspective. The implementation, integration and successful operation of the ERP system may prove to be more difficult, costly, or time consuming than expected, and there can be no assurance that this system will be beneficial to the extent anticipated. Any disruptions, delays or deficiencies in the implementation, integration or operation of our new ERP system could cause information, including data related to customer orders, to be lost or delayed. Such a loss or delay could reduce demand and cause our sales and/or profitability to decline. In addition, any significant disruption, delay or deficiency in the design and implementation of the ERP system could adversely affect our ability to process orders, ship products, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. For example, shipping challenges from the implementation, integration and operation of the ERP system resulted in a significant order backlog during the third quarter of 2020. Any additional disruptions, delays or deficiencies in the implementation, integration or operation of our new ERP system could adversely affect our financial position, results of operations and cash flows in addition to the effectiveness of our internal controls over financial reporting.

Failure to maintain data privacy could have a material adverse effect on our business, financial condition and results of operations.

The Company is subject to certain laws, rules and regulations enacted to protect businesses and personal data ("Privacy Laws"), which may include the General Data Protection Regulation ("GDPR") and the California Consumer Privacy Act ("CCPA"), as well as industry self-regulatory codes that create new compliance obligations. The administration, enforcement and regulation of Privacy Laws are quickly evolving and subject to changes in interpretation. Future changes in Privacy Laws may require the Company to incur additional and unexpected expenses and may subject the Company to additional compliance risk. Any failure to comply with Privacy Laws could have a material adverse impact on our financial condition and results of operations.

Financial Risks

HBB may be subject to risks relating to increasing cash requirements of certain employee benefits plans, which may affect its financial position.

Because HBB's defined benefit pension plans are frozen and no longer provide for the accrual of future benefits, the expenses recorded for, and cash contributions required to be made to its defined benefit pension plans are dependent on, changes in market interest rates and the value of plan assets, which, in turn, are dependent on actual investment returns. Significant changes in market interest rates, decreases in the value of plan assets or investment losses on plan assets may require HBB to increase the cash contributed to its defined benefit pension plans which may affect its financial position.

The financing arrangement of HBB contains various restrictions that could limit operating flexibility.

HBB's credit facility contains covenants and other restrictions that, among other things, require HBB to satisfy certain financial tests, maintain certain financial ratios and restrict HBB's ability to incur additional indebtedness. The restrictions and covenants in HBB's credit facility, and other future financing arrangements may limit HBB's ability to respond to market conditions, provide for capital investment needs or take advantage of business opportunities by limiting the amount of additional borrowings HBB may incur.

Regulatory Risks

We restated certain of our previously issued consolidated financial statements, which resulted in unanticipated costs and may lead to, among other things, shareholder litigation, loss of investor confidence, negative impacts on our stock price and certain other risks.

As discussed in the Explanatory Note, Note 2, "Restatement of Previously Issued Consolidated Financial Statements" and in Note 16 "Quarterly Results of Operations (Unaudited)" under Item 8 of the 2019 Form 10-K/A, in 2020, we restated our previously issued consolidated financial statements as of December 31, 2019 and 2018, for the years ended December 31, 2019, 2018 and 2017, and the relevant unaudited interim financial information for each of the quarters during the years ended December 31, 2019 and 2018. The determination that our previously issued financial statements would be restated was made following the identification of certain misstatements arising out of the operations of our Mexican subsidiaries. Although the Company has restated these financial statements, we have become subject to a number of additional risks and uncertainties, including unanticipated costs for accounting and legal fees in connection with the restatement, shareholder litigation and government investigations. Any such proceeding could result in substantial defense costs regardless of the outcome of the litigation or investigation. If we do not prevail in any such litigation, we could be required to pay substantial damages or settlement costs. In addition, the restatement and related matters could impair our reputation and could cause our counterparties to lose confidence in us. Each of these occurrences could have an adverse effect on our business, results of operations, financial condition and stock price.

We have identified material weaknesses in our internal control over financial reporting which, if not timely remediated, may adversely affect the accuracy and reliability of our financial statements, and our reputation, business and stock price, as well as lead to a loss of investor confidence in us.

As described under Item 9A, Controls and Procedures, we concluded that our disclosure controls and procedures were not effective as of December 31, 2020 and that we had, as of such date, material weaknesses in our internal control over financial reporting related to internal control deficiencies within the income tax process and material weaknesses identified in the prior period related to our Mexican subsidiaries, which continue to exist as of December 31, 2020. A material weakness is a deficiency, or a 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 consolidated financial statements would not be prevented or detected on a timely basis. The material weakness related to income taxes identified in Item 9A, did not result in any adjustments or restatements of our audited and unaudited consolidated financial statements or disclosures for any prior period previously reported by the Company.

We intend to remediate these material weaknesses. While we believe the steps we take to remediate these material weaknesses will improve the effectiveness of our internal control over financial reporting and will remediate the identified deficiencies, if our remediation efforts are insufficient to address the material weakness or we identify additional material weaknesses in our internal control over financial reporting in the future, our ability to analyze, record and report financial information accurately, to prepare our financial statements within the time periods specified by the rules and forms of the SEC and to otherwise comply with our reporting obligations under the federal securities laws may be adversely affected. The occurrence of, or failure to remediate, these material weaknesses and any future material weaknesses in our internal control over financial reporting may adversely affect the accuracy and reliability of our financial statements and have other consequences that could materially and adversely affect our business, including an adverse impact on the market price of our common stock, potential actions or investigations by the SEC or other regulatory authorities, shareholder lawsuits, a loss of investor confidence and damage to our reputation.

HBB may become subject to claims under foreign laws and regulations, which may be expensive, time-consuming and distracting.

Because HBB has employees, property and business operations outside of the U.S., HBB is subject to the laws and the court systems of many jurisdictions. HBB may become subject to claims outside the U.S. for violations or alleged violations of laws with respect to the current or future foreign operations of HBB. In addition, these laws may be changed or new laws may be enacted in the future. International litigation is often expensive, time-consuming and distracting. As a result, any of these risks could significantly reduce HBB's profitability and its ability to operate its businesses effectively.

HBB's obligations relating to environmental matters may exceed our expectations.

HBB is subject to laws and regulations relating to the protection of the environment, including those governing the management and disposal of hazardous substances. HBB is investigating or remediating historical contamination at some current and former sites related to HBB's prior manufacturing operations or the operations of businesses HBB acquired. The costs of investigating and remediating historical contamination may increase based on the findings of investigations and the effectiveness of remediation methods. In addition, the discovery of additional contamination at these or other sites could result in significant cleanup costs that could have a material adverse effect on HBB's financial conditions and results of operations. Future changes to environmental laws could require HBB to incur significant additional expense.

HBB could, under some circumstances, also be held financially liable for or suffer other adverse effects due to environmental violations or contamination caused by prior owners of businesses HBB has acquired. In certain circumstances, HBB's financial liability for cleanup costs takes into account agreements with an unrelated third party. HBB's liability for these costs could increase if the unrelated third party does not, or cannot, perform its obligations under those agreements. In addition, under some of the agreements through which HBB has sold real estate, HBB has retained responsibility for certain contingent environmental liabilities arising from pre-closing operations. These liabilities may not arise, if at all, until years after HBB sold these operations and could require us to incur significant additional expenses, which could materially adversely affect HBB's results of operations and financial condition.

The Company is subject to litigation risk which could adversely affect our financial condition, results of operations and liquidity.

From time to time we are subject to claims involving product liability, infringement of intellectual property and patent rights of third parties and other matters. Any such claims, with or without merit, could be time consuming and expensive, and may require the Company to incur substantial costs and divert the resources of management. Due to the uncertainties of litigation, unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of an adverse impact on the Company's financial position, results of operations and cash flows of the period in which the ruling occurs, or in future periods.

HBB's business subjects it to product liability claims, which could affect the reputation, revenue and profitability of HBB.

HBB faces exposure to product liability claims if one of our products is alleged to have caused property damage, bodily injury or other adverse effects up to a defined self-insured loss limit per claim and maintains product liability insurance for claims above this self-insured level. If a product liability claim is brought against HBB, our revenue and profitability could be affected adversely as a result of negative publicity related to the claim, costs associated with any replacement of the product or expenses related to defending these claims. This could be true even if the claims themselves are ultimately settled for immaterial amounts. In addition, HBB may not be able to maintain product liability insurance on terms acceptable to HBB in the future. If the number of product liability claims HBB experiences exceeds historical amounts, if HBB is unable to maintain product liability insurance or if HBB's product liability claims exceed the amount of our insurance coverage, HBB's results of operations and financial condition could be affected adversely.

Government regulations could impose costly requirements on HBB.

The SEC adopted conflict mineral rules under Section 1502 of the Dodd-Frank Act on August 22, 2012. The rules require disclosure of the use of certain minerals, commonly known as "conflict minerals," which are mined from the DRC and adjoining countries. Since HBB's supply chain is complex, ultimately it may not be able to designate all products as "DRC conflict free" which may adversely affect its reputation with certain customers. In such event, HBB may also face difficulties in satisfying customers who require products purchased from HBB to be "DRC conflict free". If HBB is not able to meet such requirements, customers may choose not to purchase HBB products, which could adversely affect sales and the value of portions of HBB's inventory.

HBB is subject in the ordinary course of its business, in the U.S. and elsewhere, to many statutes, ordinances, rules and regulations that, if violated by HBB or its affiliates, partners or vendors, could have a material adverse effect on HBB's business. HBB is required to comply with the U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery, anti-corruption and anti-kickback laws adopted in many of the countries in which HBB does business which prohibit HBB from engaging in bribery or making other prohibited payments to foreign officials for the purpose of obtaining or retaining business and also require maintenance of adequate record-keeping and internal accounting practices to accurately reflect transactions. Under the FCPA, companies operating in the U.S. may be held liable for actions taken by their strategic or local partners or representatives. If HBB does not properly implement and maintain practices and controls with respect to compliance with applicable anti-corruption, anti-bribery and anti-kickback laws, or if HBB fails to enforce those practices and controls properly, HBB may be held responsible for their actions and may become subject to regulatory sanctions, including administrative costs related to governmental and internal investigations, civil and criminal penalties, injunctions and restrictions on HBB's business and capital raising activities, any of which could materially and adversely affect HBB's business, results of operations and financial condition.

U.S. government trade actions could have a material adverse effect on Hamilton Beach Brands Holding Company's subsidiaries, financial position, and results of operation.

The U.S. government has taken a number of trade actions that impact or could impact our operations, including imposing tariffs on certain goods imported into the United States. In addition, several governments, including the European Union, China and India, have imposed tariffs on certain goods imported from the United States. As the majority of our products are imported into the United States from China, many of our product lines are subject to the tariffs imposed under Section 301 of US trade law that have been applied to separate lists of Chinese goods imported into the United States. The Section 301 tariffs on goods covered by lists 1, 2, 3 and 4a affect approximately 25% of total HBB purchases on an annualized basis. On December 13, 2019, the United States Trade Representative (USTR) announced a "Phase One" agreement with China pursuant to which the U.S. government agreed to suspend the 15% tariffs on List 4b products. On January 15, 2020, USTR issued a Federal Register notice reducing the rate of Section 301 tariffs on List 4a products to 7.5%, effective February 14, 2020. A number of lawsuits and other legal challenges with respect to the Section 301 tariff actions could result in changes to the tariffs, and the Biden Administration reportedly will be considering whether to continue, amend, or revoke these particular trade actions. We are continually evaluating the impact of the current and any possible new tariffs on our supply chain, costs, sales and profitability and are considering strategies to mitigate such impact, including reviewing sourcing options, filing requests for exclusion from the tariffs for certain product lines and working with our suppliers and customers. We can provide no assurance that any strategies we implement to mitigate the impact of such tariffs or other trade actions will be successful. Given the uncertainty regarding the scope and duration of these trade actions by the U.S. government or other countries, as well as the potential for additional trade actions, the impact on our operations and results remains uncertain.

The Company is an "emerging growth company" and as a result of the reduced disclosure requirements applicable to emerging growth companies, the reduced disclosures may make it more difficult to compare our performance with other public companies.

We are an "emerging growth company", as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, the JOBS Act also provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with those of another public company that is neither (i) an emerging growth company nor (ii) an emerging growth company that has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used.

We will remain an emerging growth company for up to five years, although we will lose that status sooner if our revenues exceed $1.07 billion, if we issue more than $1 billion in non-convertible debt in a three-year period, or if we are deemed to be a large accelerated filer under the federal securities laws.

Registered Securities Risk

The amount and frequency of dividend payments made on Hamilton Beach Holding's common stock could change.

The Company's Board has the power to determine the amount and frequency of the payment of dividends. Decisions regarding whether or not to pay dividends and the amount of any dividends are based on earnings, capital, and future expense requirements, financial conditions, contractual limitations and other factors our Board may consider.

Certain members of the Company's extended founding family own a substantial amount of Class A Common and Class B Common, and if they were to act in concert, could control the outcome of director elections and other stockholder votes on significant actions.

Hamilton Beach Holding has two classes of common stock: Class A Common and Class B Common. Holders of Class A Common will be entitled to cast one vote per share and, as of December 31, 2020, accounted for approximately 19.25% of the voting power of Hamilton Beach Holding. Holders of Class B Common are entitled to cast ten votes per share and, as of December 31, 2020, accounted for the remaining voting power of Hamilton Beach Holding. As of December 31, 2020, certain members of the Company's extended founding family held approximately 34.41% of Class A Common and 80.75% of Class B Common. On the basis of this common stock ownership, certain members of the Company's extended founding family could exercise 71.83% of the Company's total voting power. Although there is no voting agreement among such family members, in writing or otherwise, if they were to act in concert, they would exert significant control over the outcome of director elections and other stockholder votes on significant actions, such as certain amendments to the Company's amended and restated certificate of incorporation and sale of the Company or substantially all of its assets. Because such family members could prevent other stockholders from exercising significant influence over significant corporate actions, the Company may be a less attractive takeover target, which could adversely affect the market price of its common stock.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following table presents the principal distribution and office facilities owned or leased:

Facility Location	Owned/ Leased	Function(s) [2]
Glen Allen, Virginia	Leased	Corporate headquarters
Geel, Belgium	(1)	Distribution center
Shenzhen, People's Republic of China	(1)	Distribution center
Mexico City, Mexico	Leased	Mexico sales and administrative headquarters
Olive Branch, Mississippi	Leased	Distribution center
Belleville, Ontario, Canada	Leased	Distribution center
Southern Pines, North Carolina	Owned	Service center for customer returns; catalog distribution center; parts distribution center
Shenzhen, People's Republic of China	Leased	Administrative office
Markham, Ontario, Canada	Leased	Canada sales and administration headquarters
Joinville, Santa Catarina, Brazil	(1)	Distribution center
Shanghai, People's Republic of China	Leased	Sales office
Suzhou, People's Republic of China	(1)	Distribution center
Tultitlan, Mexico	(1)	Distribution center
Byhalia, Mississippi	Leased	Distribution center

(1) This facility is not owned or leased by HBB. This facility is managed by a third-party distribution provider.
(2) Sales offices are also leased in several cities in the U.S., Canada, China and Mexico.

Item 3. LEGAL PROCEEDINGS

The information required by this Item 3 is set forth in Note 11 "Contingencies" included in our Financial Statements and Supplementary Data contained in Part IV of this Form 10-K and is hereby incorporated herein by reference to such information.

Item 4. MINE SAFETY DISCLOSURES

None.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Class A Common is traded on the New York Stock Exchange under the ticker symbol “HBB.” Because of transfer restrictions, no trading market has developed, or is expected to develop, for the Company's Class B Common. The Class B Common is convertible into Class A Common on a one-for-one basis.

The declaration of future dividends, record dates and payout dates for such future dividends will be at the discretion of the Board and will depend on various factors then existing, including earnings, financial condition, results of operations, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends, restrictions imposed by applicable law, general business conditions and other factors that the Board deems relevant.

At December 31, 2020 and 2019, there were 773 and 780, respectively, Class A Common stockholders of record and 890 and 902, respectively, Class B common stockholders of record.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In May 2018, the Company approved a stock repurchase program for the purchase of up to $25.0 million of the Company's Class A Common Stock outstanding through December 31, 2019. 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 Stock outstanding starting January 1, 2020 and ending December 31, 2021. During the year ended December 31, 2019, the Company repurchased 364,893 shares for an aggregate purchase price of $6.0 million. There were no share repurchases during the years ended December 31, 2020 and 2018.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth the Company's selected historical financial data as of and for each of the periods indicated. Except where indicated, the results of operations, financial position, and cash flows of KC are reflected as discontinued operations for all periods reported. This information is only a summary and should be read in conjunction with the historical consolidated financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The selected consolidated financial information below as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018, are derived from our audited consolidated financial statements included in this Annual Report on Form 10-K. The selected financial data as of December 31, 2017 and 2016 and for the year ended December 31, 2016 are derived from unaudited consolidated financial statements, which were prepared on the same basis as our audited consolidated financial statements and reflect the impact of adjustments to our previously filed financial information.

	Year Ended December 31				
	2020	2019	2018	2017	2016
	(In thousands, except per share amounts)				
Operating Statement Data:					
Revenue	**$ 603,713**	$ 611,786	$ 630,082	$ 612,056	$ 601,006
Operating profit	**$ 37,415**	$ 26,794	$ 33,550	$ 37,956	$ 39,561
Income from continuing operations, net of tax	**$ 24,067**	$ 15,093	$ 23,059	$ 18,109	$ 24,277
Income (loss) from discontinued operations, net of tax	**$ 22,191**	$ (28,600)	$ (5,361)	$ (2,225)	$ 259
Net income (loss)	**$ 46,258**	$ (13,507)	$ 17,698	$ 15,884	$ 24,536
Basic earnings (loss) per share:					
Continuing operations	**$ 1.76**	$ 1.10	$ 1.68	$ 1.32	$ 1.78
Discontinued operations	**1.62**	(2.09)	(0.39)	(0.16)	0.01
Basic earnings (loss) per share	**$ 3.39**	$ (0.99)	$ 1.29	$ 1.16	$ 1.79
Diluted earnings (loss) per share:					
Continuing operations	**$ 1.76**	$ 1.10	$ 1.68	$ 1.32	$ 1.78
Discontinued operations	**1.62**	(2.09)	(0.39)	(0.16)	0.01
Diluted earnings (loss) per share	**$ 3.37**	$ (0.99)	$ 1.29	$ 1.16	$ 1.79
Actual shares outstanding at December 31 (1)	**13,686**	13,516	13,713	13,673	13,673
Basic weighted average shares outstanding (1)	**13,657**	13,690	13,699	13,673	13,673
Diluted weighted average shares outstanding (1)	**13,712**	13,726	13,731	13,685	13,673

(1) On September 29, 2017, NACCO, Hamilton Beach Holding's former parent company, spun-off the Company to NACCO stockholders. The basic and diluted earnings (loss) per share amounts for the Company for all periods prior to the spin-off have been calculated based upon the number of shares distributed in the spin-off.

	Year Ended December 31				
	2020	2019	2018	2017	2016
	(In thousands, except per share amounts and employee data)				
Balance Sheet Data at December 31:					
Net working capital[2]	**$ 166,705**	$ 106,839	$ 101,898	$ 91,111	$ 95,088
Total assets	**$ 391,168**	$ 288,663	$ 321,419	$ 325,276	$ 310,141
Short-term portion of revolving credit agreements	**$ —**	$ 23,497	$ 11,624	$ 31,346	$ 12,714
Long-term portion of revolving credit agreements	**$ 98,360**	$ 35,000	$ 35,000	$ 20,000	$ 26,000
Stockholders' equity	**$ 80,105**	$ 36,266	$ 56,819	$ 42,027	$ 62,948
Cash Flow Data:					
Net cash provided by (used for) operating activities from continuing operations	**$ (27,934)**	$ 222	$ 17,955	$ 28,303	$ 58,025
Net cash provided by (used for) investing activities from continuing operations	**$ (3,812)**	$ (4,122)	$ (7,759)	$ (6,177)	$ (4,788)
Net cash provided by (used for) financing activities from continuing operations	**$ 34,180**	$ 1,062	$ (9,255)	$ (26,532)	$ (61,837)
Other Data:					
Cash dividends paid to NACCO Industries, Inc.	**$ —**	$ —	$ —	$ 38,000	$ 42,000
Cash dividends paid[1]	**$ 5,053**	$ 4,851	$ 4,658	$ 1,162	n/a
Purchase of treasury stock	**$ —**	$ 5,960	$ —	$ —	n/a
Per share data:					
Cash dividends paid[1]	**$ 0.37**	$ 0.36	$ 0.34	$ 0.09	n/a
Market value at December 31 [1]	**$ 17.51**	$ 19.10	$ 23.46	$ 25.69	n/a
Stockholders' equity at December 31	**$ 5.85**	$ 2.68	$ 4.14	$ 3.07	$ 4.60
Total employees at December 31 for continuing operations	**700**	680	670	650	600

(1) This information is only included for periods subsequent to the spin-off from NACCO.

(2) Net working capital is defined as trade receivables, net plus inventory less accounts payable.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS HAMILTON BEACH BRANDS HOLDING COMPANY
(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

RESTATEMENT OF PREVIOUSLY ISSUED CONSOLIDATED FINANCIAL STATEMENTS

During the quarter ended March 31, 2020, the Company discovered certain accounting irregularities at its Mexican subsidiaries. As a result of the investigation performed, the Company, along with the Audit Review Committee and its third party experts, concluded that certain former employees of one of the Company's Mexican subsidiaries engaged in unauthorized transactions with the Company's Mexican subsidiaries that resulted in expenditures being deferred on the balance sheet beyond the period for which the costs pertained. The Company recorded a non-cash write-off for certain amounts included in the Company's historical consolidated financial statements in trade receivables and prepaid expenses and other current assets, among other corrections, related to these transactions, and restated its consolidated financial statements as of December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018, and 2017 and each of the quarters during the years ended December 31, 2019 and 2018. The restatement also included corrections for other errors identified as immaterial, individually and in the aggregate, to our consolidated financial statements. These restated financial statements were previously filed on Form 10-K/A for the year ended December 31, 2019. All amounts included herein reflect the restated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities (if any). Actual results could differ from those estimates.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition: 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. Sales taxes are excluded from revenue. At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promised good or service that is distinct. The Company has elected to account for shipping and handling activities performed after a customer obtains control of the goods as activities to fulfill the promise to transfer the goods, and therefore these activities are not assessed as a separate service to customers. 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 determine whether price concessions offered to our customers are a reduction of the transaction price and revenue or are advertising expense, depending on whether we receive a distinct good or service from our customers and, if so, whether we can reasonably estimate the fair value of that distinct good or service. We evaluated such agreements with our customers and determined they should be accounted for as variable consideration.

To estimate variable consideration, the Company applies both the expected value method and most likely amount method based on the form of variable consideration, according to which method would provide the better prediction. The expected value method involves a probability weighted determination of the expected amount, whereas the most likely amount method identifies the single most likely outcome in a range of possible amounts.

The Company monitors its estimates of variable consideration, which includes returns and price concessions, and periodically makes adjustments to the carrying amounts as appropriate. During 2020, there were no material adjustments to the aforesaid estimates and the Company's past results of operations have not been materially affected by a change in these estimates. Although there can be no assurances, the Company is not aware of any circumstances that would be reasonably likely to materially change these estimates in the future.

Retirement Benefit Plans: The Company maintains two defined benefit pension plans that provide benefits based on years of service and average compensation during certain periods. The Company's policy is to periodically make contributions to fund the defined benefit pension plans within the range allowed by applicable regulations. The defined benefit pension plan assets consist primarily of publicly traded stocks and government and corporate bonds. There is no guarantee the actual return on the plans' assets will equal the expected long-term rate of return on plan assets or that the plans will not incur investment losses.

The expected long-term rate of return on defined benefit plan assets reflects management's expectations of long-term rates of return on funds invested to provide for benefits included in the projected benefit obligations. In establishing the expected long-term rate of return assumption for plan assets, the Company considers the historical rates of return over a period of time that is consistent with the long-term nature of the underlying obligations of these plans as well as a forward-looking rate of return. The historical and forward-looking rates of return for each of the asset classes used to determine the Company's estimated rate of return assumption are based upon the rates of return earned or expected to be earned by investments in the equivalent benchmark market indices for each of the asset classes.

Expected returns for the U.S. pension plan are based on a calculated market-related value for U.S. pension plan assets. Under this methodology, asset gains and losses resulting from actual returns that differ from the Company's expected returns which are recognized ratably in the market-related value of assets over three years. Expected returns for the non-U.S. pension plan are based on fair market value for non-U.S. pension plan assets.

The basis for the selection of the discount rate for each plan is determined by matching the timing of the payment of the expected obligations under the defined benefit plans against the corresponding yield of high-quality corporate bonds of equivalent maturities.

Changes to the estimate of any of these factors could result in a material change to the Company's pension obligation causing a related increase or decrease in reported net operating results in the period of change in the estimate. Because the 2020 assumptions are used to calculate 2021 pension expense amounts, a one percentage-point change in the expected long-term rate of return on plan assets would result in a change in pension expense for 2021 of approximately $0.3 million for the plans. A one percentage-point change in the discount rate would result in a change in pension expense for 2021 by less than $0.1 million. A one percentage-point increase in the discount rate would have lowered the plans' projected benefit obligation as of the end of 2020 by approximately $1.7 million; while a one percentage-point decrease in the discount rate would have raised the plans' projected benefit obligation as of the end of 2020 by approximately $2.0 million.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS HAMILTON BEACH BRANDS HOLDING COMPANY
(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

RESULTS OF OPERATIONS

The results of operations for Hamilton Beach Holding were as follows for the years ended December 31:

2020 Compared with 2019

	Year Ended December 31					
	2020	% of Revenue	2019	% of Revenue	$ Change	% Change
Revenue	**$ 603,713**	100.0 %	$ 611,786	100.0 %	$ (8,073)	(1.3)%
Cost of sales	**465,059**	77.0 %	483,234	79.0 %	(18,175)	(3.8)%
Gross profit	**138,654**	23.0 %	128,552	21.0 %	10,102	7.9 %
Selling, general and administrative expenses	**99,990**	16.6 %	100,381	16.4 %	(391)	(0.4)%
Amortization of intangible assets	**1,249**	0.2 %	1,377	0.2 %	(128)	(9.3)%
Operating profit (loss)	**37,415**	6.2 %	26,794	4.4 %	10,621	39.6 %
Interest expense, net	**1,998**	0.3 %	2,975	0.5 %	(977)	(32.8)%
Other expense (income), net	**1,685**	0.3 %	(358)	(0.1)%	2,043	(570.7)%
Income (loss) from continuing operations before income taxes	**33,732**	5.6 %	24,177	4.0 %	9,555	39.5 %
Income tax expense	**9,665**	1.6 %	9,084	1.5 %	581	6.4 %
Net income from continuing operations	**24,067**	4.0 %	15,093	2.5 %	8,974	59.5 %
Income (loss) from discontinued operations, net of tax	**22,191**	n/m	(28,600)	n/m	50,791	n/m
Net income (loss)	**$ 46,258**		$ (13,507)		$ 59,765	
Effective income tax rate on continuing operations	**28.7 %**		37.6 %			

The following table identifies the components of the change in revenue for 2020 compared with 2019:

	Revenue
2019	$ 611,786
(Decrease) increase from:	
Unit volume and product mix	(14,093)
Foreign currency	(4,219)
Average sales price	10,239
2020	**$ 603,713**

Revenue - Revenue decreased $8.1 million, or 1.3%. While unprecedented demand continues for small kitchen appliances, the cutover to our new enterprise resource planning ("ERP") system during the third quarter of 2020 reduced shipping capabilities at the Company's US distribution center and resulted in a significant shortfall in revenue during the third quarter. Despite a strong finish to 2020, which made up for a significant portion of the revenue shortfall in the third quarter, revenue decreased year over year as a result of lower volumes. The lower sales volume in the US consumer market is the result of the ERP cutover challenges, while lower volume in the international consumer and global commercial markets is attributable to the pandemic. The impact of lower volume was partially offset by higher average sales price driven primarily by product and customer mix. Foreign currency had a negative impact on revenue of $4.2 million.

Gross profit - The increase in gross profit of $10.1 million, or 7.9%, is primarily due to sales of higher margin products. As a percentage of revenue, gross profit margin increased from 21.0% to 23.0% primarily due to customer and product mix. Additionally, gross profit in 2020 includes a benefit of approximately $2.1 million for tariff relief.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS HAMILTON BEACH BRANDS HOLDING COMPANY
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Selling, general and administrative expenses - Included in selling, general and administrative expenses are charges related to unauthorized transactions at our Mexican subsidiaries of $1.9 million in 2020 compared with $6.9 million in 2019. Offsetting this decrease in 2020 is an increase in incentive compensation expense of $3.3 million primarily driven by stronger Company performance as well as an increase in legal, other third-party fees and consulting expenses primarily related to the accounting irregularities at our Mexican subsidiaries and the implementation of our new ERP system.

Other expense (income), net - Other expense in 2020 was $1.7 million due primarily to currency losses from the re-measurement of liabilities related to inventory purchases denominated in US dollars by HBB's foreign subsidiaries. Other income in 2019 was $0.4 million and included currency gains of $0.4 million.

Income tax expense - The Company recognized income tax expense of $9.7 million on income from continuing operations before income taxes of $33.7 million, an effective tax rate of 28.7% in 2020 compared to income tax expense of $9.1 million on income from continuing operations before income taxes of $24.2 million, an effective tax rate of 37.6% in 2019. The higher effective tax rate in 2019 is attributable to non-cash charges to write-off unrealizable assets at our Mexican subsidiaries for which the corresponding tax benefit has been substantially offset by an increase in unrecognized tax benefits and $1.6 million of deferred tax expense related to a change in judgment regarding the valuation allowance recorded against the deferred tax assets of KC.

2019 Compared with 2018

The results of operations for Hamilton Beach Holding were as follows for the years ended December 31:

	Year Ended December 31					
	2019	% of Revenue	2018	% of Revenue	$ Change	% Change
Revenue	$ 611,786	100.0 %	$ 630,082	100.0 %	$ (18,296)	(2.9)%
Cost of sales	483,234	79.0 %	491,030	77.9 %	(7,796)	(1.6)%
Gross profit	128,552	21.0 %	139,052	22.1 %	(10,500)	(7.6)%
Selling, general and administrative expenses	100,381	16.4 %	104,121	16.5 %	(3,740)	(3.6)%
Amortization of intangible assets	1,377	0.2 %	1,381	0.2 %	(4)	(0.3)%
Operating profit	26,794	4.4 %	33,550	5.3 %	(6,756)	(20.1)%
Interest expense, net	2,975	0.5 %	2,916	0.5 %	59	2.0 %
Other expense (income), net	(358)	(0.1)%	149	— %	(507)	(340.3)%
Income from continuing operations before income taxes	24,177	4.0 %	30,485	4.8 %	(6,308)	(20.7)%
Income tax expense	9,084	1.5 %	7,426	1.2 %	1,658	22.3 %
Net income from continuing operations	15,093	2.5 %	23,059	3.7 %	(7,966)	(34.5)%
Loss from discontinued operations, net of tax	(28,600)	n/m	(5,361)	n/m	(23,239)	n/m
Net income (loss)	$ (13,507)		$ 17,698		$ (31,205)	
Effective income tax rate on continuing operations	37.6 %		24.4 %			

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS HAMILTON BEACH BRANDS HOLDING COMPANY
(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

The following table identifies the components of the change in revenue for 2019 compared with 2018:

	Revenue
2018	$ 630,082
(Decrease) increase from:	
Unit volume and product mix	(19,613)
Average sales price	(1,688)
Foreign currency	3,005
2019	**$ 611,786**

Revenue - Revenue decreased $18.3 million, or 2.9%. The decline is primarily due to lower sales volume in the U.S. consumer, international consumer and global commercial markets. Globally, our ecommerce business grew 27%; however, these gains were more than offset by the adverse impact of tariffs, a loss of placements in the dollar store channel resulting from HBB's decision not to maintain very low margin business, ongoing foot traffic challenges at some retailers and other pressure points facing individual retail companies. Revenue in the global commercial market decreased due primarily to lower volume driven by the adverse impact of tariffs.

Gross profit - The decline in gross profit of $10.5 million, or 7.6%, is primarily due to lower sales volume. As a percentage of revenue, gross profit margin declined from 22.1% to 21.0% primarily due to increased inbound freight expenses, the adverse impact of tariffs and unfavorable foreign currency movements.

Selling, general and administrative expenses - The decrease in selling, general and administrative expenses was mainly attributable to a $5.2 million decline in environmental expense due to the reduction to the environmental reserve at one site of $3.2 million related to a change in the expected type and extent of investigation and remediation activities and to a $1.5 million reduction in environmental expense due to the probable recovery of investigation and remediation costs associated with the same site from a responsible party in exchange for release from all future obligations by that party. Additionally, advertising expenses declined $3.1 million and employee-related costs decreased $2.0 million due to reduced incentive compensation expense. These decreases were partially offset by a one-time charge of $3.2 million recorded in the second quarter of 2019 for a contingent loss related to patent litigation. Additionally, certain former employees of one of our Mexican subsidiaries engaged in unauthorized transactions with the Company’s Mexican subsidiaries and in doing so, expenditures were deferred on the balance sheet of the Company's Mexican subsidiaries beyond the period for which the costs pertained. Included in selling, general and administrative expenses are charges of $6.9 million in 2019 compared with charges of $4.9 million in 2018 to write-off unrealizable assets created as a result of these unauthorized transactions.

Other expense (income), net - Other income in 2019 includes currency gains of $0.4 million compared with other expense in 2018 related to currency losses of $0.5 million as the Mexican peso strengthened against the U.S. dollar.

Income tax expense - The Company recognized income tax expense of $9.1 million on income from continuing operations before income taxes of $24.2 million, an effective tax rate of 37.6% compared to income tax expense of $7.4 million, an effective tax rate of 24.4%. The increase in the effective tax rate is primarily due to $2.0 million of deferred tax expense related to a change in judgment regarding the valuation allowance recorded against certain deferred tax assets of KC. Additionally, certain former employees of one of our Mexican subsidiaries engaged in unauthorized transactions with the Company’s Mexican subsidiaries and in doing so expenditures were deferred on the balance sheet of the Mexican subsidiaries beyond the period for which the costs pertained. Included in selling, general and administrative expenses are non-cash charges to write-off unrealizable assets for which the corresponding tax benefit has been substantially offset by an increase in unrecognized tax benefits.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS HAMILTON BEACH BRANDS HOLDING COMPANY
(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

LIQUIDITY AND CAPITAL RESOURCES

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. At December 31, 2020, the Company had cash and cash equivalents for continuing operations of $2.4 million, compared to $2.1 million at December 31, 2019.

The ongoing global COVID-19 pandemic has resulted in governments around the world implementing stringent measures to help control the spread of the virus, including business shutdowns and limitations, travel restrictions, border closings, restrictions on public gatherings and shelter-in-place restrictions. This has negatively impacted the global economy, disrupted financial markets and resulted in increased unemployment levels, all of which have negatively impacted various industries. We believe we are well positioned to effectively navigate the COVID-19 pandemic for a number of reasons. Demand for certain retail small kitchen appliances in the US remains strong as consumers prepare more food and beverages at home. We are managing discretionary expenses, and have sufficient availability under the revolving credit facility to meet our future anticipated obligations. We have demonstrated effective management of net working capital which was a major contributor to improved borrowing activity during the year, with average debt down $11.6 million compared to the prior year ended December 31, 2019. Additionally, the Company is no longer impacted by KC’s losses and negative cash flow. We will continue to work with our customers, employees, suppliers and communities to address the impacts of COVID-19 and closely monitor our liquidity.

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

	Year Ended December 31 (In thousands)		
	2020	2019	2018
Net cash provided by (used for) operating activities from continuing operations	**$ (27,934)**	$ 222	$ 17,955
Net cash provided by (used for) investing activities from continuing operations	**$ (3,812)**	$ (4,122)	$ (7,759)
Net cash provided by (used for) financing activities from continuing operations	**$ 34,180**	$ 1,062	$ (9,255)

December 31, 2020 Compared with December 31, 2019

Operating activities - Net cash used for operating activities was $27.9 million compared to cash provided by operating activities of $0.2 million in 2019 primarily due to an increase of $59.9 million in net working capital. Trade receivables increased primarily due to increased fourth quarter sales in 2020 compared with prior year. The increase in inventory and accounts payable are primarily due to the earlier build of inventory to offset the impacts of longer lead times driven by shipping congestion in our supply chain from China, as well as to support expected strong demand in the first half of 2021.

Investing activities - Net cash used for investing activities was relatively flat in 2020 compared to 2019. Capital spending for internal-use software development costs was lower in 2020 as the Company implemented its new ERP system in July 2020. The decline in spending on internal-use software was offset by other investments.

Financing activities - Net cash provided by financing activities increased $33.1 million in 2020 primarily due to an increase in HBB's net borrowing activity on the revolving credit facility. The increase in borrowings was used to fund net working capital.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS HAMILTON BEACH BRANDS HOLDING COMPANY
(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

December 31, 2019 Compared with December 31, 2018

Operating activities - Net cash provided by operating activities decreased $17.7 million in 2019 compared to the prior year primarily due to increased trade receivables, partially offset by a decline in inventory. Trade receivables increased primarily due to the timing of collections and increased fourth quarter sales in 2020 compared with prior year. The decline in inventory is primarily due to the continued efficient management of inventory levels.

Investing activities - Net cash used for investing activities from continuing operations decreased $3.6 million in 2019 primarily due to lower capital expenditures related to HBB internal-use software development costs and tooling for new products.

Financing activities - Net cash provided by financing activities from continuing operations was $1.1 million in 2019 compared to a use of cash of $9.3 million in 2018 primarily due to an increase in HBB's net borrowing activity on the revolving credit facility. The increase in borrowings was used to fund net working capital and stock repurchases.

Capital Resources

On November 23, 2020, HBB entered into Amendment No. 8 to its Amended and Restated Credit Agreement. The Agreement amended and restated the Credit Agreement in its entirety and extended the term of HBB's credit facility to June 30, 2025, increased the credit facility from $115.0 million to $125.0 million, amended the pricing grid and provided for an accordion feature to increase the facility by an additional $25.0 million upon HBB's request, subject to Lender consent. The Company expects to continue to borrow against the facility and make voluntary repayments within the next twelve months. As a result of the amendment, repayment of the credit facility is due on June 30, 2025, therefore all borrowings are classified as long term debt as of December 31, 2020. The obligations under the HBB Facility are secured by substantially all of HBB's assets. At December 31, 2020, the borrowing base under the HBB Facility was $123.3 million and borrowings outstanding were $98.4 million. At December 31, 2020, the excess availability under the HBB Facility was $24.9 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 December 31, 2020, for base rate loans and LIBOR loans denominated in U.S. dollars were 0.0% and 1.75%, respectively. The applicable margins, effective December 31, 2020, for base rate loans and bankers' acceptance loans denominated in Canadian dollars were 0.0% and 1.75%, 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 year ended December 31, 2020 was 2.88%, 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 December 31, 2020 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 not less than $15.0 million. Dividends to Hamilton Beach Holding are discretionary to the extent that for the thirty days prior to the dividend payment date, and after giving effect to the dividend payment, HBB maintains excess availability of not less than $25.0 million. The HBB Facility also requires HBB to achieve a minimum fixed charge coverage ratio in certain circumstances, as defined in the HBB Facility. At December 31, 2020, HBB was in compliance with all financial covenants in the HBB Facility.

(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

The Company maintains an arrangement with a financial institution to sell certain U.S. trade receivables on a non-recourse basis. The Company utilizes this arrangement as an integral part of financing working capital.

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

Contractual Obligations, Contingent Liabilities and Commitments

Following is a table which summarizes the contractual obligations of Hamilton Beach Holding as of December 31, 2020:

	Payments Due by Period						
Contractual Obligations	**Total**	**2021**	**2022**	**2023**	**2024**	**2025**	**Thereafter**
Revolving credit agreements	$ 98,360	$ —	$ —	$ —	$ —	$ 98,360	$ —
Variable interest payments on HBB Facility	7,960	2,587	2,358	1,182	994	839	—
Purchase and other obligations	284,816	284,664	51	47	54	—	—
Operating lease obligations	77,091	7,081	6,738	6,405	6,355	6,395	44,117
Total contractual cash obligations	$ 468,227	$ 294,332	$ 9,147	$ 7,634	$ 7,403	$ 105,594	$ 44,117

Not included in the table above, HBB has a long-term liability of approximately $4.7 million for unrecognized tax benefits, including interest and penalties, as of December 31, 2020. At this time, the Company is unable to make a reasonable estimate of the timing of payments due to, among other factors, the uncertainty of the timing and outcome of its audits.

HBB’s variable interest payments are calculated based upon HBB's anticipated payment schedule and the December 31, 2020 base rate and applicable margins, as defined in the HBB Facility. A 1/8% increase in the base rate would increase HBB’s estimated total annual interest payments on the HBB Facility by approximately $0.3 million.

HBB's purchase and other obligations are primarily for accounts payable, open purchase orders and accrued payroll and incentive compensation.

An event of default, as defined in the HBB Facility and in HBB's operating lease agreements, could cause an acceleration of the payment schedule. No such event of default for HBB has occurred or is anticipated to occur.

Pension funding can vary significantly each year due to plan amendments, changes in the market value of plan assets, legislation and the Company’s decisions to contribute above the minimum regulatory funding requirements. As a result, pension funding has not been included in the table above. HBB does not expect to contribute to its pension plans in 2021. Pension benefit payments are made from assets of the pension plans.

Off Balance Sheet Arrangements

The Company has not entered into any off balance sheet financing arrangements, other than operating leases, which are disclosed in the contractual obligations table above.

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.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS HAMILTON BEACH BRANDS HOLDING COMPANY
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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 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, and interim periods within fiscal years beginning after December 15, 2021. 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.

FORWARD-LOOKING STATEMENTS

The statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere throughout this Annual Report on Form 10-K 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) the result of shareholder or governmental actions relating to the restatement of our financial statements and accounting and legal fees that we may incur in connection with the restatement, (18) difficulties arising as a result of our implementation, integration or operation of an enterprise resource planning system in the US, (19) 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, and (20) other risk factors, including those described in the Company's filings with the Securities and Exchange Commission, including, but not limited to, this 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 7A. 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 liabilities. The fair value of the Company's interest rate swap agreements was a payable of $1.2 million at December 31, 2020. A hypothetical 10% decrease in interest rates would cause a decrease of $0.1 million in the fair value of interest rate swap agreements and the resulting fair value would be a payable of $1.2 million. Additionally, a hypothetical 10% increase in interest rates would not have a material impact to the Company's interest expense, net of $2.0 million at December 31, 2020.

FOREIGN CURRENCY EXCHANGE RATE RISK

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

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

For purposes of risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in foreign currency exchange 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 net payable of $0.5 million at December 31, 2020. Assuming a hypothetical 10% weakening of the U.S. dollar at December 31, 2020, the fair value of foreign currency-sensitive financial instruments, which represents forward foreign currency exchange contracts, would be decreased by $1.9 million compared with its fair value at December 31, 2020.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is set forth in the Financial Statements and Supplementary Data contained in Part IV of this Form 10-K and is hereby incorporated herein by reference to such information.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements with accountants on accounting and financial disclosure for the three-year period ended December 31, 2020 that would require disclosure pursuant to this Item 9.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures: As required by Exchange Act Rule 13a-15(b), our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2020 because of the material weaknesses in our internal control over financial reporting described in the "Management's Report on Internal Control over Financial Reporting." Notwithstanding the identified material weaknesses, management, including our Chief Executive Officer and Chief Financial Officer have determined, based on the procedures we have performed, that the consolidated financial statements included in this Annual

Report on Form 10-K present fairly, in all material respects, our financial condition, results of operations and cash flows at December 31, 2020 and for the periods presented in accordance with U.S. GAAP.

Management's Report on Internal Control over Financial Reporting: Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this evaluation, 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.

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.

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. The material weaknesses at our Mexican subsidiaries as of December 31, 2019 were not remediated during our fiscal year ended December 31, 2020.

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.

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. Our efforts have consisted primarily of strengthening our organization and designing a suite of controls that address the material weaknesses. Because many of our controls operated for the first time during the fourth quarter, we have not had a sufficient period of time to demonstrate operating effectiveness in 2020. 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

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. Our management has concluded that the deficiency constitutes a material weakness in our internal control over financial reporting.

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.

We expect to implement the remediation actions in 2021. 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.

The Company's effectiveness of internal control over financial reporting as of December 31, 2020 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its report, which is included in Item 15 of this Form 10-K and incorporated herein by reference.

Changes in Internal Control over Financial Reporting: There have been no changes in the Company's internal control over financial reporting, that occurred during the fourth quarter of 2020, other than described above in "Management's Report on Internal Control over Financial Reporting", that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to Directors of the Company will be set forth in the 2021 Proxy Statement under the subheadings “Part II — Proposals To Be Voted On At The 2021 Annual Meeting — Proposal 1 — Election of Directors — Director Nominee Information,” which information is incorporated herein by reference.

Information with respect to the audit review committee and the audit review committee financial expert will be set forth in the 2021 Proxy Statement under the subheadings “Part I — Corporate Governance Information — Board Committees,” and “Part I — Corporate Governance Information — Description of Committees,” which information is incorporated herein by reference.

Information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 by the Company's Directors, executive officers and holders of more than ten percent of the Company's equity securities will be set forth in the 2021 Proxy Statement under the subheading “Part IV — Other Important Information — Section 16(a) Beneficial Ownership Reporting Compliance,” which information is incorporated herein by reference.

Information regarding the executive officers of the Company is included in this Form 10-K as Item 4A of Part I as permitted by Instruction 3 to Item 401(b) of Regulation S-K.

The Company has adopted a code of business conduct and ethics applicable to all Company personnel, including the principal executive officer, principal financial officer, principal accounting officer or controller, or other persons performing similar functions. The code of business conduct and ethics, entitled the “Code of Corporate Conduct,” is posted on the Company's website at www.hamiltonbeachbrands.com/investors/corporate-governance.

Item 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation will be set forth in the 2021 Proxy Statement under the headings “Part III — Executive Compensation Information” which information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management will be set forth in the 2021 Proxy Statement under the subheading “Part IV — Other Important Information — Beneficial Ownership of Class A Common and Class B Common,” which information is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to certain relationships and related transactions will be set forth in the 2021 Proxy Statement under the subheadings "Part I — Corporate Governance Information — Review and Approval of Related Person Transactions," which information is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to principal accountant fees and services will be set forth in the 2021 Proxy Statement under the heading "Part II — Proposals To Be Voted On At The 2021 Annual Meeting — Proposal 4 — Ratification of the Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for 2021," which information is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Documents that are filed as part of this report

The response to Item 15(a)(1) is set forth beginning at page F-2 of this Form 10-K.

(a)(2) Financial Statement Schedules

The response to Item 15(a)(2) is set forth beginning at page F-37 of this Form 10-K.

(a)(3) and (b) Exhibits required by Item 601 of Regulation S-K

The response to Item 15(a)(3) and (b) is set forth as follows:

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession.

2.1	Separation Agreement, dated as of September 29, 2017, between NACCO Industries, Inc. and Hamilton Beach Brands Holding Company is incorporated by reference to Exhibit 10.40 of Hamilton Beach Brands Holding Company's Current Report on Form 8-K, filed on October 4, 2017.

(3) Articles of Incorporation and By-laws.

3.1	Amended and Restated Certificate of Incorporation of Hamilton Beach Brands Holding Company (incorporated herein by reference to Exhibit 3.1 to the Hamilton Beach Brands Holding Company Registration Statement on Form 8-A, filed by Hamilton Beach Brands Holding Company on September 22, 2017, Commission File Number 000-55845).
3.2	Amended and Restated Bylaws of Hamilton Beach Brands Holding Company (incorporated herein by reference to Exhibit 3.2 to the Hamilton Beach Brands Holding Company Registration Statement on Form 8-A, filed by Hamilton Beach Brands Holding Company on September 22, 2017, Commission File Number 000-55845).

(4) Instruments defining the rights of security holders, including indentures.

4.1	Specimen of Hamilton Beach Brands Holding Company Class A Common Stock certificate, is incorporated by reference to Exhibit 4.1 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
4.2	Specimen of Hamilton Beach Brands Holding Company Class B Common Stock certificate, is incorporated by reference to Exhibit 4.2 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
4.3	Description of Registrant's Securities, is incorporated by reference to Exhibit 4.3 of Hamilton Beach Brands Holding Company's Current Report on Form 10-K, filed on February 26, 2020

(10) Material Contracts.

10.1	Transition Services Agreement, dated as of September 29, 2017, between NACCO Industries, Inc. and Hamilton Beach Brands Holding Company, is incorporated by reference to Exhibit 10.2 of Hamilton Beach Brands Holding Company's Current Report on Form 8-K, filed on October 4, 2017.
10.2	Amendment No. 1 to the Transition Services Agreement between NACCO Industries, Inc. and Hamilton Beach Brands Holding Company, made and entered into effective as of September 29, 2018, is incorporated by reference to Exhibit 10.34 of Hamilton Beach Brands Holding Company's Current Report on Form 10-K, filed on March 6, 2019.
10.3	Amendment No. 2 to the Transition Services Agreement between NACCO Industries, Inc. and Hamilton Beach Brands Holding Company, made and entered into effective as of December 18, 2018, is incorporated by reference to Exhibit 10.35 of Hamilton Beach Brands Holding Company's Current Report on Form 10-K, filed on March 6, 2019.
10.4	Tax Allocation Agreement, dated as of September 29, 2017, between NACCO Industries, Inc. and Hamilton Beach Brands Holding Company, is incorporated by reference to Exhibit 10.3 of Hamilton Beach Brands Holding Company's Current Report on Form 8-K, filed on October 4, 2017.

10.5	Stockholders' Agreement, dated as of September 29, 2017, among Hamilton Beach Brands Holding Company, the other signatories thereto and Hamilton Beach Brands Holding Company, as depository, is incorporated by reference to Exhibit 10.4 of Hamilton Beach Brands Holding Company's Current Report on Form 8-K, filed on October 4, 2017.
10.6	Amendment to Stockholder's Agreement, dated as of February 14, 2020 and effective February 24, 2020, among the depository, Hamilton Beach Brands Holding Company, the new Participating Stockholder signatories thereto and the Participating Stockholders under the Stockholders' Agreement, dated as of September 29, 2017.
10.7	Amendment to Stockholders' Agreement, dated as of December 21, 2020, by and between the Depository, the Issuer, the new Participating Stockholders and the Participating Stockholders is incorporated by reference to Exhibit 19 to the Participating Stockholders' Schedule 13D/A, filed by the Participating Stockholders on February 12, 2021, Commission File Number 005-90132
10.8	Transfer Restriction Agreement, dated as of September 29, 2017, by and among the Issuer, NACCO and the signatories thereto, is incorporated by reference to Exhibit 2 of Schedule 13D, filed on October 6, 2017.
10.9	Credit Agreement, dated as of April 29, 2010, among The Kitchen Collection, Inc., the borrowers and guarantors thereto, Wells Fargo Retail Finance, LLC and the other lenders thereto is incorporated herein by reference to Exhibit 10.27 to the NACCO Industries, Inc. Quarterly Report on Form 10-Q/A, filed by NACCO Industries, Inc. on March 20, 2013, Commission File Number 1-9172.
10.10	First Amendment to Credit Agreement, dated as of August 7, 2012, among The Kitchen Collection, LLC, as successor to The Kitchen Collection, Inc., the borrowers and guarantors thereto, Wells Fargo Bank, National Association, as successor to Wells Fargo Retail Finance, LLC, and the other lenders thereto is incorporated herein by reference to Exhibit 10.28 to the NACCO Industries, Inc. Quarterly Report on Form 10-Q/A, filed by NACCO Industries, Inc. on March 20, 2013, Commission File Number 1-9172.
10.11	Second Amendment to Credit Agreement, dated as of September 19, 2014, among The Kitchen Collection, LLC, as successor to The Kitchen Collection, Inc., the borrowers and guarantors thereto, Wells Fargo Bank, National Association, as successor to Wells Fargo Retail Finance, LLC, is incorporated herein by reference to Exhibit 10.1 to NACCO Industries, Inc. Current Report on Form 8-K, filed by NACCO Industries, Inc. on September 19, 2014, Commission File Number 1-9172.
10.12	Third Amendment to Credit Agreement by and among The Kitchen Collection, LLC, as Lead Borrower, Borrowers hereto, Guarantors hereto, Lenders hereto and Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and Swing Line Lender, dated as of October 20, 2017 is incorporated by reference to Exhibit 10.13 of the Hamilton Beach Brands Holding Company's Form 10-Q filed on November 1, 2017.
10.13	Amended and Restated Credit Agreement by and among Wells Fargo Bank, National Association, as Administrative Agent, Wells Fargo Capital Finance, LLC, as Sole Lead Arranger and Sole Lead Bookrunner, the Lenders that are Parties thereto as the Lenders, Hamilton Beach Brands, Inc. (as US Borrower), and Hamilton Beach Brands Canada, Inc. (as Canadian Borrower), as Borrowers, dated as of May 31, 2012 is incorporated herein by reference to Exhibit 10.1 to NACCO Industries, Inc. Current Report on Form 8-K, filed by NACCO Industries, Inc. on June 6, 2012, Commission File Number 1-9172.
10.14	Amended and Restated Guaranty and Security Agreement, dated as of May 31, 2012, among Hamilton Beach Brands, Inc. and Hamilton Beach, Inc., as Grantors, and Wells Fargo Bank, National Association, as Administrative Agent is incorporated herein by reference to Exhibit 10.2 to the NACCO Industries, Inc. Current Report on Form 8-K, filed by NACCO Industries, Inc. on June 6, 2012, Commission File Number 1-9172.
10.15	Amended and Restated Canadian Guarantee and Security Agreement, dated as of May 31, 2012, among Hamilton Beach Brands Canada, Inc., as Grantor, and Wells Fargo Bank, National Association, as Administrative Agent is incorporated herein by reference to Exhibit 10.3 to the NACCO Industries, Inc. Current Report on Form 8-K, filed by NACCO Industries, Inc. on June 6, 2012, Commission File Number 1-9172.
10.16	Amendment No.1 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 US Borrower), and Hamilton Beach Brands Canada, Inc. (as Canadian Borrower), as Borrowers, dated as of July 29, 2014 is incorporated herein by reference to Exhibit 10.1 to the NACCO Industries, Inc. Quarterly Report on Form 10-Q, filed by NACCO Industries, Inc. on July 30, 2014, Commission File Number 1-9172.
10.17	Amendment No.2 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 US Borrower), and Hamilton Beach Brands Canada, Inc. (as Canadian Borrower), as Borrowers, dated as of November 20, 2014 is incorporated herein by reference to Exhibit 10.66 to NACCO Industries, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2014, Commission File Number 1-9172.
10.18	Amendment No. 3 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 Weston Brands, LLC (as Weston) (collectively referred to as US Borrowers), and Hamilton Beach Brands Canada, Inc. (as Canadian Borrower), dated December 23, 2015 is incorporated herein by reference to Exhibit 10.72 to the NACCO Industries, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2015, Commission File 1-9172.
10.19	Amendment No. 4 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 Weston Brands, LLC (as Weston) (collectively referred to as US Borrowers), and Hamilton Beach Brands Canada, Inc. (as Canadian Borrower), dated June 30, 2016 is incorporated herein by reference to Exhibit 10.1 to NACCO Industries, Inc. Quarterly Report on Form 10-Q, file by NACCO Industries, Inc. on August 2, 2016, Commission File Number I-9172.
10.20	Amendment No. 5 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 Weston Brands, LLC (as Weston) (collectively referred to as US Borrowers), and Hamilton Beach Brands Canada, Inc. (as Canadian Borrower), dated September 13, 2017, is incorporated by reference to Exhibit 10.29 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.

10.21	Amendment No. 6 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 Weston Brands, LLC, as US Borrowers, and Hamilton Beach Brands Canada, Inc., as Canadian Borrower, dated May 14, 2018, is incorporated by reference to Exhibit 10.1 of Hamilton Beach Brands Holding Company's Current Report on Form 10-Q, filed on August 1, 2018.
10.22	Amendment No. 7 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 US Borrower), and Hamilton Beach Brands Canada, Inc. (as Canadian Borrower), as Borrowers, dated as of May 15, 2020, is incorporated by reference to Exhibit 10.2 of Hamilton Beach Brands Holding Company's Current Report on Form 10-Q, filed on July 24, 2020.
10.23	Amendment No. 8 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 November 23, 2020.
10.24	The Hamilton Beach Brands, Inc. Annual Incentive Compensation Plan (Effective January 1, 2014) (incorporated herein by reference to Exhibit 10.1 to the NACCO Industries, Inc. Current Report on Form 8-K, filed by NACCO Industries, Inc. on May 9, 2014, Commission File Number 1-9172).
10.25*	Amendment No. 1 The Hamilton Beach Brands, Inc. Annual Incentive Compensation Plan (Effective January 1, 2014), is incorporated by reference to Exhibit 10.32 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.26*	Amendment No. 2 to the Hamilton Beach Brands, Inc. Annual Incentive Compensation Plan, dated as of March 1, 2014, is incorporated by reference to Exhibit 10.3 of Hamilton Beach Brands Holding Company's Current Report on Form 10-Q, filed on October 30, 2018.
10.27*	Hamilton Beach Brands, Inc. Long-Term Incentive Compensation Plan (Amended and Restated Effective March 1, 2015) is incorporated herein by reference to Exhibit 10.2 to NACCO Industries, Inc. Current Report on Form 8-K, filed by NACCO Industries, Inc. on May 18, 2015, Commission File Number 1-9172.
10.28*	Amendment No. 1 to Hamilton Beach Brands, Inc. Long-Term Incentive Compensation Plan (Amended and Restated Effective March 1, 2015), is incorporated by reference to Exhibit 10.31 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.29*	Amendment No. 2 to the Hamilton Beach Brands, Inc. Long-Term Incentive Compensation Plan, dated as of March 1, 2015, is incorporated by reference to Exhibit 10.2 of Hamilton Beach Brands Holding Company's Current Report on Form 10-Q, filed on October 30, 2018.
10.30*	Hamilton Beach Brands Holding Company Executive Long-Term Equity Incentive Plan (Effective September 29, 2017), is incorporated by reference to Exhibit 10.34 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.31*	Form of Cashless Exercise Award Agreement for the Hamilton Beach Brands Holding Company Executive Long-Term Equity Incentive Plan, is incorporated by reference to Exhibit 10.36 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.32*	Form of Non-Cashless Exercise Award Agreement for the Hamilton Beach Brands Holding Company Executive Long-Term Equity Incentive Plan is incorporated by reference to Exhibit 10.37 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.33*	Amendment No. 1 to the Hamilton Beach Brands Holding Company Executive Long-Term Equity Incentive Plan, dated as of September 29, 2017, is incorporated by reference to Exhibit 10.1 of Hamilton Beach Brands Holding Company's Current Report on Form 10-Q, filed on October 30, 2018.
10.34*	Amended and Restated Hamilton Beach Brands Holding Company Executive Long-Term Equity Incentive Plan, dated as of March 1, 2020, is incorporated by reference to Exhibit 10.1 of Hamilton Beach Brands Holding Company's Current Report on Form 10-Q, filed on July 24, 2020.
10.35*	Hamilton Beach Brands Holding Company Supplemental Executive Long-Term Incentive Bonus Plan (Effective September 29, 2017), is incorporated by reference to Exhibit 10.38 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.36*	Form of Award Agreement for the Hamilton Beach Brands Holding Company Supplemental Executive Long-Term Incentive Bonus Plan, is incorporated by reference to Exhibit 10.39 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.37*	Hamilton Beach Brands Holding Company Non-Employee Director's Equity Compensation Plan (Effective September 29, 2017), is incorporated by reference to Exhibit 10.35 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.38*	The Hamilton Beach Brands, Inc. Excess Retirement Plan (As Amended and Restated Effective January 1, 2015) (incorporated herein by reference to Exhibit 10.71 to the NACCO Industries, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2014, Commission File Number 1-9172).
10.39*	Amendment No.1 to The Hamilton Beach Brands, Inc. Excess Retirement Plan (As Amended and Restated Effective January 1, 2015) (incorporated herein by reference to Exhibit 10.77 to the NACCO Industries, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2015, Commission File Number 1-9172).

10.40*	Amendment No.2 to The Hamilton Beach Brands, Inc. Excess Retirement Plan (As Amended and Restated Effective January 1, 2015), is incorporated by reference to Exhibit 10.33 of Amendment No. 2 of the Hamilton Beach Brands Holding Company's S-1 Registration Statement filed on September 18, 2017.
10.41	Consulting Agreement, dated as of December 14, 2018 between Alfred M. Rankin, Jr. and Hamilton Beach Brands Holding Company, effective January 1, 2019, is incorporated by reference to Exhibit 10.37 of Hamilton Beach Brands Holding Company's Current Report on Form 8-K, filed on December 28, 2018.
10.42	Forbearance Agreement, dated as of October 23, 2019, by and between Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, Swing Line Lender, and Lender and The Kitchen Collection, LLC is incorporated by reference to Exhibit 10.1 of Hamilton Beach Brands Holding Company's Current Report on Form 8-K, filed on October 25, 2019.

(21) Subsidiaries of the registrant.

21.1	A list of the subsidiaries of the Company is attached hereto as Exhibit 21.

(23) Consents of experts and counsel.

23.1	Consents of experts and counsel.

(31) Rule 13a-14(a)/15d-14(a) Certifications.

31(i)(1)	Certification of Gregory H. Trepp pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act is attached hereto as Exhibit 31(i)(1).
31(i)(2)	Certification of Michelle O. Mosier pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act is attached hereto as Exhibit 31(i)(2).
(32)	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Gregory H. Trepp and Michelle O. Mosier
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Management contract or compensation plan or arrangement required to be filed as an exhibit pursuant to Item15(b) of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hamilton Beach Brands Holding Company
(Registrant)

	Signature	Title	Date
By:	/s/ Michelle O. Mosier Michelle O. Mosier	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)/(Principal Accounting Officer)	March 22, 2021

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director of Hamilton Beach Brands Holding Company hereby appoints Michelle O. Mosier as the true and lawful attorney or attorney-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as director of Hamilton Beach Brands Holding Company, a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 2020 and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorney-in-fact full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorney-in-fact substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Gregory H. Trepp Gregory H. Trepp	President and Chief Executive Officer (Principal Executive Officer), Director	March 22, 2021
/s/ Michelle O. Mosier Michelle O. Mosier	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)/(Principal Accounting Officer)	March 22, 2021
/s/ Mark R. Belgya Mark R. Belgya	Director	March 22, 2021
/s/ J.C. Butler, Jr. J.C. Butler, Jr.	Director	March 22, 2021
/s/ Paul D. Furlow Paul D. Furlow	Director	March 22, 2021

Signature	Title	Date
/s/ John P. Jumper John P. Jumper	Director	March 22, 2021
/s/ Dennis W. LaBarre Dennis W. LaBarre	Director	March 22, 2021
/s/ Michael S. Miller Michael S. Miller	Director	March 22, 2021
/s/ Alfred M. Rankin, Jr. Alfred M. Rankin, Jr.	Director	March 22, 2021
/s/ Thomas T. Rankin Thomas T. Rankin	Director	March 22, 2021
/s/ James A. Ratner James A. Ratner	Director	March 22, 2021
/s/ Clara R. Williams Clara R. Williams	Director	March 22, 2021

ANNUAL REPORT ON FORM 10-K

ITEM 8, ITEM 15(a)(1) AND (2)

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

FINANCIAL STATEMENTS

FINANCIAL STATEMENT SCHEDULE

YEAR ENDED DECEMBER 31, 2020

HAMILTON BEACH BRANDS HOLDING COMPANY

GLEN ALLEN, VIRGINIA

FORM 10-K

ITEM 15(a)(1) AND (2)
HAMILTON BEACH BRANDS HOLDING COMPANY

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements of Hamilton Beach Brands Holding Company are incorporated by reference in Item 8:

The following consolidated financial statement schedule of Hamilton Beach Brands Holding Company is included in Item 15(a)(2):

All other schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable, or the required information is shown in the consolidated financial statements, and therefore have been omitted.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Hamilton Beach Brands Holding Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hamilton Beach Brands Holding Company (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), cash flows and equity for each of the three years in the period ended December 31, 2020, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 22, 2021 expressed an adverse opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2017

Cleveland, Ohio
March 22, 2021

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Hamilton Beach Brands Holding Company

Opinion on Internal Control over Financial Reporting

We have audited Hamilton Beach Brands Holding Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, Hamilton Beach Brands Holding Company (the Company) has not maintained effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

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 the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. Management has identified material weaknesses in internal controls related to (1) the design and operation of review controls at its Mexican subsidiaries over account reconciliations and manual journal entries, (2) the design and operation of transaction level controls at its Mexican subsidiaries over authorizations for spending with vendors, adjusting product costs and selling prices, new customer setup and accounting for price concessions with customers, and (3) the design and operation of controls over the company's income tax accounting process.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Company. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2020 consolidated financial statements, and this report does not affect our report dated March 22, 2021, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Cleveland, Ohio
March 22, 2021

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31		
	2020	2019	2018
	(In thousands, except per share data)		
Revenue	**$ 603,713**	$ 611,786	$ 630,082
Cost of sales	**465,059**	483,234	491,030
Gross profit	**138,654**	128,552	139,052
Selling, general and administrative expenses	**99,990**	100,381	104,121
Amortization of intangible assets	**1,249**	1,377	1,381
Operating profit (loss)	**37,415**	26,794	33,550
Interest expense, net	**1,998**	2,975	2,916
Other expense (income), net	**1,685**	(358)	149
Income (loss) from continuing operations before income taxes	**33,732**	24,177	30,485
Income tax expense (benefit)	**9,665**	9,084	7,426
Net income (loss) from continuing operations	**24,067**	15,093	23,059
Income (loss) from discontinued operations, net of tax	**22,191**	(28,600)	(5,361)
Net income (loss)	**$ 46,258**	$ (13,507)	$ 17,698
Basic earnings (loss) per share:			
Continuing operations	**$ 1.76**	$ 1.10	$ 1.68
Discontinued operations	**1.62**	(2.09)	(0.39)
Basic earnings (loss) per share	**$ 3.39**	$ (0.99)	$ 1.29
Diluted earnings (loss) per share:			
Continuing operations	**$ 1.76**	$ 1.10	$ 1.68
Discontinued operations	**1.62**	(2.09)	(0.39)
Diluted earnings (loss) per share	**$ 3.37**	$ (0.99)	$ 1.29
Basic weighted average shares outstanding	**13,657**	13,690	13,699
Diluted weighted average shares outstanding	**13,712**	13,726	13,731

See notes to consolidated financial statements.

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

	Year Ended December 31		
	2020	2019	2018
	(In thousands)		
Net income (loss)	**$ 46,258**	$ (13,507)	$ 17,698
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	**1,481**	510	(73)
Loss on long-term intra-entity foreign currency transactions	**(3,035)**	(79)	(1,006)
Cash flow hedging activity	**(540)**	(1,569)	100
Reclassification of hedging activities into earnings	**(463)**	349	153
Pension plan adjustment	**630**	1,410	(1,920)
Reclassification of pension adjustments into earnings	**583**	348	556
Total other comprehensive income (loss), net of tax	**$ (1,344)**	$ 969	$ (2,190)
Comprehensive income (loss)	**$ 44,914**	$ (12,538)	$ 15,508

See notes to consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS

	December 31	
	2020	2019
	(In thousands)	
Assets		
Current assets		
Cash and cash equivalents	**$ 2,415**	$ 2,142
Trade receivables, net	**144,797**	108,381
Inventory	**173,962**	109,806
Prepaid expenses and other current assets	**15,118**	11,345
Current assets of discontinued operations	**—**	5,383
Total current assets	**336,292**	237,057
Property, plant and equipment, net	**23,490**	22,324
Goodwill	**6,253**	6,253
Other intangible assets, net	**1,892**	3,141
Deferred income taxes	**6,965**	6,248
Deferred costs	**13,449**	10,941
Other non-current assets	**2,827**	2,085
Non-current assets of discontinued operations	**—**	614
Total assets	**$ 391,168**	$ 288,663
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	**$ 152,054**	$ 111,348
Accounts payable to NACCO Industries, Inc.	**505**	496
Revolving credit agreements	**—**	23,497
Accrued compensation	**15,981**	15,027
Accrued product returns	**6,853**	8,697
Other current liabilities	**23,677**	12,534
Current liabilities of discontinued operations	**—**	29,723
Total current liabilities	**199,070**	201,322
Revolving credit agreements	**98,360**	35,000
Other long-term liabilities	**13,633**	16,075
Total liabilities	**311,063**	252,397
Stockholders' equity		
Preferred stock, par value $0.01 per share	**—**	—
Class A Common stock, par value $0.01 per share; 10,006 and 9,805 shares issued as of December 31, 2020 and 2019, respectively	**100**	98
Class B Common stock, par value $0.01 per share, convertible into Class A on a one-for-one basis; 4,045 and 4,076 shares issued as of December 31, 2020 and 2019, respectively	**41**	41
Capital in excess of par value	**58,485**	54,509
Treasury stock	**(5,960)**	(5,960)
Retained earnings	**44,915**	3,710
Accumulated other comprehensive loss	**(17,476)**	(16,132)
Total stockholders' equity	**80,105**	36,266
Total liabilities and stockholders' equity	**$ 391,168**	$ 288,663

See notes to consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2020	2019	2018
	(In thousands)		
Operating activities			
Net income (loss) from continuing operations	$ **24,067**	$ 15,093	$ 23,059
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used for) operating activities:			
Depreciation and amortization	**3,907**	4,002	4,277
Deferred income taxes	**(1,431)**	1,487	5,474
Stock compensation expense	**3,978**	2,797	3,618
Other	**2,055**	616	837
Net changes in operating assets and liabilities:			
Affiliate payable	**9**	(1,920)	(5,300)
Trade receivables	**(41,314)**	(22,769)	18,529
Inventory	**(65,808)**	13,674	(12,255)
Other assets	**(550)**	1,127	(4,586)
Accounts payable	**40,215**	(7,043)	(7,719)
Other liabilities	**6,938**	(6,842)	(7,979)
Net cash provided by (used for) operating activities from continuing operations	**(27,934)**	222	17,955
Investing activities			
Expenditures for property, plant and equipment	**(3,312)**	(4,122)	(7,759)
Other	**(500)**	—	—
Net cash provided by (used for) investing activities from continuing operations	**(3,812)**	(4,122)	(7,759)
Financing activities			
Net additions (reductions) to revolving credit agreements	**39,761**	11,873	(4,597)
Purchase of treasury stock	—	(5,960)	—
Cash dividends paid	**(5,053)**	(4,851)	(4,658)
Financing fees paid	**(528)**	—	—
Net cash provided by (used for) financing activities from continuing operations	**34,180**	1,062	(9,255)
Cash flows from discontinued operations			
Net cash provided by (used for) operating activities from discontinued operations	**(6,193)**	3,953	(5,499)
Net cash provided by (used for) investing activities from discontinued operations	**6**	585	(305)
Net cash provided by (used for) financing activities from discontinued operations	—	(103)	—
Cash provided by (used for) discontinued operations	**(6,187)**	4,435	(5,804)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	**25**	(785)	309
Cash, cash equivalents and restricted cash			
Increase (decrease) for the period from continuing operations	**2,459**	(3,623)	1,250
Increase (decrease) for the year from discontinued operations	**(6,187)**	4,435	(5,804)
Balance at the beginning of the year	**7,164**	6,352	10,906
Balance at the end of the year	$ **3,436**	$ 7,164	$ 6,352
Reconciliation of cash, cash equivalents and restricted cash			
Continuing operations:			
Cash and cash equivalents	$ **2,415**	$ 2,142	$ 4,420
Restricted cash included in prepaid expenses and other current assets	**208**	—	—
Restricted cash included in other non-current assets	**813**	—	—
Cash and cash equivalents of discontinued operations	—	5,022	1,932
Total cash, cash equivalents, and restricted cash	$ **3,436**	$ 7,164	$ 6,352

See notes to consolidated financial statements.

HAMILTON BEACH BRANDS HOLDING COMPANY
CONSOLIDATED STATEMENTS OF EQUITY

	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(In thousands, except per share data)						
Balance, January 1, 2018	$ 88	$ 48	$ 47,773	$ —	$ 7,860	$ (13,743)	$ 42,026
Net income	—	—	—	—	17,698	—	17,698
Issuance of common stock, net of conversions	5	(4)	323	—	—	—	324
Stock compensation expense	—	—	3,618	—	—	—	3,618
Cash dividends, $0.34 per share	—	—	—	—	(4,658)	—	(4,658)
Reclassification due to adoption of ASU 2018-02	—	—	—	—	1,168	(1,168)	—
Other comprehensive income (loss)	—	—	—	—	—	(2,899)	(2,899)
Reclassification adjustment to net income	—	—	—	—	—	709	709
Balance, December 31, 2018	$ 93	$ 44	$ 51,714	$ —	$ 22,068	$ (17,101)	$ 56,818
Net loss	—	—	—	—	(13,507)	—	(13,507)
Issuance of common stock, net of conversions	5	(3)	(2)	—	—	—	—
Purchase of treasury stock	—	—	—	(5,960)	—	—	(5,960)
Stock compensation expense	—	—	2,797	—	—	—	2,797
Cash dividends, $0.355 per share	—	—	—	—	(4,851)	—	(4,851)
Other comprehensive income (loss)	—	—	—	—	—	272	272
Reclassification adjustment to net income (loss)	—	—	—	—	—	697	697
Balance, December 31, 2019	$ 98	$ 41	$ 54,509	$ (5,960)	$ 3,710	$ (16,132)	$ 36,266
Net income	—	—	—	—	**46,258**	—	**46,258**
Issuance of common stock, net of conversions	**2**	—	**(2)**	—	—	—	—
Stock compensation expense	—	—	**3,978**	—	—	—	**3,978**
Cash dividends, $0.37 per share	—	—	—	—	**(5,053)**	—	**(5,053)**
Other comprehensive income (loss)	—	—	—	—	—	**(1,464)**	**(1,464)**
Reclassification adjustment to net income (loss)	—	—	—	—	—	**120**	**120**
Balance, December 31, 2020	**$ 100**	**$ 41**	**$ 58,485**	**$ (5,960)**	**$ 44,915**	**$ (17,476)**	**$ 80,105**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
HAMILTON BEACH BRANDS HOLDING COMPANY
(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

NOTE 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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 also 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 only material assets held by Hamilton Beach Brands Holding Company are its investments in its consolidated subsidiaries. Substantially all of its cash flows are provided by dividends paid or distributions made by its subsidiaries. Hamilton Beach Brands Holding Company has not guaranteed any obligations of its subsidiaries.

HBB is a leading designer, marketer, and distributor of branded, small electric household and specialty housewares appliances, as well as commercial products for restaurants, bars, and hotels. HBB operates in the consumer, commercial and specialty small appliance markets.

On September 29, 2017, NACCO Industries, Inc. ("NACCO"), Hamilton Beach Holding's former parent company, spun-off the Company to NACCO stockholders. In the spin-off, NACCO stockholders, in addition to retaining their shares of NACCO common stock, received one share of Hamilton Beach Brands Holding Company Class A common stock ("Class A Common") and one share of Hamilton Beach Brands Holding Company Class B common stock ("Class B Common") for each share of NACCO Class A or Class B common stock. In accordance with applicable authoritative accounting guidance, the Company accounted for the spin-off from NACCO based on the historical carrying value of assets and liabilities. As a result of the distribution of one share of Class A Common and one share of Class B Common for each share of NACCO Class A or NACCO Class B common stock, the earnings per share amounts for the Company for periods prior to the spin-off have been calculated based upon the number of shares distributed in the spin-off. NACCO did not receive any proceeds from the spin-off.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of the Company and have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). Intercompany balances and transactions have been eliminated.

Prior Period Restatement

During the quarter ended March 31, 2020, the Company discovered certain accounting irregularities at its Mexican subsidiaries. As a result of the investigation performed, the Company, along with the Audit Review Committee and its third party experts, concluded that certain former employees of one of the Company’s Mexican subsidiaries engaged in unauthorized transactions with the Company’s Mexican subsidiaries that resulted in expenditures being deferred on the balance sheet beyond the period for which the costs pertained. The Company recorded a non-cash write-off for certain amounts included in the Company’s historical consolidated financial statements in trade receivables and prepaid expenses and other current assets, among other corrections, related to these transactions, and restated its consolidated financial statements as of December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018, and 2017 and each of the quarters during the years ended December 31, 2019 and 2018. The restatement also included corrections for other errors identified as immaterial, individually and in the aggregate, to our consolidated financial statements. All amounts included herein reflect the restated financial statements.

Segment Information

As of December 31, 2020, HBB is the Company's single reportable operating segment. This is supported by the operational structure of HBB which is designed and managed to share resources across the entire suite of products offered by the business. Such resources include research and development, product design, marketing, operations, and administrative functions. The Company's chief operating decision maker does not regularly review financial information for individual product categories, sales channels, or geographic regions that would allow decisions to be made about allocation of resources or performance. Since the Company operates in one reportable segment, all required financial segment information can be found in the consolidated financial statements.

Discontinued Operations

A component of an entity that is disposed of by sale or abandonment is reported as discontinued operations if the transaction represents a strategic shift that will have a major effect on an entity's operations and financial results. The results of discontinued operations are aggregated and presented separately in the Consolidated Statements of Operations. Assets and liabilities of the discontinued operations are aggregated and reported separately as assets and liabilities of discontinued operations in the Consolidated Balance Sheet as of December 31, 2019. There are no assets and liabilities of discontinued operations as of December 31, 2020. KC's cash flows are reflected as cash flows from discontinued operations within the Company's Consolidated Statements of Cash Flows for each period presented.

Amounts presented in discontinued operations have been derived from our consolidated financial statements and accounting records using the historical basis of assets, liabilities, and historical results of KC. The discontinued operations exclude general corporate allocations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities (if any). Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and highly liquid investments with original maturities of three months or less.

Trade Receivables

Allowances for doubtful accounts are maintained against trade receivables for estimated losses resulting from the inability of customers to make required payments. These allowances are based on both recent trends of certain customers estimated to be a greater credit risk as well as general trends of the entire customer pool. Accounts are written off against the allowance when it becomes evident collection will not occur.

HBB maintains significant trade receivables balances with several large retail customers. At December 31, 2020 and 2019, receivables from HBB's five largest customers represented 66% and 69%, respectively, of HBB's net trade receivables. HBB's significant credit concentration is uncollateralized; however, historically, minimal credit losses have been incurred.

Transfer of Financial Assets

HBB has entered into an arrangement with a financial institution to sell certain U.S. trade receivables on a non-recourse basis. HBB utilizes this arrangement as an integral part of financing working capital. Under the terms of the agreement, HBB 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, HBB derecognized $162.4 million, $162.7 million, and $165.4 million of trade receivables during 2020, 2019 and 2018, respectively. The losses incurred on sold receivables in the consolidated results of operations for the years ended December 31, 2020, 2019, and 2018 were not material. The Company does not carry any servicing assets or liabilities. Cash proceeds from this arrangement are reflected as operating activities.

Inventory

Inventory is stated at the lower of cost or net realizable value with cost determined under the first-in, first-out (“FIFO”) method. Adjustments to the carrying value are recorded for estimated obsolescence or excess inventory equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions.

Assets Held for Sale

We classify assets and liabilities as held for sale (disposal group) when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. We also consider whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current fair value, and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. When we classify a disposal group as held for sale, we test for impairment. An impairment charge, up to the carrying value of the disposal group, is recognized when the carrying value of the disposal group exceeds the estimated fair value, less costs to sell. We also cease depreciation and amortization for assets classified as held for sale.

During the fourth quarter of 2020, we 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. We expect the divestiture to occur during the fiscal year ended December 31, 2021. The carrying amounts of the major classes of assets that were classified as held for sale are as follows: $2.6 million of Trade receivables, net, and $0.8 million of Inventory. As of December 31, 2020, 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 disposal group approximates the fair value, which we determined based on the expected sales price. In addition, the disposal group had $2.3 million of accumulated other comprehensive losses at December 31, 2020, which will be recognized in net income in 2021 upon deconsolidation.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation, amortization and accumulated impairment losses. Depreciation and amortization are recorded generally using the straight-line method over the estimated useful lives of the assets. Estimated lives for buildings are up to 40 years, and for machinery, equipment and furniture and fixtures range from three to seven years. Leasehold improvements are depreciated over the shorter of the estimated useful life or the term of the lease. The units-of-production method is used to amortize certain tooling for sourced products. Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful life of the software. Gains or losses from the sale of assets are included in selling, general and administrative expenses. Repairs and maintenance are charged to expense as incurred. Interest is capitalized for qualifying long-term capital asset projects as a part of the historical cost of acquiring the asset.

The Company evaluates long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. Fair value is estimated at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of all acquisitions over the estimated fair value of the net assets acquired. Goodwill is not amortized but evaluated at least annually for impairment. The Company conducts its annual test for impairment as of October 1 of each year and it may be conducted more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. Using a qualitative assessment in the current year, the Company determined that it was more-likely-than-not that the goodwill was not impaired and a quantitative test for impairment was not required.

Intangible assets with finite lives are amortized over their estimated useful lives, which represent the period over which the asset is expected to contribute directly or indirectly to future cash flows. Intangible assets with finite lives are reviewed for impairment whenever events and circumstances indicate the carrying value of such assets may not be recoverable and exceed their fair value. If an impairment loss exists, the carrying amount of the intangible asset is adjusted to a new cost basis. The new cost basis is amortized over the remaining useful life of the asset.

No impairment has been recognized for identifiable intangible assets or goodwill for any period presented.

Environmental Liabilities

HBB and environmental consultants are investigating or remediating historical environmental contamination at some current and former sites operated by HBB or by businesses it acquired. Liabilities for environmental matters are recorded in the period when it is determined to be probable and reasonably estimable that the Company will incur costs. When only a range of amounts is reasonably estimable and no amount within the range is more probable than another, the Company records the low end of the range. Environmental liabilities are recorded on an undiscounted basis and recorded in selling, general, and administrative expenses. When recovery of a portion of an environmental liability is probable, such amounts are recognized as a reduction to selling, general, and administrative expenses and included in prepaid expenses and other current assets (current portion) and other non-current assets until settled.

Revenue Recognition

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. Sales taxes are excluded from revenue. At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promised good or service that is distinct. The Company has elected to account for shipping and handling activities performed after a customer obtains control of the goods as activities to fulfill the promise to transfer the goods, and therefore these activities are not assessed as a separate service to customers. 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 determine whether price concessions offered to our customers are a reduction of the transaction price and revenue or are advertising expense, depending on whether we receive a distinct good or service from our customers and, if so, whether we can reasonably estimate the fair value of that distinct good or service. We evaluated such agreements with our customers and determined they should be accounted for as variable consideration.

To estimate variable consideration, the Company applies both the expected value method and most likely amount method based on the form of variable consideration, according to which method would provide the better prediction. The expected value method involves a probability weighted determination of the expected amount, whereas the most likely amount method identifies the single most likely outcome in a range of possible amounts.

Product Development Costs

Expenses associated with the development of new products and changes to existing products are charged to expense as incurred. These costs, included in selling, general and administrative expenses, amounted to $10.0 million, $12.1 million, and $11.0 million in 2020, 2019, and 2018, respectively.

Foreign Currency

Assets and liabilities of foreign operations are translated into U.S. dollars at the fiscal year-end exchange rate. Revenue and expenses of all foreign operations are translated using average monthly exchange rates prevailing during the year. The related translation adjustments, including translation on long-term intra-entity foreign currency transactions, are recorded as a separate component of stockholders' equity.

Financial Instruments

Financial instruments held by the Company include cash and cash equivalents, trade receivables, accounts payable, revolving credit agreements, interest rate swap agreements and forward foreign currency exchange contracts. The Company does not hold or issue financial instruments or derivative financial instruments for trading purposes. Interest rate swap agreements and forward foreign currency exchange contracts held by the Company have been designated as hedges of forecasted cash flows. The Company holds these derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any one institution. The Company does not currently hold any nonderivative instruments designated as hedges or any derivatives designated as fair value hedges.

The Company uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies. The Company offsets fair value amounts related to foreign currency exchange contracts executed with the same counterparty. These contracts hedge firm commitments and forecasted transactions relating to cash flows associated with sales and purchases denominated in currencies other than the subsidiaries' functional currencies. Changes in the fair value of forward foreign currency exchange contracts that are effective as hedges are recorded in accumulated other comprehensive income (loss) ("AOCI"). Deferred gains or losses are reclassified from AOCI to the Consolidated Statements of Operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in cost of sales.

The Company uses interest rate swap agreements to partially reduce risks related to floating rate financing agreements that are subject to changes in the market rate of interest. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. The Company's interest rate swap agreements and its variable rate financings are predominately based upon LIBOR (London Interbank Offered Rate). For cash flow hedges, the Company formally assesses, both at inception and on a quarterly basis thereafter, whether the designated derivative instrument is highly effective in offsetting changes in cash flows of the hedged item. Changes in the fair value of interest rate swap agreements that are effective as hedges are recorded in AOCI. Deferred gains or losses are reclassified from AOCI to the Consolidated Statements of Operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in interest expense, net. The Company discontinues hedge accounting prospectively when the derivative is not highly effective as a hedge, the underlying hedged transaction is no longer probable, or the hedging instrument expires, is sold, terminated or exercised.

The Company periodically enters into foreign currency exchange contracts that do not meet the criteria for hedge accounting. These derivatives are used to reduce the Company's exposure to foreign currency risk related to forecasted purchase or sales transactions or forecasted intercompany cash payments or settlements. Gains and losses on these derivatives are included in other expense, net.

Cash flows from hedging activities are reported in the Consolidated Statements of Cash Flows in the same classification as the hedged item, generally as a component of cash flows from operations.

Fair Value Measurements

The Company defines the fair value measurement of its financial assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value.

Described below are the three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 - Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
Level 3 - Unobservable inputs are used when little or no market data is available.

The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement.

Stock Compensation

Pursuant to the Executive Long-Term Equity Incentive Plan (the "Executive Plan") established in September 2017, and amended and restated in March 2020, the Company grants stock of Class A Common, subject to transfer restrictions, as a means of retaining and rewarding selected employees for long-term performance. Shares awarded under the Executive Plan are fully vested and entitle the stockholder to all rights of common stock ownership except that shares may not be assigned, pledged or otherwise transferred during the restriction period. In general, the restriction period ends after three, five or ten years from the award date or at the earliest of (i) three years after the participant's retirement date, or (ii) the participant's death or permanent disability. The Company issued 94,898, 118,688, and 5,512 shares of stock of Class A Common in the years ended December 31, 2020, 2019, and 2018, respectively. After the issuance of these shares, there were 430,902 shares of Class A common stock available for issuance under this plan. Stock compensation expense related to the Executive Plan was $2.9 million, $1.6 million, and $2.7 million for the years ended December 31, 2020, 2019, and 2018, respectively, and was based on the fair value of Class A Common on the grant date.

The Company also has a stock compensation plan for non-employee directors of the Company under which a portion of the annual retainer for each non-employee director is paid in transfer-restricted shares of Class A common stock. For the year ended December 31, 2020, $100,000 ($150,000 for the Chairman) of the non-employee director's annual retainer of $162,000 ($250,000 for the Chairman) was paid in transfer-restricted shares of Class A common stock. For the year ended December 31, 2019, $95,000 ($150,000 for the Chairman) of the non-employee director's annual retainer of $155,000 ($250,000 for the Chairman) was paid in transfer-restricted shares of Class A common stock. Shares awarded under the plan are fully vested and entitle the stockholder to all rights of common stock ownership except that shares may not be assigned, pledged or otherwise transferred during the restriction period. In general, the transfer restriction period ends at the earliest of (i) ten years after the Quarter Date with respect to which such Required Shares were issued or transferred, (ii) the date of the director's death or date the director terminates service as a director due to permanent disability, (iii) five years (or earlier with the approval of the Board of Directors) after the director's date of retirement from the Board of Directors, or (iv) the date the director has both retired from the Board of Directors and has reached age 70. Pursuant to this plan, the Company issued 74,337 and 50,237, and 33,822 shares in the years ended December 31, 2020, 2019 and 2018, respectively. In addition to the mandatory retainer fee received in transfer-restricted stock, directors may elect to receive shares of Class A common stock in lieu of cash for up to 100% of the balance of their annual retainer, committee retainer and any committee chairman's fees. These voluntary shares are not subject to any restrictions. Total shares issued under voluntary elections were 2,343 in 2020. No shares were issued under voluntary elections in 2019. After the issuance of these shares, there were 41,604 shares of Class A common stock available for issuance under this plan. Stock compensation expense related to these awards was $1.1 million, $1.2 million, and $0.9 million for the years ended December 31, 2020, 2019 and 2018, respectively. Stock compensation expense represents fair value based on the market price of the shares of Class A common stock on the grant date.

Treasury Stock

The Company records the aggregate purchase price of treasury stock at cost and includes treasury stock as a reduction to stockholders' equity.

Income Taxes

Tax law requires certain items to be included in the tax return at different times than the items are reflected in the financial statements. Some of these differences are permanent, such as expenses that are not deductible for tax purposes, and some differences are temporary, reversing over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities using currently enacted tax rates. The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year, and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the financial statements or tax returns. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the provision for income taxes in the period that includes the enactment date. Management is required to estimate the timing of the recognition of deferred tax assets and liabilities, make assumptions about the future deductibility of deferred tax assets and assess deferred tax liabilities based on enacted law and tax rates for the appropriate tax jurisdictions to determine the amount of such deferred tax assets and liabilities. Changes in the calculated deferred tax assets and liabilities may occur in certain circumstances, including statutory income tax rate changes, statutory tax law changes, or changes in the Company's structure or tax status.

The Company's tax assets, liabilities, and tax expense are supported by historical earnings and losses and the Company's best estimates and assumptions of future earnings. The Company assesses whether a valuation allowance should be established against the Company's deferred tax assets based on consideration of all available evidence, both positive and negative, using a more likely than not standard. This assessment considers, among other matters, scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates the Company is using to manage the underlying businesses. When the Company determines, based on all available evidence, that it is more likely than not that deferred tax assets will not be realized, a valuation allowance is established.

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 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, and interim periods within fiscal years beginning after December 15, 2021. 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.

NOTE 2 - Discontinued Operations

On October 10, 2019, the Board approved the wind down of KC's retail operations due to further deterioration in foot traffic which lowered the Company's outlook for the prospect of a future return to profitability. By December 31, 2019, all retail stores were closed and operations ceased. Accordingly, KC is reported as discontinued operations in all periods presented. KC completed its dissolution on April 3, 2020 with a pro-rata distribution of its remaining assets to creditors, at which time the KC legal entity ceased to exist and was no longer consolidated by the Company. 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:

	Year Ended December 31		
	2020	2019	2018
		(In thousands)	
Revenue	**$ 631**	$ 100,860	$ 113,469
Cost of sales	**—**	62,927	61,972
Gross profit	**631**	37,933	51,497
Selling, general and administrative expenses	**1,346**	54,047	58,035
Adjustment of lease termination liability (1)	**(16,457)**	15,186	—
Adjustment of other current liabilities(2)	**(6,608)**	—	—
Operating profit (loss)	**22,350**	(31,300)	(6,538)
Interest expense	**—**	583	361
Other expense, net	**88**	26	33
Income (loss) from discontinued operations before income taxes	**22,262**	(31,909)	(6,932)
Income tax expense (benefit)	**71**	(3,309)	(1,571)
Income (loss) from discontinued operations, net of tax	**$ 22,191**	$ (28,600)	$ (5,361)

(1) For the year ended December 31, 2020, 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 dissolution of KC, there were no assets or liabilities associated with KC as of December 31, 2020. The major classes of assets and liabilities included as part of discontinued operations as of December 31, 2019 are as follows:

	December 31	
	2019	
	(In thousands)	
Assets		
Cash and cash equivalents	$	5,022
Prepaid expenses and other current assets		361
Current assets of discontinued operations	$	5,383
Deferred income taxes		614
Non-current assets of discontinued operations	$	614
Liabilities		
Accounts payable	$	4,594
Lease termination liability		17,248
Other current liabilities		7,881
Current liabilities of discontinued operations	$	29,723

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

NOTE 3 - Property, Plant and Equipment, Net

Property, plant and equipment, net includes the following:

	December 31			
	2020		2019	
Land	**$**	**226**	$	226
Furniture and fixtures		**10,957**		10,169
Building and improvements		**10,145**		10,116
Machinery and equipment		**33,601**		32,761
Internal-use capitalized software		**15,582**		2,902
Construction in progress, including internal-use capitalized software not yet in service		**1,214**		11,685
Property, plant and equipment, at cost		**71,725**		67,859
Less allowances for depreciation and amortization		**48,235**		45,535
	$	**23,490**	$	22,324

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
HAMILTON BEACH BRANDS HOLDING COMPANY
(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

NOTE 4 - Intangible Assets

Intangible assets other than goodwill, which are subject to amortization, consist of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Balance
Balance at December 31, 2020			
Customer relationships	**$ 5,760**	**$ (5,760)**	**$ —**
Trademarks	**3,100**	**(1,208)**	**1,892**
Other intangibles	**1,240**	**(1,240)**	**—**
	$ 10,100	**$ (8,208)**	**$ 1,892**
Balance at December 31, 2019			
Customer relationships	$ 5,760	$ (4,840)	$ 920
Trademarks	3,100	(1,008)	2,092
Other intangibles	1,240	(1,111)	129
	$ 10,100	$ (6,959)	$ 3,141

Amortization expense for intangible assets was $1.2 million in 2020, and $1.4 million in 2019 and 2018.

Expected annual amortization expense of intangible assets for the next five years is $0.2 million. The weighted average amortization period for intangible assets is approximately 8.9 years.

NOTE 5 - Current and Long-Term Financing

Financing arrangements exist at the subsidiary level. Hamilton Beach Brands Holding Company has not guaranteed any borrowings of its subsidiaries.

The following table summarizes HBB's available and outstanding borrowings:

	December 31	
	2020	2019
Total outstanding borrowings for continuing operations:		
Revolving credit agreements	**$ 98,360**	$ 58,305
Book overdrafts	**—**	192
Total outstanding borrowings	**$ 98,360**	$ 58,497
Current portion of borrowings outstanding	**$ —**	$ 23,497
Long-term portion of borrowings outstanding	**98,360**	35,000
	$ 98,360	$ 58,497
Total available borrowings, net of limitations, under revolving credit agreements	**$ 123,277**	$ 114,366
Unused revolving credit agreements	**$ 24,917**	$ 56,061
Weighted average stated interest rate on total borrowings	**2.51 %**	4.16 %
Weighted average effective interest rate on total borrowings (including interest rate swap agreements)	**2.88 %**	3.82 %

Including swap settlements, interest paid on total debt was $2.1 million, $3.1 million, and $3.1 million during 2020, 2019, and 2018, respectively. Interest capitalized was $0.3 million in 2020, $0.4 million in 2019 and $0.3 million in 2018.

On November 23, 2020, HBB entered into Amendment No. 8 to Amended and Restated Credit Agreement. The Agreement amended and restated the Credit Agreement in its entirety and extended the term of HBB's credit facility to June 30, 2025, increased the credit facility from $115.0 million to $125.0 million, amended the pricing grid and provided for an accordion feature to increase the facility by an additional $25 million upon HBB's request, subject to Lender consent. The Company expects to continue to borrow against the facility and make voluntary repayments within the next twelve months. As a result of the amendment, repayment of the credit facility is due on June 30, 2025, therefore all borrowings are classified as long term debt as of December 31, 2020. The obligations under the HBB Facility are secured by substantially all of HBB's assets.

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 December 31, 2020, for base rate loans and LIBOR loans denominated in U.S. dollars were 0.0% and 1.75%, respectively. The applicable margins, effective December 31, 2020, for base rate loans and bankers' acceptance loans denominated in Canadian dollars were 0.0% and 1.75%, 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.

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 December 31, 2020 at an average fixed interest rate of 1.7%.

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 not less than $15.0 million. Dividends to Hamilton Beach Holding are discretionary to the extent that for the 30 days prior to the dividend payment date, and after giving effect to the dividend payment, HBB maintains excess availability of not less than $25.0 million. The HBB Facility also requires HBB to achieve a minimum fixed charge coverage ratio in certain circumstances, as defined in the HBB Facility. At December 31, 2020, HBB was in compliance with all financial covenants in the HBB Facility.

NOTE 6 - Fair Value Disclosure

Recurring Fair Value Measurements

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

Other Fair Value Measurement Disclosures

The carrying amounts of cash and cash equivalents, trade receivables and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair values of revolving credit agreements, including book overdrafts, which approximate book value, were determined using current rates offered for similar obligations taking into account subsidiary credit risk, which is Level 2 as defined in the fair value hierarchy. The fair value of assets held for sale, classified as Level 3, were determined using a market approach based on market participant inputs.

There were no transfers into or out of Levels 1 or 2 during the years ended December 31, 2020 and 2019. There was one transfer into Level 3 related to the $3.4 million of assets held for sale during the year ended December 31, 2020.

NOTE 7 - Derivative Financial Instruments

Foreign Currency Derivatives

HBB held forward foreign currency exchange contracts with total notional amounts of $12.3 million and $13.2 million at December 31, 2020, and 2019, respectively, denominated primarily in Canadian dollars and Mexican pesos. The fair value of these contracts approximated a payable of $0.5 million at December 31, 2020 and a payable of $0.3 million at December 31, 2019.

Forward foreign currency exchange contracts that qualify for hedge accounting are used to hedge transactions expected to occur within the next twelve months. The mark-to-market effect of forward foreign currency exchange contracts that are considered effective as hedges has been included in AOCI.

Interest Rate Derivatives

HBB has interest rate swaps that hedge interest payments on its one-month LIBOR borrowings. All swaps have been designated as cash flow hedges.

The following table summarizes the notional amounts, related rates and remaining terms of interest rate swap agreements for HBB at December 31 in millions:

	Notional Amount		Average Fixed Rate		Remaining Term at
	2020	2019	**2020**	2019	December 31, 2020
Interest rate swaps	**$ —**	$ 20.0	**— %**	1.4 %	n/a
Interest rate swaps	**$ 25.0**	$ 15.0	**1.7 %**	1.6 %	Extending to January 2024
Delayed start interest rate swaps	**$ —**	$ 10.0	**— %**	1.7 %	n/a

The fair value of HBB's interest rate swap agreements was a payable of $1.2 million at December 31, 2020 and a payable of $0.1 million at December 31, 2019. The mark-to-market effect of interest rate swap agreements that are considered effective as hedges has been included in AOCI. The interest rate swap agreements held by HBB on December 31, 2020 are expected to continue to be effective as hedges.

The following table summarizes the fair value of derivative instruments at December 31 as recorded in the Consolidated Balance Sheets:

	Asset Derivatives			Liability Derivatives		
	Balance sheet location	**2020**	2019	Balance sheet location	**2020**	2019
Interest rate swap agreements						
Current	Prepaid expenses and other current assets	**$ —**	$ —	Other current liabilities	**$ 380**	$ 21
Long-term	Other non-current assets	**—**	—	Other long-term liabilities	**779**	61
Foreign currency exchange contracts						
Current	Prepaid expenses and other current assets	**—**	—	Other current liabilities	**518**	308
Total derivatives		**$ —**	$ —		**$1,677**	$ 390

(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

NOTE 8 - Leasing Arrangements

HBB leases certain office and warehouse facilities as well as machinery and equipment under noncancellable operating leases that expire at various dates through 2034. Many leases include renewal and/or fair value purchase options.

Future minimum operating lease payments at December 31, 2020 are:

	Operating Leases
2021	$ 7,081
2022	6,738
2023	6,405
2024	6,355
2025	6,395
Subsequent to 2025	44,117
Total minimum lease payments	$ 77,091

Rental expense from continuing operations net of sublease rental income for all operating leases, is reported in selling, general and administrative expenses and was $6.2 million in 2020 and $5.6 million in 2019 and 2018.

NOTE 9 - Stockholders' Equity and Earnings Per Share

Capital Stock

The authorized capital stock of the Company consists of Class A Common, Class B Common and one series of Preferred stock. Voting, dividend, conversion and liquidation rights of the Preferred stock is established by the Board upon issuance of such preferred stock.

Hamilton Beach Brands Holding Company Class A Common is traded on the New York Stock Exchange under the ticker symbol “HBB.” Because of transfer restrictions on Class B Common, no trading market has developed, or is expected to develop, for the Class B Common.

Subject to the rights of the holders of any series of preferred stock, each share of Class A Common will entitle the holder of the share to one vote on all matters submitted to stockholders, and each share of the Company's Class B Common will entitle the holder of the share to ten votes on all such matters. Subject to the rights of the preferred stockholders, each share of Class A Common and Class B Common will be equal in respect of rights to dividends, except that in the case of dividends payable in stock, only Class A Common will be distributed with respect to Class A Common and only Class B Common will be distributed with respect to Class B Common. As the liquidation and dividend rights are identical, any distribution of earnings would be allocated to Class A and Class B stockholders on a proportionate basis, and accordingly the net income per share for each class of common stock is identical.

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

	December 31	
	2020	2019
	(In thousands)	
Preferred stock, par value $0.01 per share		
Preferred stock authorized	**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
Class A Common issued(1)(2)	**10,006**	9,805
Treasury Stock	**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
Class B Common issued(1)	**4,045**	4,076

(1) Class B Common converted to Class A Common were 31 shares during 2020 and 345 shares 2019.
(2) The Company issued Class A Common shares of 170 during 2020 and 169 during 2019 related to the Company's stock compensation plan.

Stock Repurchase Program

In May 2018, the Company approved a stock repurchase program for the purchase of up to $25.0 million of the Company's Class A Common Stock outstanding through December 31, 2019. 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 Stock outstanding starting January 1, 2020 and ending December 31, 2021. During the year ended December 31, 2019, the Company repurchased 364,893 shares for an aggregate purchase price of $6.0 million. There were no share repurchases during the years ended December 31, 2020 and 2018.

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(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes in accumulated other comprehensive income (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, 2018	$ (7,573)	$ 508	$ (6,678)	$ (13,743)
Reclassification due to adoption of ASU 2018-02	—	118	(1,286)	(1,168)
Other comprehensive income (loss)	(1,162)	174	(2,583)	(3,571)
Reclassification adjustment to net income (loss)	—	213	729	942
Tax effects	83	(134)	490	439
Balance, December 31, 2018	$ (8,652)	$ 879	$ (9,328)	$ (17,101)
Other comprehensive income (loss)	481	(2,199)	1,882	164
Reclassification adjustment to net income (loss)	—	490	727	1,217
Tax effects	(50)	489	(851)	(412)
Balance, December 31, 2019	**$ (8,221)**	**$ (341)**	**$ (7,570)**	**$ (16,132)**
Other comprehensive income (loss)	**(896)**	**(718)**	**844**	**(770)**
Reclassification adjustment to net income (loss)	—	**(642)**	**701**	**59**
Tax effects	**(658)**	**357**	**(332)**	**(633)**
Balance, December 31, 2020	**$ (9,775)**	**$ (1,344)**	**$ (6,357)**	**$ (17,476)**

Earnings per share

The weighted average number of shares of Class A Common and Class B Common outstanding used to calculate basic and diluted earnings (loss) per share were as follows:

	2020	2019	2018
Basic weighted average shares outstanding	**13,657**	13,690	13,699
Dilutive effect of share-based compensation awards	**55**	36	32
Diluted weighted average shares outstanding	**13,712**	13,726	13,731
Basic earnings (loss) per share:			
Continuing operations	**$ 1.76**	$ 1.10	$ 1.68
Discontinued operations	**1.62**	(2.09)	(0.39)
Basic and diluted earnings (loss) per share	**$ 3.39**	$ (0.99)	$ 1.29
Diluted earnings (loss) per share:			
Continuing operations	**$ 1.76**	$ 1.10	$ 1.68
Discontinued operations	**1.62**	(2.09)	(0.39)
Diluted earnings (loss) per share	**$ 3.37**	$ (0.99)	$ 1.29

NOTE 10 - 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).

(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

The following table presents the HBB's revenue on a disaggregated basis for the year ending:

	Year Ended December 31		
	2020	2019	2018
Consumer products	**$ 568,685**	$ 559,279	$ 576,270
Commercial products	**30,066**	48,028	50,153
Licensing	**4,962**	4,479	3,659
Total revenues	**$ 603,713**	$ 611,786	$ 630,082

Walmart Inc. and its global subsidiaries accounted for approximately 35%, 33%, and 33% of HBB's revenue in 2020, 2019, and 2018, respectively. Amazon.com, Inc. and its subsidiaries accounted for approximately 16%, 14%, and 10% of the HBB's revenue in 2020, 2019, and 2018 respectively. HBB's five largest customers accounted for approximately 64%, 58%, and 53% of the HBB's revenue in 2020, 2019, and 2018, respectively.

NOTE 11 - Contingencies

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

HBB is a defendant in a legal proceeding in which the plaintiff alleges that certain HBB products infringe the plaintiff's patents. On May 3, 2019, the jury returned its verdict finding that the Company had infringed certain patents of the plaintiff and, as a result, awarded the plaintiff damages in the amount of $3.2 million. The damages award was subsequently reduced to $2.1 million because the Court determined that part of the damages award based on lost profits was speculative. On August 14, 2020, the court entered an order awarding the plaintiff additional sales post-trial and interest on the damages award through July 31, 2020 and continuing interest in a de minimis amount until the judgment is satisfied. Both parties filed a Notice of Appeal with the US Circuit Court of Appeals for the Federal Circuit and oral argument is expected to be in the second quarter of 2021. As of December 31, 2020, the accrual for the contingent loss is $3.1 million. HBB maintains that it does not infringe any valid patent claim and the damages award is not supported by the evidence and continues to vigorously pursue the appeal of the judgment and adverse lower court rulings.

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

(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

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.

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 December 31, 2020 and December 31, 2019, HBB had accrued undiscounted obligations of $3.1 million and $4.4 million respectively, for environmental investigation and remediation activities. The reduction in the amount accrued at December 31, 2020 compared to December 31, 2019 is due to a change in the expected type and extent of investigation and remediation activities associated with one of the sites. 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. Additionally, the Company recorded a $1.5 million receivable as of December 31, 2019 related to a probable recovery of environmental investigation and remediation costs associated with one of the sites from a responsible party in exchange for release from all future obligations by that party. As of December 31, 2020, the receivable has been collected and $1.0 million is restricted cash.

NOTE 12 - Income Taxes

The components of income (loss) from continuing operations before income taxes and the income tax expense for the years ended December 31 are as follows:

	2020	2019	2018
Income (loss) from continuing operations before income taxes			
Domestic	**$ 31,140**	$ 24,835	$ 30,835
Foreign	**2,592**	(658)	(350)
	$ 33,732	$ 24,177	$ 30,485
Income tax expense (benefit) within continuing operations			
Current income tax expense (benefit):			
Federal	**$ 7,006**	$ 2,966	$ (323)
State	**1,877**	1,106	356
Foreign	**2,213**	3,525	1,919
Total current	**11,096**	7,597	1,952
Deferred income tax expense (benefit):			
Federal	**(924)**	856	5,592
State	**(325)**	1,676	447
Foreign	**(182)**	(1,045)	(565)
Total deferred	**(1,431)**	1,487	5,474
	$ 9,665	$ 9,084	$ 7,426

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The Company made no federal income tax payments during 2020 and made payments of $1.9 million and $8.3 million during 2019 and 2018, respectively, to the IRS and to NACCO as a member of the consolidated income tax return for periods prior to spin off. The Company made foreign and state income tax payments of $2.9 million, $3.6 million, and $2.6 million during 2020, 2019, and 2018, respectively. During the same periods, income tax refunds totaled $1.0 million in 2020 and $0.1 million in 2019 and 2018.

A reconciliation of the federal statutory and effective income tax rate for the years ended December 31 is as follows:

	2020		2019		2018	
	$	**%**	$	%	$	%
Income (loss) from continuing operations before income taxes	**$ 33,732**		$ 24,177		$ 30,485	
Statutory taxes at 21%	**$ 7,092**	**21.0 %**	$ 5,077	21.0 %	$ 6,402	21.0 %
State and local income taxes	**1,136**	**3.4 %**	1,031	4.3 %	729	2.4 %
Valuation allowances	**614**	**1.8 %**	2,190	9.1 %	42	0.1 %
Other non-deductible expenses	**415**	**1.2 %**	253	1.0 %	429	1.4 %
Credits	**(700)**	**(2.1)%**	(1,195)	(4.9)%	(348)	(1.1)%
Loss on Kitchen Collection dissolution	**616**	**1.8 %**	—	— %	—	— %
Unrecognized tax benefits	**708**	**2.1 %**	2,719	11.2 %	1,427	4.7 %
Other, net	**(216)**	**(0.6)%**	(991)	(4.1)%	(1,255)	(4.1)%
Income tax provision	**$ 9,665**	**28.7 %**	$ 9,084	37.6 %	$ 7,426	24.4 %

A detailed summary of the total deferred tax assets and liabilities in the Company's Consolidated Balance Sheets resulting from differences in the book and tax basis of assets and liabilities follows:

	December 31	
	2020	2019
Deferred tax assets		
Tax carryforwards	**$ 3,002**	$ 2,867
Inventory	**2,114**	316
Accrued expenses and reserves	**4,436**	5,896
Other employee benefits	**4,700**	1,500
Other	**2,374**	1,412
Total deferred tax assets	**16,626**	11,991
Less: Valuation allowances	**(2,102)**	(1,069)
	14,524	10,922
Deferred tax liabilities		
Inventory	**1,099**	—
Accrued pension benefits	**3,262**	2,623
Depreciation and amortization	**3,198**	2,051
Total deferred tax liabilities	**7,559**	4,674
Net deferred tax asset	**$ 6,965**	$ 6,248

As of December 31, 2020 and 2019, respectively, HBB maintained valuation allowances with respect to certain deferred tax assets relating primarily to operating losses in certain non-U.S. jurisdictions that HBB believes are not likely to be realized.

(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

The following table summarizes the tax carryforwards and associated carryforward periods and related valuation allowances where the Company has determined that realization is uncertain:

	December 31, 2020		
	Net deferred tax asset	Valuation allowance	Carryforwards expire during:
Non-U.S. net operating loss	**$ 3,002**	**$ 1,363**	**2021 - Indefinite**

	December 31, 2019		
	Net deferred tax asset	Valuation allowance	Carryforwards expire during:
Non-U.S. net operating loss	$ 2,867	$ 987	2020 - Indefinite

Based upon the review of historical earnings and the relevant expiration of carryforwards, the Company believes the valuation allowances are appropriate and does not expect to release valuation allowances within the next twelve months that would have a significant effect on the Company's financial position or results of operations.

As of December 31, 2020, the cumulative unremitted earnings of the Company's foreign subsidiaries are approximately $15.6 million. The Company has recorded the tax impact for the unremitted earnings as allowed under the Tax Cuts and Jobs Act (the "Tax Act"), a portion of which is classified in other long-term liabilities as the Company has elected to make payments over eight years. The Company continues to conclude all material entities' foreign earnings will be indefinitely reinvested in its foreign operations and will remain offshore in order to meet the capital and business needs outside of the U.S. As a result, the Company does not provide a deferred tax liability with respect to the cumulative unremitted earnings. It is not practicable to determine the deferred tax liability associated with these undistributed earnings due to the availability of foreign tax credits. The Company made an accounting policy election to account for the global intangible low-tax income as a current period expense when incurred. The Company recognizes any tax impacts of global intangible low-taxed income (GILTI) as period costs similar to other special deductions, and not as deferred taxes for basis differences.

The following is a reconciliation of the Company's total gross unrecognized tax benefits, defined as the aggregate tax effect of differences between tax return positions and the benefits recognized in the financial statements for the years ended December 31, 2020, 2019, and 2018. Approximately $4.0 million, $3.0 million, and $1.4 million of these gross amounts as of December 31, 2020, 2019, and 2018, respectively, relate to permanent items that, if recognized, would impact the effective income tax rate. This amount differs from the gross unrecognized tax benefits presented in the table below due to the decrease in U.S. federal income taxes which would occur upon the recognition of the state tax benefits included herein.

	2020	2019	2018
Balance at January 1	**$ 4,266**	$ 1,576	$ 881
Additions (reductions) based on tax positions related to prior years	**(116)**	97	91
Additions based on tax positions related to the current year	**130**	2,593	1,110
Reductions for lapse of statute of limitations	**(166)**	—	—
Reductions due to settlements with taxing authorities	—	—	(506)
Balance at December 31	**$ 4,114**	$ 4,266	$ 1,576

The Company records interest and penalties on uncertain tax positions as a component of the income tax provision. The Company recognized expense of $0.7 million and $0.1 million related to interest and penalties as of December 31, 2020 and 2019, respectively. The total amount of interest and penalties accrued was $0.7 million and $0.1 million as of December 31, 2020 and 2019, respectively. It is reasonably possible within the next 12 months there could be a change in unrecognized tax benefits related to the restatement which is expected to have an approximate $4.7 million effect on the Company's cash flows.

(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

In general, the Company operates in taxing jurisdictions that provide a statute of limitations period ranging from three to five years for the taxing authorities to review the applicable tax filings. The examination of NACCO's 2013-2016 U.S. federal tax returns is ongoing, and exam years from 2017 onwards remain open for federal tax returns. The Company is generally open for examination of state and foreign jurisdictions for the tax year 2016 and beyond. In addition, the Company does not have any material taxing jurisdictions in which the statute of limitations has been extended beyond the applicable time frame allowed by law.

NOTE 13 - Retirement Benefit Plans

Defined Benefit Plans

The Company maintains two defined benefit pension plans that provide benefits based on years of service and average compensation during certain periods. The Company's U.S. plan was frozen, effective December 31, 1996, for participation and benefit accrual purposes (except cash balance interest credits required by law). Similarly, the Company's non-U.S. plan was frozen, effective December 31, 2008.

The assumptions used in accounting for the defined benefit plans were as follows for the years ended December 31:

	2020	2019	2018
U.S. Plan			
Discount rate for pension benefit obligation	**1.87 %**	2.88 %	4.00 %
Discount rate for net periodic benefit (income) expense	**2.88 %**	4.00 %	3.30 %
Expected long-term rate of return on assets for net periodic pension (income) expense	**7.50 %**	7.50 %	7.50 %
Non-U.S. Plan			
Discount rate for pension benefit obligation	**2.38 %**	2.96 %	3.50 %
Discount rate for net periodic benefit (income) expense	**2.96 %**	3.50 %	3.50 %
Expected long-term rate of return on assets for net periodic pension (income) expense	**5.00 %**	5.50 %	5.50 %

Set forth below is a detail of the net periodic pension (income) expense, included in other expense (income), net for the defined benefit plans for the years ended December 31:

	2020	2019	2018
U.S. Plan			
Interest cost	**$ 527**	$ 727	$ 681
Expected return on plan assets	**(2,011)**	(1,987)	(2,047)
Amortization of actuarial loss	**631**	561	623
Net periodic pension (income) expense	**$ (853)**	$ (699)	$ (743)
Non-U.S. Plan			
Interest cost	**$ 128**	$ 144	$ 142
Expected return on plan assets	**(253)**	(263)	(286)
Amortization of actuarial loss	**70**	72	200
Net periodic pension (income) expense	**$ (55)**	$ (47)	$ 56

(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

Set forth below is the detail of other changes in plan assets and benefit obligations recognized in other comprehensive loss (income) for the years ended December 31:

	2020	2019	2018
U.S. Plan			
Current year actuarial loss (gain)	**$ (1,080)**	$ (1,727)	$ 2,347
Amortization of actuarial loss	**(631)**	(561)	(623)
Total recognized in other comprehensive loss (income)	**$ (1,711)**	$ (2,288)	$ 1,724
Non-U.S. Plan			
Current year actuarial loss	**$ 236**	$ (155)	$ 236
Amortization of actuarial loss	**(70)**	(72)	(200)
Total recognized in other comprehensive loss (income)	**$ 166**	$ (227)	$ 36

The following table sets forth the changes in the benefit obligation and the plan assets during the year and the funded status of the defined benefit plans at December 31:

	2020		2019	
	U.S. Plan	**Non-U.S. Plan**	U.S. Plan	Non-U.S. Plan
Change in benefit obligation				
Projected benefit obligation at beginning of year	**$ 19,374**	**$ 4,570**	$ 19,131	$ 4,084
Interest cost	**527**	**128**	727	144
Actuarial (gain) loss	**972**	**399**	1,266	311
Benefits paid	**(1,895)**	**(205)**	(1,750)	(182)
Foreign currency exchange rate changes	**—**	**108**	—	213
Projected benefit obligation at end of year	**$ 18,978**	**$ 5,000**	$ 19,374	$ 4,570
Accumulated benefit obligation at end of year	**$ 18,978**	**$ 5,000**	$ 19,374	$ 4,570
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 28,900**	**$ 5,350**	$ 25,671	$ 4,744
Actual return on plan assets	**4,065**	**428**	4,979	726
Benefits paid	**(1,895)**	**(205)**	(1,750)	(182)
Foreign currency exchange rate changes	**—**	**(76)**	—	62
Fair value of plan assets at end of year	**$ 31,070**	**$ 5,497**	$ 28,900	$ 5,350
Funded status at end of year	**$ 12,092**	**$ 497**	$ 9,526	$ 780
Amounts recognized in the balance sheets consist of:				
Non-current assets	**$ 12,092**	**$ 497**	$ 9,526	$ 780
Components of accumulated other comprehensive loss consist of:				
Actuarial loss	**$ (7,429)**	**$ (1,224)**	$ (9,140)	$ (1,058)
Deferred taxes	**1,901**	**395**	2,280	348
	$ (5,528)	**$ (829)**	$ (6,860)	$ (710)

The actuarial loss included in accumulated other comprehensive loss expected to be recognized in net periodic pension (income) expense in 2021 is $0.7 million.

(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

The Company recognizes as a component of benefit cost (income), as of the measurement date, any unrecognized actuarial net gains or losses that exceed 10% of the larger of the projected benefit obligations or the plan assets, defined as the "corridor." Amounts outside the corridor are amortized over the average expected remaining lifetime of inactive participants for the pension plans. The gain (loss) amounts recognized in AOCI are not expected to be fully recognized until the plan is terminated or as settlements occur, which would trigger accelerated recognition.

The Company's policy is to make contributions to fund its pension plans within the range allowed by applicable regulations. The Company does not expect to contribute to its U.S. and non-U.S. pension plans in 2021.

Pension benefit payments are made from assets of the pension plans.

Future pension benefit payments expected to be paid from assets of the pension plans are:

	U.S. Plan	Non-U.S. Plan
2021	$ 1,879	$ 236
2022	1,860	240
2023	1,713	237
2024	1,553	246
2025	1,461	254
2026 - 2029	5,606	1,327
	$ 14,072	$ 2,540

The expected long-term rate of return on defined benefit plan assets reflects management's expectations of long-term rates of return on funds invested to provide for benefits included in the projected benefit obligations. In establishing the expected long-term rate of return assumption for plan assets, the Company considers the historical rates of return over a period of time that is consistent with the long-term nature of the underlying obligations of these plans as well as a forward-looking rate of return. The historical and forward-looking rates of return for each of the asset classes used to determine the Company's estimated rate of return assumption were based upon the rates of return earned or expected to be earned by investments in the equivalent benchmark market indices for each of the asset classes.

Expected returns for U.S. pension plans are based on a calculated market-related value for U.S. pension plan assets. Under this methodology, asset gains and losses resulting from actual returns that differ from the Company's expected returns are recognized in the market-related value of assets ratably over three years. Expected returns for non-U.S. pension plans are based on fair market value for non-U.S. pension plan assets.

The pension plans maintain investment policies that, among other things, establish a portfolio asset allocation methodology with percentage allocation bands for individual asset classes. The investment policies provide that investments are reallocated between asset classes as balances exceed or fall below the appropriate allocation bands.

The following is the actual allocation percentage and target allocation percentage for the U.S. pension plan assets at December 31:

	2020 Actual Allocation	2019 Actual Allocation	Target Allocation Range
U.S. equity securities	**45.5 %**	45.9 %	36.0% - 54.0%
Non-U.S. equity securities	**20.3 %**	20.4 %	16.0% - 24.0%
Fixed income securities	**33.8 %**	33.2 %	30.0% - 40.0%
Money market	**0.4 %**	0.5 %	0.0% - 10.0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The following is the actual allocation percentage and target allocation percentage for the Non-U.S. pension plan assets at December 31:

	2020 Actual Allocation	2019 Actual Allocation	Target Allocation Range
Canadian equity securities	**29.5 %**	30.2 %	25.0% - 35.0%
Non-Canadian equity securities	**34.4 %**	32.3 %	25.0% - 35.0%
Fixed income securities	**36.1 %**	37.5 %	30.0% - 50.0%
Cash and cash equivalents	**— %**	— %	0.0% - 5.0%

The fair value of each major category of the Company's U.S. pension plan assets are valued using quoted market prices in active markets for identical assets, or Level 1 in the fair value hierarchy. The fair value of each major category of the Company's Non-U.S. pension plan assets are valued using observable inputs, either directly or indirectly, other than quoted market prices in active markets for identical assets. Following are the values as of December 31:

	U.S. Plan		Non-U.S. Plan	
	2020	2019	**2020**	2019
U.S. equity securities	**$ 14,113**	$ 13,255	**$ 1,064**	$ 929
Non-U.S. equity securities	**6,321**	5,904	**2,445**	2,412
Fixed income securities	**10,510**	9,596	**1,988**	2,009
Money market	**126**	145	**—**	—
Total	**$ 31,070**	$ 28,900	**$ 5,497**	$ 5,350

Defined Contribution Plans

HBB maintains a defined contribution (401(k)) plan for substantially all U.S. employees and similar plans for employees outside of the U.S. The Company's U.S. plan provides employer safe harbor contributions based on plan provisions and both defined contribution retirement plans provide for a separate employer contribution. These plans permit additional profit-sharing contributions, determined annually, that are based on a formula that includes (i) the effect of actual operating profit results compared with targeted operating profit results and (ii) the age and/or compensation of the participants. Total costs, including Company contributions, for these plans were $5.1 million in 2020, $5.0 million in 2019 and $5.3 million in 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
HAMILTON BEACH BRANDS HOLDING COMPANY
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NOTE 14 - Data by Geographic Region

Revenue and property, plant and equipment related to continuing operations outside the U.S., based on customer and asset location, are as follows:

	U.S.	Other	Consolidated
2020			
Revenue from unaffiliated customers	**$ 493,573**	**$ 110,140**	**$ 603,713**
Property, plant and equipment, net	**$ 18,021**	**$ 5,469**	**$ 23,490**
2019			
Revenue from unaffiliated customers	$ 463,608	$ 148,178	$ 611,786
Property, plant and equipment, net	$ 16,828	$ 5,496	$ 22,324
2018			
Revenue from unaffiliated customers	$ 488,520	$ 141,562	$ 630,082
Property, plant and equipment, net	$ 15,344	$ 5,498	$ 20,842

No single country outside of the U.S. comprised 10% or more of HBB's revenue from unaffiliated customers.

NOTE 15 - Quarterly Results of Operations (Unaudited)

A summary of the unaudited results of operations for the year ended December 31 is as follows:

	2020			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenue	**$ 120,846**	**$ 138,297**	**$ 110,549**	**$ 234,021**
Gross profit	**$ 25,040**	**$ 35,254**	**$ 23,748**	**$ 54,612**
Operating profit	**$ 503**	**$ 10,895**	**$ (2,405)**	**$ 28,422**
Income (loss) from continuing operations, net of tax	**$ (1,354)**	**$ 8,065**	**$ (2,010)**	**$ 19,366**
Income (loss) from discontinued operations, net of tax	**22,866**	**(305)**	**—**	**(370)**
Net income (loss)	**$ 21,512**	**$ 7,760**	**$ (2,010)**	**$ 18,996**
Basic earnings (loss) per share:				
Continuing operations	**$ (0.10)**	**$ 0.59**	**$ (0.15)**	**$ 1.41**
Discontinued operations	**1.68**	**(0.02)**	**—**	**(0.03)**
Basic earnings (loss) per share	**$ 1.58**	**$ 0.57**	**$ (0.15)**	**$ 1.39**
Diluted earnings (loss) per share:				
Continuing operations	**$ (0.10)**	**$ 0.59**	**$ (0.15)**	**$ 1.40**
Discontinued operations	**1.68**	**(0.02)**	**—**	**(0.03)**
Diluted earnings (loss) per share	**$ 1.58**	**$ 0.57**	**$ (0.15)**	**$ 1.37**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
HAMILTON BEACH BRANDS HOLDING COMPANY
(Tabular Amounts in Thousands, Except Per Share and Percentage Data)

	2019			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 126,642	$ 131,065	$ 149,508	$ 204,570
Gross profit	$ 26,702	$ 28,507	$ 30,946	$ 42,397
Operating profit	$ 111	$ 3,185	$ 4,439	$ 19,060
Income (loss) from continuing operations, net of tax	$ (662)	$ 1,898	$ 553	$ 13,304
Income (loss) from discontinued operations, net of tax	(2,723)	(2,516)	(2,753)	(20,608)
Net income (loss)	$ (3,385)	$ (618)	$ (2,200)	$ (7,304)
Basic and diluted earnings (loss) per share:				
Continuing operations	$ (0.05)	$ 0.14	$ 0.04	$ 0.98
Discontinued operations	(0.20)	(0.18)	(0.20)	(1.52)
Basic and diluted earnings (loss) per share	$ (0.25)	$ (0.04)	$ (0.16)	$ (0.54)

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
HAMILTON BEACH BRANDS HOLDING COMPANY
YEAR ENDED DECEMBER 31, 2020, 2019, AND 2018

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts — Describe	Deductions — Describe		Balance at End of Period (B)
	(In thousands)					
2020						
Reserves deducted from asset accounts:						
Allowance for doubtful accounts	**$ 1,023**	**$ 412**	**$ —**	**$ 291**	(A)	**$ 1,144**
Deferred tax valuation allowances	**$ 7,625**	**$ 614**	**—**	**$ 6,137**	(C, D)	**$ 2,102**
2019						
Reserves deducted from asset accounts:						
Allowance for doubtful accounts	$ 713	$ 309	$ —	$ (1)	(A)	$ 1,023
Deferred tax valuation allowances	$ 1,162	$ 6,502	$ —	$ 39	(C)	$ 7,625
2018						
Reserves deducted from asset accounts:						
Allowance for doubtful accounts	$ 1,177	$ 11	$ —	$ 475	(A)	$ 713
Deferred tax valuation allowances	$ 1,968	$ —	$ —	$ 806	(C)	$ 1,162

(A) Write-offs, net of recoveries and foreign exchange rate adjustments.

(B) Balances which are not required to be presented and those which are immaterial have been omitted.

(C) Foreign exchange rate adjustments and utilization of foreign entity losses.

(D) Utilization of Kitchen Collection losses.

Exhibit 4.3

Description of HAMILTON BEACH BRANDS HOLDING COMPANY's Securities Registered Pursuant To Section 12 of the Securities Exchange Act Of 1934

The following description sets forth certain material terms and provisions of the securities of Hamilton Beach Brands Holding Company ("we," "us" or "our") that are registered under Section 12 of the Securities Exchange Act of 1934, as amended. This description also summarizes relevant provisions of Delaware law. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by, the provisions of our certificate of incorporation and bylaws, copies of which are filed as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.3 is a part, and by the applicable provisions of Delaware law.

As of the date of this filing, we are authorized to issue up to 100 million shares of common stock (comprised of 70 million shares of our Class A Common and 30 million shares of our Class B Common), par value $0.01 per share, and 5 million shares of preferred stock, par value $0.01 per share.

Common Stock

Voting Rights

Subject to the rights of the holders of any series of preferred stock, each share of our Class A Common entitles the holder of the share to one vote on all matters submitted to our stockholders, and each share of our Class B Common entitles the holder of the share to ten votes on all such matters.

Dividends and Other Distributions

Subject to the rights of the holders of any series of preferred stock, each share of our Class A Common and our Class B Common is equal in respect of rights to dividends and other distributions in our cash, stock or property, except that in the case of dividends or other distributions payable in our stock, including distributions pursuant to split-ups or divisions of our stock, only our Class A Common is distributed with respect to our Class A Common and only our Class B Common is distributed with respect to our Class B Common. In the event of a future spin-off of one of our subsidiaries, the Hamilton Beach Brands Holding Company amended and restated certificate of incorporation permits the Company to elect to distribute to each holder of our Class A Common shares of the Class A common stock of such subsidiary and to each holder of our Class B Common shares of the Class B common stock of such subsidiary. In the case of any consolidation, merger or sale of all, or substantially all, of our assets as a result of which our stockholders will be entitled to receive cash, stock other securities or other property with respect to or in exchange for their shares of our stock, each holder of our Class A Common and our Class B Common will be entitled to receive an equal amount of consideration for each share of our Class A Common or our Class B Common held by such holder.

Restrictions on Transfer of Class B Common; Convertibility of Class B Common into Class A Common.

Our Class B Common generally is not transferable by a stockholder except to or among such holder's spouse, certain relatives of such holder, and spouses of such relatives, certain trusts established for their or another permitted transferee's benefit, certain corporations, limited liability companies and partnerships owned by them and certain charitable organizations.

Our Class B Common is, however, convertible at all times, and without cost to the stockholder, into our Class A Common on a share-for-share basis. Therefore, stockholders desiring to sell the equity interest in us represented by their shares of our Class B Common may convert those shares into an equal number of shares of our Class A Common and sell the shares of our Class A Common. A stockholder who does not wish to complete the conversion process before a sale may effect a sale of our Class A Common into which such stockholder's shares of our Class B Common is convertible.

Other than pursuant to conversions into our Class A Common as described above, a holder of shares of our Class B Common may transfer such shares (whether by sale, assignment, gift, bequest, appointment or otherwise) only to a permitted transferee, which is defined generally as follows:

1. to the extent such person is a natural person, any of the lineal descendants of a great, great, great, great grandparent of such holder of our Class B Common, including children adopted before age 18 or any spouse (including a widow or widower) of such lineal descendant, any of the spouses of a lineal descendant of a great, great, great, great grandparent of such Class B stockholder's spouse, any lineal descendant of any spouse of a lineal descendant of a great, great, great, great grandparent of such Class B stockholder (such persons, including such holder of our Class B Common, are hereinafter referred to as such "Class B stockholder's family members");

2. a trust for the benefit of such Class B stockholder's family members and certain charitable organizations;

3. certain charitable organizations established by such Class B stockholder's family members; and

4. a corporation whose stockholders, a partnership whose partners or a limited liability company whose members, are made up exclusively of such Class B stockholder's family members, any trust described in (2) above or any other permitted transferees.

In the case of a corporation or limited liability company, shares of our Class B Common also may be transferred to a successor by merger or consolidation, provided that each stockholder of each other corporation or member of each other limited liability company, as applicable, which is a party to such merger or consolidation is, at the time of such transaction, a stockholder of such corporation or a permitted transferee of at least one stockholder of such corporation or a member of such limited liability company or a permitted transferee of at least one member of such limited liability company. Class B Common shares being beneficially held pursuant to a trust may be transferred to (i) any person, as of the record date, to whom or for whose benefit principal may be distributed under the terms of the trust, (ii) the person or persons who established such trust, and (iii) permitted transferees of any such person described in subclause (i) or (ii). Shares beneficially held by certain charitable organizations may be transferred to the Class B stockholder who or that transferred such shares to the charitable organization and to such holder's permitted transferees.

The restrictions on the transferability of our Class B Common are set forth in full in Section 3 of Article IV of our amended and restated certificate of incorporation. Each certificate representing shares of our Class B Common will bear a legend indicating that the shares of our Class B Common are subject to restrictions on the transfer and registration of transfer thereof.

Any purported transfer of shares of our Class B Common not permitted under our amended and restated certificate of incorporation will be void and of no effect and the purported transferee will have no rights as our stockholder and no other rights against or with respect to us. We may, as a condition to the transfer or registration of transfer of shares of our Class B Common to a permitted transferee, require the furnishing of such affidavits or other proof as we deem necessary to establish that such transferee is a permitted transferee.

Additional shares of our Class B Common will not be issued without an affirmative vote of the holders of a majority of our outstanding voting stock, except in connection with stock splits and stock dividends. All shares of our Class B Common received by us when stockholders convert them into our Class A Common or that are otherwise acquired by us will be retired and not reissued.

Other Provisions

Neither our Class A Common nor our Class B Common carry any preemptive rights enabling a holder to subscribe for or receive shares of our stock of any class or any other securities convertible into shares of our stock.

Listing

Our Class A Common is quoted on the NYSE under the symbol "HBB." Our Class B Common is not listed on the NYSE or any other stock exchange.

Preferred Stock

Our Board is authorized to issue one or more series of up to 5 million shares of preferred stock. With respect to each series of the preferred stock, our Board has the authority, consistent with our amended and restated certificate of incorporation, to determine the following terms:

1. the number of shares and the designation of any series;

2. the voting powers, if any, of the shares of such series and whether such voting powers are full or limited;

3. the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;

4. whether dividends, if any, will be cumulative or noncumulative, the dividend rate or rates of such series and the dates and preferences of dividends of such series;

5. the rights of such series upon our voluntary or involuntary dissolution, or upon any distribution of our assets;

6. whether the shares are convertible into, or exchangeable for, any of our other stock, the price or rate of conversion or exchange and the applicable terms and conditions;

7. the right, if any, to subscribe for or to purchase any of our securities or of any other corporation or other entity;

8. the provisions, if any, of any sinking fund applicable to such series; and

9. any other relative, participating, optional or other powers, preferences or rights, and any qualifications, limitations or restrictions, of such series;

The issuance of preferred stock may adversely affect the voting rights and other rights of the holders of common stock.

Provisions That May Have an Anti-Takeover Effect

Our amended and restated certificate of incorporation contains provisions that may make the acquisition of control of us by means of a tender offer, open market purchase, proxy fight or otherwise more difficult. Our amended and restated bylaws also contain provisions that could have an anti-takeover effect.

These provisions of our amended and restated certificate of incorporation and our amended and restated bylaws are designed to encourage persons seeking to acquire control of us to negotiate the terms with our Board. We believe that, as a general rule, the interests of our stockholders are best served if any change in control results from negotiations with our Board based upon careful consideration of the proposed terms, such as the price to be paid to stockholders, the form of consideration to be paid and the anticipated tax effects of the transaction. Stockholders are not generally permitted to call a special meeting of stockholders. However, in the future, preferred stock may be designated that permits the holders of such preferred stock to call a special meeting of the holders of such class of preferred stock. Subject to the rights of holders of our preferred stock, our directors must be nominated in accordance with Section 3 of Article II of our amended and restated bylaws, which provides that nominations for election as directors at an annual meeting of our stockholders may only be made (i) by or at the direction of our Board or a committee thereof or (ii) by any stockholder who is entitled to vote at such annual meeting and who complies with the additional requirements of such section.

The provisions could, however, have the effect of discouraging a prospective acquirer from making a tender offer or otherwise attempting to obtain control of us. To the extent that these provisions discourage takeover attempts, they could deprive stockholders of opportunities to realize takeover premiums for their shares. Moreover, these provisions could discourage accumulations of large blocks of shares of our Class A Common, thus depriving stockholders of any advantages that large accumulations of stock might provide. Set forth below is a summary of the relevant provisions of our amended and restated certificate of incorporation and our amended and restated bylaws and certain applicable sections of the Delaware General Corporation Law ("DGCL"). This summary may not contain all of the information that is important to you and is subject to, and is qualified by reference to, all of the provisions of our amended and restated certificate of incorporation and our amended and restated bylaws and the DGCL.

Restrictions on Certain Transactions with Interested Persons

We are subject to Section 203 of the DGCL, which prohibits certain business combinations and transactions between a corporation and an "interested stockholder" for at least three years after the interested stockholder becomes an interested stockholder, unless:

- before the interested stockholder's share acquisition date, the board approved either the business combination or the purchase of shares by the interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- the transaction is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock, after excluding shares controlled by the interested stockholder.

An "interested stockholder" is any person that (i) is the owner of 15% or more of our outstanding voting stock, or (ii) is our affiliate or associate and was the owner of 15% or more of our outstanding voting stock at any time within the 3-year period immediately before the date on which it is sought to be determined whether such person is an interested stockholder, and the affiliates and associates of such person.

Special Vote Required for Certain Amendments to Organizational Documents

Certain provisions of our amended and restated certificate of incorporation, such as those set forth in Article V (election and removal of directors), Article VI (amendment of bylaws) and Article IX (rights to indemnification), may not be amended or repealed except by the affirmative vote of the holders of at least 80% of the voting power of our outstanding voting stock, voting together as a single class. Such 80% vote is also required to adopt any provisions inconsistent with any of the provisions of Article I, Sections 1 (time and place of meetings of stockholders), 3 (special meetings of stockholders) and 8 (order of business at meetings of stockholders), Article II, Sections 1 (number and term of office of directors), 2 (vacancies and new directorships), 3 (nominations and election of directors) and 4 (powers of directors) and Article VII (amendments to bylaws) of our amended and restated bylaws.

Other Provisions

Certain other provisions of our amended and restated certificate of incorporation and our amended and restated bylaws may also tend to discourage attempts to acquire control of us. These include advance notice requirements for director nominations and stockholder proposals and provisions that prohibit stockholder action being effected by written consent.

Exhibit 21

SUBSIDARIES OF HAMILTON BEACH BRANDS HOLDING COMPANY

The following is a list of active subsidiaries as of the date of the filing with the Securities and Exchange Commission of the Annual Report on Form 10-K to which this is an Exhibit. Except as noted, all of these subsidiaries are wholly-owned, directly or indirectly.

Name	Incorporation
Altoona Services, Inc.	Pennsylvania
Grupo HB/PS S.A. de C.V.	Mexico (99.98%)
Hamilton Beach Brands Canada, Inc.	Canada
Hamilton Beach Brands de Mexico S.A. de C.V.	Mexico (99.98%)
Hamilton Beach Brands Do Brasil Comercializacao de Produtos Electricos Ltda	Brazil (99.9%)
Hamilton Beach Brands, (HK) Limited	Hong Kong (PRC)
Hamilton Beach Brands, Inc.	Delaware
Hamilton Beach Electrical Appliances (Shenzhen) Co. Ltd.	China
Hamilton Beach, Inc.	Delaware
Weston Brands, LLC	Ohio

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-221358) pertaining to the Hamilton Beach Brands Holding Company Executive Long-Term Equity Incentive Plan,

(2) Registration Statement (Form S-8 No. 333-221359) pertaining to the Hamilton Beach Brands Holding Company Non-Employee Directors' Equity Compensation Plan, and

(3) Registration Statement (Form S-8 No. 333-221360) pertaining to the Hamilton Beach Brands Holding Company Supplemental Executive Long-Term Incentive Bonus Plan;

of our reports dated March 22, 2021, with respect to the consolidated financial statements and schedule of Hamilton Beach Brands Holding Company and the effectiveness of internal control over financial reporting of Hamilton Beach Brands Holding Company included in this Annual Report (Form 10-K) of Hamilton Beach Brands Holding Company for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Cleveland, Ohio
March 22, 2021

Exhibit 31(i)(1)

Certifications

I, Gregory H. Trepp, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 22, 2021

/s/ Gregory H. Trepp

Gregory H. Trepp

President and Chief Executive Officer (Principal Executive Officer)

Exhibit 31(i)(2)

Certifications

I, Michelle O. Mosier, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 22, 2021

/s/ Michelle O. Mosier

Michelle O. Mosier

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

Exhibit 32

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

In connection with the Annual Report of Hamilton Beach Holding Company (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

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

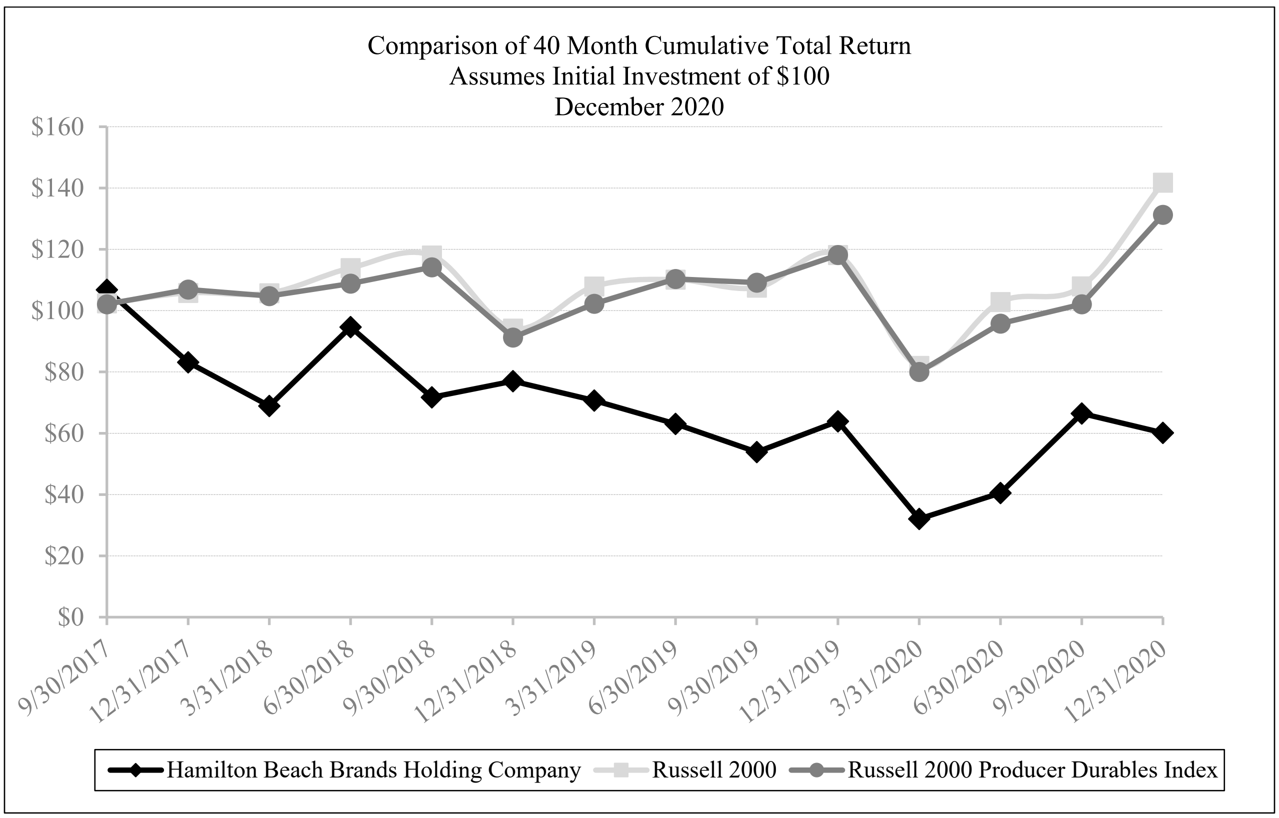
Date:	March 22, 2021	/s/ Gregory H. Trepp
		Gregory H. Trepp
		President and Chief Executive Officer (Principal Executive Officer)
Date:	March 22, 2021	/s/ Michelle O. Mosier
		Michelle O. Mosier
		Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)/(Principal Accounting Officer)

The following information related to the Company's stock performance was not included in or incorporated by reference into, and shall not be deemed to constitute a part of, the Company's Annual Report on Form 10-K filed with the SEC.

Stock Price Performance Presentation

The following graph compares the Company's total stock price performance on Class A Common Stock against the total stock price performance of the Russell 2000 Index and the Russell 2000 Producer Durables Index for the periods indicated. The graph presents the value of a $100 investment, at the base point, for each index assuming the reinvestment of dividends.

In accordance with the regulations promulgated by the SEC, the following graph compares the stock price performance based upon the difference between the stock price since the Company's stock began trading and the stock price at the end of each month commencing September 30, 2017 (base point) and ending December 31, 2020.



Corporate Information

Annual Meeting
The Annual Meeting of Stockholders of Hamilton Beach Brands Holding Company will be held at 11:00 a.m. on May 18, 2021, at 5875 Landerbrook Drive, Cleveland, Ohio 44124.

Form 10-K
Additional copies of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission are available free of charge through the Company's website, www.hamiltonbeachbrands.com or by request to:

Investor Relations
Hamilton Beach Brands Holding Company
4421 Waterfront Drive
Glen Allen, Virginia 23060
(804) 418-7745
E-mail: louanne.nabhan@hamiltonbeach.com

Stock Transfer Agent and Registrar
Stockholder Correspondence:
Computershare
P.O. Box 505000
Louisville, KY 40233-5000

Overnight Correspondence:
Computershare
462 South 4th St., Suite 1600
Louisville, KY 40202

(800) 622-6757 (U.S., Canada and Puerto Rico)
(781) 575-4735 (International)

Legal Counsel
McDermott Will & Emery LLP
444 West Lake Street
Chicago, Illinois 60606

Independent Registered Public Accounting Firm
Ernst & Young LLP
950 Main Ave., Suite 1800
Cleveland, Ohio 44113

Stock Exchange Listing
The New York Stock Exchange
Symbol: HBB

Hamilton Beach Brands Holding Company's Website
Additional information on Hamilton Beach Brands Holding Company may be found at its Investor Relations website, www.hamiltonbeachbrands.com. The Company considers this website to be one of the primary sources of information for investors.

Brand Websites
www.hamiltonbeach.com
www.hamiltonbeachcommercial.com
www.proctorsilex.com
www.westonbrands.com
www.brightlineproducts.com
www.wolfgourmet.com
www.chisteam.com
www.bartesian.com

Hamilton Beach
BRANDS

4421 Waterfront Drive, Glen Allen, VA 23060
hamiltonbeachbrands.com