UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Commission file number 0-21220

ALAMO GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware	74-1621248
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1627 East Walnut, Seguin, Texas 78155
(Address of principal executive offices, including zip code)

830-379-1480
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $.10 per share	ALG	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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 Exchange 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 requirement 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 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 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 an "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

The aggregate market value of the voting stock (which consists solely of shares of common stock) held by non-affiliates of the registrant as of June 28, 2019 (based upon the last reported sale price of $99.93 per share) was approximately $972,944,961 on such date.

The number of shares of the registrant's common stock, par value $.10 per share, outstanding as of February 21, 2020 was 11,834,714 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to the 2020 Annual Meeting of Stockholders have been incorporated by reference herein in response to Part III.

ALAMO GROUP INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-K

TABLE OF CONTENTS

PART I

Item 1. Business

Unless the context otherwise requires, the terms "the Company," "we," "our" and "us" refer to Alamo Group Inc. and its subsidiaries on a consolidated basis.

General

The Company is a leader in the design and manufacture of high quality agricultural equipment and infrastructure maintenance equipment for governmental and industrial use. The Company's products include tractor-mounted mowing and other vegetation maintenance equipment, street sweepers, excavators, vacuum trucks, forestry and tree maintenance equipment, snow removal equipment, leaf collection equipment, pothole patchers, zero turn radius mowers, agricultural implements and related aftermarket parts. The Company emphasizes high quality, cost-effective products for its customers and strives to develop and market innovative products while constantly monitoring and seeking to contain its manufacturing and overhead costs. The Company has a long-standing strategy of supplementing its internal growth through acquisitions of businesses or product lines that currently complement, command, or have the potential to achieve a meaningful share of their niche markets. In 2019, the Company completed three acquisitions which included the acquisitions of Dutch Power B.V. *("Dutch Power"),* Dixie Chopper *("Dixie Chopper"*) and Morbark, LLC ("*Morbark"*), each as described below in further detail.

The Company has approximately 4,270 employees and operates a total of thirty plants in North America, South America, Europe, and Australia. The Company sells its products primarily through a network of independent dealers and distributors to governmental end-users, related independent contractors, as well as to the agricultural and commercial turf markets. The primary markets for our products are North America, South America, Europe and Australia.

The predecessor corporation to Alamo Group Inc. was incorporated in the State of Texas in 1969, as a successor to a business that began selling mowing equipment in 1955, and Alamo Group Inc. was reincorporated in the State of Delaware in 1987.

History

Since its founding in 1969, the Company has focused on satisfying customer needs through geographic market expansion, product development and refinement, and selected acquisitions. The Company's first products were based on rotary cutting technology. Through acquisitions, the Company added flail cutting technology in 1983 and sickle-bar cutting technology in 1984. The Company added to its presence in the industrial and governmental vegetation markets with the acquisition of Tiger Corporation *("Tiger")* in late 1994.

The Company entered the agricultural mowing markets in 1986 with the acquisition of Rhino Products Inc. *("Rhino")*, a leading manufacturer in this field. With this acquisition, the Company embarked on a strategy to increase the *Rhino* dealer distribution network during a period of industry contraction. The addition of M&W Gear Company *("M&W")* in early 1995 allowed the Company to enter into the manufacturing and distribution of tillage equipment, which complements the *Rhino* distribution network. *M&W* is part of the agricultural marketing group.

In 1991, the Company began its international expansion with the acquisition of McConnel Ltd*. ("McConnel")*, a United Kingdom ("U.K.") manufacturer of vegetation maintenance equipment, principally hydraulic boom-mounted hedge and grass cutters and related parts. Bomford-Turner Ltd*. ("Bomford")*, also a U.K. company, was acquired in 1993. *Bomford* is a manufacturer of heavy-duty, tractor-mounted grass and hedge mowing equipment. *McConnel* and *Bomford* sell their products to dealers and distributors through their respective sales forces.

In 1994, the Company acquired Signalisation Moderne Autoroutiere S.A*. ("SMA")* located in Orleans, France. *SMA* manufactures and sells principally a line of heavy-duty, tractor-mounted grass and hedge mowing equipment and associated replacement parts primarily to departments of the French government. This acquisition, along with the acquisitions of Forges Gorce ("*Forges Gorce*"), a flail blade manufacturer in France, in 1996 and Rousseau Holdings S.A. ("*Rousseau*"), a leading French manufacturer of hedge and verge mowers, in 2004, when combined with *McConnel* and *Bomford,* has made the Company one of the largest manufacturers in the European market for the kind of equipment sold by the Company.

In 1995, the Company expanded its business in the agricultural market with the acquisition of Herschel Corporation *("Herschel")*, a manufacturer and distributor of aftermarket farm equipment replacement and wear parts.

In 2000, the Company acquired Schwarze Industries, Inc*. ("Schwarze")*. *Schwarze* is a manufacturer of a broad range of street sweeping equipment which is sold to governmental agencies and contractors. The Company believes the *Schwarze* sweeper products fit the Company's strategy of identifying product offerings with brand recognition in the industrial markets the Company serves. In 2004, the Company purchased the pothole patcher product line from Wildcat Manufacturing, Inc. The product line was merged into the *Schwarze* operation and is complementary to its current product offerings.

In 2000, the Company purchased the product line and associated assets of Twose of Tiverton Ltd. *("Twose")* a small regional manufacturer of power arm flail mowers and parts, as well as harrows and rollers, in the U.K. Twose consolidated its operations into the existing facilities at *McConnel* and *Bomford* and its brand name has been merged into the *McConnel* product line.

In 2000, the Company acquired Schulte Industries Ltd. and its related entities *("Schulte")*. *Schulte* is a Canadian manufacturer of mechanical rotary mowers, snow blowers, and rock removal equipment. *Schulte* strengthened the Company's Canadian presence in both marketing and manufacturing. It also expanded the Company's range of large, heavy-duty rotary mowers.

In 2001, the Company acquired all of the assets of SMC Corporation *("SMC"). SMC* manufactures front-end loaders and backhoes principally for Original Equipment Manufacturer ("OEM") customers and its own *SMC* brand. This acquisition expanded the product range of our agricultural division and has since been consolidated into the Company's Gibson City, Illinois location under the *RhinoAg* brand.

In 2002, the Company purchased inventory, fixed assets and certain other assets of Valu-Bilt Tractor Parts *("Valu-Bilt")*, a subsidiary of Quality Stores, Inc., located in Des Moines, Iowa. *Valu-Bilt* is a distributor of new, used and rebuilt tractor parts and other agricultural spare and wear parts sold directly to customers through its catalog and the internet and on a wholesale basis to dealers. Subsequent to the purchase, the operations of *Valu-Bilt* in Des Moines, Iowa, were consolidated into the Company's *Herschel* facility in Indianola, Iowa.

In 2005, the Company, through its European subsidiary Alamo Group (EUR) Ltd., acquired 100% of the issued and outstanding stock of Spearhead Machinery Limited *("Spearhead")* and subsequently merged its manufacturing operations into *Bomford's* facility. *Spearhead* manufactures a range of tractor-mounted vegetation maintenance equipment, including reach mowers, flail mowers and rotary cutters. This acquisition extended our product lines and market coverage in Europe.

In 2006, the Company purchased substantially all of the assets of the Gradall excavator business *("Gradall")* of JLG Industries, Inc., including their manufacturing plant in New Philadelphia, Ohio. *Gradall* is a leading manufacturer of both wheeled and crawler telescopic excavators in North America. This acquisition enhanced our Industrial Division product offering sold to governmental buyers and related contractors for maintenance along right-of-ways.

In 2006, the Company purchased the vacuum truck and sweeper lines of Clean Earth Environmental Group, LLC and Clean Earth Kentucky, LLC (collectively referred to as *"VacAll"*). This included the product lines, inventory and certain other assets that relate to this business. The production of the vacuum truck and sweeper lines were moved to the *Gradall* facility in New Philadelphia, Ohio.

In 2006, the Company acquired 100% of the ownership interests in Nite-Hawk Sweepers LLC *("Nite-Hawk")*, a manufacturer of truck mounted sweeping equipment primarily for the contract sweeping market, which expanded our presence in that market and complements our *Schwarze* sweeper line.

In 2007, the Company purchased Henke Manufacturing Corporation *("Henke")*, a manufacturer of specialty snow removal attachments. *Henke's* products are mounted on both heavy industrial equipment and medium to heavy-duty trucks. The primary end-users are governmental agencies, related contractors and other industrial users.

In 2008, the Company acquired Rivard Developpement S.A.S. *("Rivard")*, a leading French manufacturer of vacuum trucks, high pressure cleaning systems and trenchers. The acquisition broadened the Company's product offering to our customers in Europe and other markets we serve.

In 2009, the Company acquired substantially all the assets of Bush Hog, LLC *("Bush Hog")*, a leading agricultural equipment manufacturer of rotary cutters, finishing mowers, zero turn radius mowers, front-end loaders, backhoes, landscape equipment and a variety of other implements. This acquisition, combined with the Company's existing range of agricultural mowers, created one of the largest manufacturers of agricultural mowers in the world.

In 2011, the Company acquired substantially all of the assets and assumed certain specified liabilities of *Tenco* Group, Inc. (*"Tenco"*) and its subsidiaries. *Tenco* is a Canadian-based manufacturer of snow removal equipment including snow blades, blowers, dump bodies, spreaders and associated parts and service. *Tenco* has operations in Quebec as well as New York and Vermont. The equipment is sold primarily through dealers to governmental end-users as well as snow removal contractors.

In 2013, the Company acquired substantially all of the assets and assumed certain specified liabilities of Superior Equipment Australia PTY LTD (*"Superior"*). *Superior* is a small Australian-based manufacturer of agricultural mowing equipment and other attachments, parts, and services. The equipment is sold through dealers primarily to agricultural end-users with some sold to governmental entities in Australia. The *Superior* operations have been consolidated with the Company's *Fieldquip* location.

In 2014, the Company acquired Kellands Agricultural Ltd. and its subsidiary Multidrive Tractors Ltd. (*"Kellands"*). *Kellands* is a U.K.-based manufacturer of self-propelled sprayers and a range of multi-purpose load-carrying tractor vehicles. This acquisition enhanced our manufacture and distribution of our agricultural machinery in Europe and allowed the Company to enter into the self-propelled sprayer market. The *Kellands* operations were consolidated into the Company's Salford Priors facility and its products are sold under the *McConnel* brand name.

In 2014, the Company acquired Fieldquip Australia PTY LTD (*"Fieldquip"*), a manufacturer of rotary cutters as well as a distributor of various agricultural products. This acquisition allowed the Company to broaden its presence in both the manufacturing and distribution of agricultural machinery in Australia.

In 2014, the Company acquired all of the operating units of Specialized Industries LP. The purchase included the businesses of Super Products LLC (*"Super Products"*), Wausau-Everest LP ("*Wausau*" & "*Everest*") and Howard P. Fairfield LLC ("*H.P. Fairfield*") as well as several related entities (*"Specialized"*), including all brand names and related product names and trademarks. The primary reason for the *Specialized* acquisition was to broaden the Company's existing equipment lines. This acquisition increased our product offering and enhanced our market position both in vacuum trucks and snow removal equipment primarily in North America.

In 2015, the Company acquired Herder Implementos e Maquinas Agricolas Ltda. (*"Herder"*). *Herder* is a manufacturer of flail mowers and other agricultural implements which are sold direct and through dealers to a wide variety of agricultural markets as well as the roadside maintenance market. This acquisition allowed the Company to establish a presence in Brazil, one of the largest agricultural markets in the world. The *Herder* manufacturing operations have been consolidated into our *Santa Izabel* facility.

In 2017, the Company acquired 100% of the outstanding shares of Santa Izabel Agro Industria Ltda. (*"Santa Izabel"*). *Santa Izabel* designs, manufactures and markets a variety of agricultural implements and trailers sold throughout Brazil. This acquisition, along with our existing *Herder* operation in Brazil, augmented our product portfolio and improved our manufacturing capabilities in one of the world's largest agricultural markets.

In 2017, the Company acquired substantially all of the assets and assumed certain specified liabilities of Old Dominion Brush Company, Inc. (*"ODB"*). *ODB* manufactures leaf collection equipment as well as replacement brooms for street sweepers, both of which are sold to municipalities, contractors and commercial landscape markets in North America. *ODB* is based in Richmond, Virginia. This acquisition provided new and complementary products to our existing range of infrastructure maintenance equipment and parts.

In 2017, the Company acquired R.P.M. Tech Inc. ("*RPM*"), a manufacturer of heavy duty snow removal equipment and associated parts. *RPM* primarily sells to governmental agencies, related contractors, airports and other industrial users. This acquisition complemented our existing range of snow removal products with *RPM's* range of heavy duty snow removal equipment, including their line of mechanical snow blowers. *RPM's* operations are in Drummondville, Quebec and *RPM's* production operations have recently moved into the Company's nearby *Tenco* facility.

On March 5, 2019, the Company acquired 100% of the outstanding capital shares of Dutch Power B.V. *("Dutch Power")* in the Netherlands. *Dutch Power* designs and manufactures a variety of landscape and vegetation management machines and attachments. This acquisition complements our existing platform and increases our capabilities in the European market.

On August 6, 2019, the Company acquired substantially all of the assets of the Dixie Chopper *("Dixie Chopper"*) business. *Dixie Chopper* manufactures a wide range of commercial and high end residential Zero Turn ("ZT") mowers. This acquisition provides a new channel and increases the Company's exposure in the outdoor power equipment market. *Dixie Chopper* was relocated into the Company's *RhinoAg* facility in Gibson City, Illinois.

On October 24, 2019, the Company acquired 100% of the outstanding capital shares of Morbark, LLC ("*Morbark"*). *Morbark* is a leading manufacturer of equipment and aftermarket parts for forestry, tree care, biomass, land management and recycling markets. The acquisition expands the Company's product line and complements its range of vegetation maintenance equipment in an adjacent market. *Morbark* is based in Winn, Michigan with subsidiary locations in Wooster, Ohio and Roxton Falls, Quebec.

Sales and Marketing Strategy

The Company believes that within the U.S. it is a leading supplier to governmental markets, a leading supplier in the U.S. agricultural market, and one of the largest suppliers in the European market for its key niche product offerings. The Company's products are sold through the Company's various marketing organizations and extensive worldwide dealer and distributor networks under the *Gradall®*, *VacAll®, Super Products®, Rivard®, Alamo Industrial®, Terrain King®*, *Tiger®, Herder®, Conver®, Roberine®, Votex®, Precision Makers®, Schwarze®, NiteHawk®, ODB™, Henke®, Tenco®*, *Wausau®*, *Everest®, H.P. Fairfield™, R.P.M. Tech™, Morbark®, Rayco®,Denis Cimaf®, Boxer®, Bush Hog®, Rhino®, Earthmaster®, RhinoAg®*, *Dixie Chopper®*, *Herschel®*, *Valu-Bilt™*, *CT Farm & Country™*, *Schulte®, Fieldquip®, Santa Izabel™, McConnel®, Bomford®, Spearhead™, Twose™, SMA®*, *Forges Gorce™, Faucheux™, Rousseau® and* trademarks (some with related designs) as well as other trademarks and trade names.

Products and Distribution Channels

At the beginning of the fourth quarter of 2019, the Company began reporting operating results on the basis of two segments: the Industrial Division and the Agricultural Division. Prior to the fourth quarter of 2019, the Company had been reporting its operating results on the basis of three segments which included the Company's European Division. The Company's European Division was a mixture of industrial and agricultural products similar to those within our other two segments. We believe that by combining similar products under two reporting segments, each operating globally, we will achieve better alignment of our products along functional lines, which will allow the Company to operate more efficiently.

Industrial Division

Gradall produces a range of excavators based on high-pressure hydraulic telescoping booms which are sold through dealers primarily to governmental agencies and related contractors, and to a lesser extent the mining industry, steel mills and other specialty applications in the U.S. and other countries. Many of these products are designed for excavation, grading, shaping and similar tasks involved in land clearing, road building or maintenance. These products are available mounted on various types of undercarriages: wheels for full-speed highway travel, wheels for on/off road use, and crawlers. A portion of *Gradall's* sales includes truck chassis which are not manufactured by *Gradall*.

VacAll produces catch basin cleaners and roadway debris vacuum systems. These units are powerful and versatile with uses including, but not limited to, removal of wet and dry debris, spill elimination, and cleaning of sludge beds. *VacAll* also offers a line of sewer cleaners. Its products are primarily sold through dealers to industrial and commercial contractors as well as governmental agencies. A portion of *VacAll's* sales includes truck chassis which are not manufactured by the Company.

Super Products produces truck-mounted vacuum trucks, combination sewer cleaners and hydro excavators. Its products are sold to municipalities, utilities and contractors through a nationwide distributor network. *Super Products* also operates a network of rental stores that provides short and long-term rental contracts for its products. Rental customers are primarily contractors serving the petrochemical, petroleum production and refining industries. A portion of the sales of *Super Products* includes truck chassis which are not manufactured by the Company.

Rivard manufactures vacuum trucks, high pressure cleaning systems and trenchers. *Rivard's* equipment is sold primarily in France and certain other markets, mainly in Europe, the Middle East and North Africa, and to governmental entities and related contractors. This business also complements our product offerings in North America. The majority of *Rivard's* customers provide their own truck chassis.

Morbark manufactures a broad range of tree chippers, stump grinders, mulchers, brush cutters, flails and debarkers sold under the *Morbark*, *Rayco*, *Denis Cimaf* and *Boxer* brand names. It's products are sold to industrial and commercial contractors mainly through a network of independent dealers and distributors and, to a lesser extent, direct sales to end-users.

Tenco and *RPM* both design and manufacture a heavy-duty line of snow removal equipment, including truck-mounted snow plows, snow blowers, dump bodies and spreaders. Their products are primarily sold through independent dealers. End-users are governmental agencies, contractors, airports and other industrial users.

Wausau designs and manufactures a comprehensive range of snow removal and ice control products. Products include snowplows, snow blowers, snow throwers, brooms, deicers, brine sprayers and other related accessories and parts. *Wausau* sells its products through its established dealer network to both governmental and non-governmental end-users and sells directly to airports and fixed-base operators.

Everest designs and manufactures a range of snow removal and ice control products including snowplows, wing systems, spreader bodies, and other related accessories and parts. *Everest* also manufactures custom-engineered underground construction forms for tunnels.

Henke designs and manufactures snow plows and heavy duty snow removal equipment, hitches and attachments for trucks, loaders and graders sold primarily through independent truck and industrial equipment dealers. *Henke's* primary end-users are governmental agencies, related contractors and other industrial users.

H.P. Fairfield is a full-service distributor of public works and runway maintenance products, parts and service, whose sales and service outlets are located in the northeastern part of the U.S. *H.P. Fairfield's* offerings include custom municipal snow and ice removal equipment, a range of salt spreaders and truck bodies, street sweepers, a line of industrial rotary, flail and boom mowers, solid waste and recycling equipment, water and sewer maintenance equipment, municipal tractors and attachments, and asphalt maintenance patchers, some of which are sourced from other Alamo Group companies. *H.P. Fairfield* also provides truck up-fitting services as part of its business.

Schwarze equipment includes truck-mounted air vacuum, mechanical broom, and regenerative air sweepers, pothole patchers and replacement parts. *Schwarze* sells its products primarily to governmental agencies and independent contractors, either directly or through its independent dealer network. A portion of *Schwarze's* sales includes truck chassis which are not manufactured by *Schwarze*.

ODB manufactures and sells leaf collection equipment and replacement brooms for street sweepers, both of which are sold to municipalities, contractors and commercial landscape markets in North America.

Nite-Hawk manufactures parking lot sweepers with unique and innovative hydraulic designs. By eliminating the auxiliary engine, *Nite-Hawk* sweepers have proven to be fuel-efficient, environmentally conscious, and cost-effective to operate. *Nite-Hawk* focuses mainly on and sells direct to parking lot contractors. A portion of *Nite-Hawk's* sales includes truck chassis which are not manufactured by *Nite-Hawk*.

Alamo Industrial equipment is principally sold through independent dealers to governmental end-users, related independent contractors and, to a lesser extent, utility and other dealers serving infrastructure maintenance operators and other applications in the U.S. and other countries. Governmental agencies and contractors that perform services for such agencies purchase primarily hydraulically-powered, tractor-mounted mowers, including boom-mounted mowers, other types of cutters and replacement parts for heavy-duty, intensive use applications, including maintenance around highway, airport, recreational and other public areas. A portion of *Alamo Industrial's* sales includes tractors, which are not manufactured by *Alamo Industrial.*

Tiger equipment includes heavy duty, tractor- and truck-mounted mowing and vegetation maintenance equipment and replacement parts. *Tiger* sells to state, county and local governmental entities and related contractors, primarily through a network of independent dealers. *Tiger's* dealer distribution network is independent of *Alamo Industrial's* dealer distribution network. A portion of *Tiger's* sales includes tractors, which are not manufactured by *Tiger.*

Dutch Power produces a variety of landscape and vegetation maintenance equipment and attachments under several brand names including *Herder*, *Conver*, *Roberine*, *Votex* and *Precision Makers*. *Dutch Power* primarily sells to contractors who perform infrastructure maintenance for governmental agencies and private landowners.

Agricultural Division

Bush Hog, Rhino and *Earthmaster* equipment is generally sold to farmers, ranchers and other end-users to clear brush, mow grass, maintain pastures and unused farmland, shred crops, till fields, and for haymaking and other applications. *Bush Hog* and *Rhino* equipment consists principally of a comprehensive line of tractor-powered equipment, including rotary mowers, finishing mowers, flail mowers, disc mowers, front-end loaders, backhoes, rotary tillers, posthole diggers, scraper blades and replacement parts. The equipment also includes a range of self-propelled zero turn radius mowers.

Schulte equipment includes heavy-duty mechanical rotary mowers, snow blowers, rock removal equipment and related replacement parts. *Schulte* serves both the agricultural and governmental markets primarily in Canada and the U.S. It also sells some of the Company's other product lines in its markets and some of its products through independent distributors throughout the world.

Dixie Chopper produces a wide range of commercial and high end residential zero turn ("ZT") mowers. It sells its products through its independent dealers in the outdoor power equipment channel throughout the U.S.

McConnel equipment principally includes a broad line of hydraulic, boom-mounted hedge and grass cutters, remote control mowers as well as other tractor attachments and implements such as cultivators, subsoilers and other implements and related replacement parts. *McConnel* equipment is sold primarily in the U.K., Ireland and France and in other parts of Europe and, to a lesser extent, throughout the world, through independent dealers and distributors. McConnel also sells a range of self-propelled sprayers and a variety of multi-drive load-carrying vehicles. These products are sold through its existing dealer network as well as various marketing groups within the European region of the Agricultural Division.

Bomford equipment includes hydraulic, boom-mounted hedge and hedgerow cutters, industrial grass mowers, agricultural seedbed preparation cultivators and related replacement parts. *Bomford* equipment is sold to governmental agencies, contractors and agricultural end-users in the U.K., Ireland and France and, to a lesser extent, other countries in Europe, North America, Australia and Asia. *Bomford's* sales network is similar to that of *McConnel* in the U.K.

Spearhead manufactures a range of tractor-mounted vegetation maintenance equipment, including reach mowers, flail mowers and rotary cutters. These products are manufactured in the Company's Salford Priors facility.

Rousseau sells hydraulic and mechanical boom mowers, primarily in France, through its own sales force and dealer distribution network mainly to agricultural and governmental markets. These products have also been introduced into other markets outside of France. These products are manufactured at our facility near Lyon, France.

SMA equipment includes hydraulic, boom-mounted hedge and hedgerow cutters and related replacement parts. *SMA's* principal customers are French local authorities. *SMA's* product offerings include certain quick-attach boom mowers manufactured by the Company in the U.K. to expand its presence in agricultural dealerships. The Company consolidated its *SMA* operations located in Orleans, France, and production was relocated to its manufacturing facility near Lyon, France.

Forges Gorce manufactures cutting blades which are sold to some of the Company's subsidiaries as well as to other third party customers and distributors.

Herder and *Santa Izabel* give the Company a presence in the Brazilian agricultural market. *Herder* manufactures and distributes flail and rotary mowers and various other agricultural equipment, direct and through dealers. Its products are used in a wide variety of agricultural and governmental markets. *Santa Izabel* designs, manufactures and markets a variety of agricultural implements, including sugar cane trailers sold throughout Brazil.

Herschel/Valu-Bilt aftermarket replacement parts are sold for many types of farm equipment and tractors and certain types of mowing and construction equipment. *Herschel* products include a wide range of cutting parts, plain and hard-faced replacement tillage tools, disc blades and fertilizer application components. *Herschel* replacement tools and parts are sold throughout the United States, Canada and Mexico to five major customer groups: farm equipment dealers; fleet stores; wholesale distributors; OEMs; and construction equipment dealers. *Valu-Bilt* complements the *Herschel* product lines while also expanding the Company's offering of aftermarket agricultural parts and added catalog and internet sales direct to end-users.

Fieldquip broadens the Company's presence in Australia. The company sells a variety of agricultural equipment, specifically rotary mowers and tractor attachments. *Fieldquip* sells to customers ranging from large agricultural and commercial operators to small farm hobbyist and residential users, as well as agricultural dealers who serve owners and operators in the turf, golf, park and airport industries and growers with orchards, vineyards and plantations in Australia and the South Pacific.

Replacement Parts

The Company derives a significant portion of its revenues from sales of replacement parts for each of its wholegoods lines. Replacement parts represented approximately 19%, 19% and 19% of the Company's total sales for the years ended December 31, 2019, 2018 and 2017, respectively. Proprietary replacement parts generally are more profitable and less cyclical than wholegoods.

Product Development

The Company's ability to provide innovative responses to customer needs, to develop and manufacture new products, and to enhance existing product lines is important to its success. The Company continually conducts research and development activities in an effort to improve existing products and develop new products. As of December 31, 2019, the Company employed 268 people in its various engineering departments, 152 of whom are degreed engineers and the balance of whom are support staff. Amounts expended on research and development activities were approximately $11,984,000 in 2019, $10,429,000 in 2018 and $9,849,000 in 2017. As a percentage of sales, research and development was approximately 1.1% in 2019, 1.0% in 2018 and 1.1% in 2017, and is expected to continue at similar levels in 2020.

Seasonality

The Company's unit sales are fairly constant quarter to quarter. However, replacement parts are generally higher in the second and third quarters of the year, because a substantial number of the Company's products are used for maintenance activities such as vegetation maintenance, highway right-of-way maintenance, construction, and street and parking lot sweeping. Usage of this equipment is typically lower in harsh weather. The Company utilizes an annual twelve-month sales forecast provided by the Company's marketing departments which is updated quarterly in order to develop a production plan for its manufacturing facilities. In addition, many of the Company's marketing departments attempt to equalize demand for products throughout the calendar year by offering seasonal sales programs which may provide additional incentives, including discounts and extended payment terms.

Competition

The Company's products are sold in highly competitive markets throughout the world. The principal competitive factors are price, quality, availability, service and reputation. The Company competes with several large national and international companies that offer a broad range of equipment and replacement parts, as well as with numerous small, privately-held manufacturers and suppliers of a limited number of products, mainly on a regional basis. Some of the Company's competitors are significantly larger than the Company and have substantially greater financial and other resources at their disposal. The Company believes that it is able to compete successfully in its markets by effectively managing its manufacturing costs, offering high quality products, developing and designing innovative products and, to some extent, avoiding direct competition with significantly larger potential competitors. There can be no assurance that the Company's competitors will not substantially increase the resources devoted to the development and marketing of products competitive with the Company's products or that new competitors with greater resources will not enter the Company's markets.

Unfilled Orders

As of December 31, 2019, the Company had unfilled customer orders of $261,016,000 compared to $240,260,000 at December 31, 2018. Management expects that substantially all of the Company's unfilled orders as of December 31, 2019 will be shipped during fiscal year 2020. The amount of unfilled orders at a particular time is affected by a number of factors, including manufacturing and shipping schedules which, in most instances, are dependent on the Company's seasonal sales programs and the requirements of its customers. The Company's orders are subject to cancellation at any time before shipment; therefore, a comparison of unfilled orders from period to period is not necessarily meaningful and may not be indicative of future actual shipments. No single customer or group of customers is responsible for 10% or more of the aggregate revenue of the Company or of a segment of the Company.

Sources of Supply

The principal raw materials used by the Company include steel, other metal components, hydraulic hoses, paint and tires. During 2019, the raw materials needed by the Company were available from a variety of sources in adequate quantities and at prevailing market prices.

While the Company manufactures many of the parts for its products, a significant percentage of parts, including most drivelines, gearboxes, industrial engines, and hydraulic components, are purchased from outside suppliers which manufacture to the Company's specifications. In addition, the Company, through its subsidiaries, purchases tractors and truck chassis as a number of the Company's products are mounted and shipped with a tractor or truck chassis. Tractors and truck chassis are generally available, but some delays in receiving tractors or truck chassis can occur throughout the year. The Company sources its purchased goods from international and domestic suppliers. No one supplier is responsible for supplying more than 10% of the principal raw materials or purchased goods used by the Company.

Patents, Trademarks and Trade Names

The Company owns various U.S. and international patents, trademarks and trade names. While the Company considers its patents, trademarks and trade names to be advantageous to its business, it is not dependent on any single patent, trademark, trade name or group of patents, trademarks, or trade names. The net book value of patents, trademarks and trade names was $94,049,000 and $26,523,000 as of December 31, 2019 and 2018, respectively. The increase was primarily related to the valuation on intangible assets from the acquisitions of *Dutch Power* and *Morbark*.

Environmental and Other Governmental Regulations

Like other manufacturers, the Company is subject to a broad range of federal, state, local and foreign laws and requirements, including those concerning air emissions, discharges into waterways, and the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, as well as the remediation of contamination associated with releases of hazardous substances at the Company's facilities and off-site disposal locations, workplace safety and equal employment opportunities. These laws and regulations are constantly changing, and it is impossible to predict with accuracy the effect that changes to such laws and regulations may have on the Company in the future. Like other industrial concerns, the Company's manufacturing operations entail the risk of noncompliance, and there can be no assurance that the Company will not incur material costs or other liabilities as a result thereof.

Certain assets of the Company contain asbestos that may have to be remediated over time. The Company believes that any subsequent change in the liability associated with the asbestos removal will not have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company is subject to various other federal, state, and local laws affecting its business, as well as a variety of regulations relating to such matters as working conditions, equal employment opportunities, and product safety. A variety of state laws regulate the Company's contractual relationships with its dealers, some of which impose restrictive standards on the relationship between the Company and its dealers, including events of default, grounds for termination, non-renewal of dealer contracts, and equipment repurchase requirements. The Company believes it is currently in material compliance with all such applicable laws and regulations.

Employees

As of December 31, 2019, the Company employed approximately 4,270 employees. In North America, the Company has collective bargaining agreements at its *Gradall* facility which covers 214 employees and will expire on April 11, 2021, and its *Tenco* facility in Canada covering 101 employees which will expire on December 31, 2020. *R.P.M.* in Canada currently has two union agreements, one which covers 4 employees and expires in February 2020 and one covering 20 employees that expired in December 2019, and, upon expiration, merged into the union agreement at *Tenco*. *Everest* has a collective bargaining agreement covering 71 employees which will expire on November 30, 2023. The Company's European locations, *McConnel, Bomford*, *Spearhead, AMS-UK, SMA Faucheux*, *Forges Gorce, Rousseau* and *Rivard,* have various collective bargaining agreements covering 907 employees. The Company considers its employee relations to be satisfactory.

Available Information

The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). The SEC maintains a website that contains annual, quarterly and current reports, proxy and information statements, and other information that issuers (including the Company) file electronically with the SEC. The SEC's website is www.sec.gov.

The Company's website is www.alamo-group.com. The Company makes available free of charge through its website, via a link to the SEC's website at www.sec.gov, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The Company also makes available through its website, via a link to the SEC's website, statements of beneficial ownership of the Company's equity securities filed by its directors, officers, 10% or greater shareholders, and others required to file under Section 16 of the Exchange Act.

The Company also makes available free of charge on its website its most recent annual report on Form 10-K, its quarterly reports on Form 10-Q for the current fiscal year, its most recent proxy statement and its most recent annual report to stockholders, although in some cases these documents are not available on our site as soon as they are available on the SEC's site. You will need to have on your computer the Adobe Acrobat Reader® software to view the documents, which are in PDF format. In addition, the Company posts on its website its Charters for its Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee, as well as its Corporate Governance Policies and its Code of Conduct and Ethics for its directors, officers and employees. You can obtain a written copy of these documents, excluding exhibits, at no cost, by sending your request to the Corporate Secretary, Alamo Group Inc., 1627 E. Walnut Street, Seguin, Texas 78155, which is the principal corporate office of the Company. The telephone number is 830-379-1480. The information on the Company's website is not incorporated by reference into this report.

Forward-Looking Information

Part I of this Annual Report on Form 10-K and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II of this Annual Report contain 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. In addition, forward-looking statements may be made in other documents filed or furnished with the SEC, or by management orally or in press releases, conferences, reports or otherwise to analysts, investors, representatives of the media and others, in the future by or on behalf of the Company. Generally, forward-looking statements are not based on historical facts but instead represent the Company's and its management's beliefs regarding future events.

Statements that are not historical are forward-looking. When used by us or on our behalf, the words "expect," “will,” “estimate,” “believe,” “intend,” "would," “could,” "predict," “should,” “anticipate,” "continue," “project,” “forecast,” “plan,” “may” and similar expressions generally identify forward-looking statements made by us or on our behalf. Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses operating in a global market, as well as matters specific to the Company and the markets we serve. Certain particular risks and uncertainties that continually face us include the following:

- budget constraints and revenue shortfalls which could affect the purchases of our type of equipment by governmental customers and related contractors in both domestic and international markets;
- market acceptance of new and existing products;
- our ability to maintain good relations with our employees;
- our ability to develop and manufacture new and existing products profitably;
- the inability of our suppliers, creditors, public utility providers and financial and other service organizations to deliver or provide their products or services to us;
- legal actions and litigation;
- adverse impacts on our supply chain and other parts of our business resulting from the sudden unrestrained outbreak of human disease including those caused by the coronavirus;
- impairment in the carrying value of goodwill;
- our ability to successfully integrate acquisitions and operate acquired businesses or assets;
- current and changing tax laws in the U.S. and internationally;
- our ability to hire and retain quality employees; and
- changes in the prices of agricultural commodities, which could affect our customers’ income levels.

In addition, we are subject to risks and uncertainties facing the industry in general, including the following:

- changes in business and political conditions and the economy in general in both domestic and international markets;
- an increase in unfunded pension plan liability due to financial market deterioration;
- price and availability of energy and critical raw materials, particularly steel and steel products;
- increased competition;
- repercussions from the exit by the U.K. from the European Union;
- increases in input costs on items we use in the manufacturing of our products;
- adverse weather conditions such as droughts, floods, snowstorms, etc., which can affect the buying patterns of our customers and end-users;
- increased costs of complying with new regulations, including compliance with the European General Data Protection Regulation (GDPR) and similar data protection laws imposed by the State of California and other U.S. states, including any related potential fines and penalties;
- the potential effects on the buying habits of our customers due to animal disease outbreaks;
- adverse market conditions and credit constraints which could affect our customers and end-users, such as cutbacks on dealer stocking levels;
- changes in market demand;
- cyber security risks including the potential loss of proprietary data or data security breaches and related fines, penalties and other liabilities;
- financial market changes including changes in interest rates and fluctuations in foreign exchange rates;
- abnormal seasonal factors in our industry;

- changes in domestic and foreign governmental policies and laws, including increased levels of government regulation and changes in agricultural policies, including the amount of farm subsidies and farm payments as well as changes in trade policy that may have an adverse impact on our business;
- government actions, including but not limited to budget levels, change in tax laws, regulations and legislation, relating to the environment, commerce, infrastructure spending, health and safety;
- risk of governmental defaults and resulting impact on the global economy and particularly financial institutions.

We wish to caution readers not to place undue reliance on any forward-looking statement and to recognize that the statements are not predictions of actual future results. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above and under “Risk Factors,” as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning us and our businesses, including factors that could potentially materially affect our financial results, may emerge from time to time. It is not possible for management to predict all risk factors or to assess the impact of such risk factors on the Company’s businesses. Any forward-looking statements made by or on behalf of the Company speak only to the date they are made and we do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the forward-looking statements were made.

Information About our Executive Officers

Certain information is set forth below concerning the executive officers of the Company (the "Executives"), each of whom has been appointed to serve until the 2020 annual meeting of directors or until their successor is duly appointed and qualified.

Name	Age	Position
Ronald A. Robinson	67	President and Chief Executive Officer
Dan E. Malone	59	Executive Vice President and Chief Financial Officer
Jeffery A. Leonard	60	Executive Vice President, Alamo Group Inc. and Executive Vice President Alamo Group (USA) Inc., Industrial Division
Richard H. Raborn	54	Executive Vice President, Alamo Group Inc. and Executive Vice President Alamo Group (USA) Inc., Agricultural Division
Richard J. Wehrle	63	Vice President, Controller and Treasurer
Edward T. Rizzuti	50	Vice President, General Counsel and Secretary
Janet S. Pollock	61	Vice President, Human Resources
Lori L. Sullivan	50	Vice President, Internal Audit

Ronald A. Robinson was appointed President, Chief Executive Officer and a director of the Company on July 7, 1999. Mr. Robinson had previously been President of Svedala Industries, Inc., the U.S. subsidiary of Svedala Industries AB of Malmo, Sweden, a leading manufacturer of equipment and systems for the worldwide construction, mineral processing and materials handling industries. Mr. Robinson joined Svedala in 1992 when it acquired Denver Equipment Company of which he was Chairman and Chief Executive Officer.

Dan E. Malone was appointed Executive Vice President, Chief Financial Officer on January 15, 2007. Prior to joining the Company, Mr. Malone held the position of Executive Vice President, Chief Financial Officer & Corporate Secretary at Igloo Products Corporation, a manufacturer of insulated consumer goods, from 2002 to January 2007. Mr. Malone was Vice President and Chief Financial Officer of The York Group, Inc. from 2000 to 2002, and held various financial positions from 1987 to 2000 with Cooper Industries, Inc. and its various subsidiaries.

Jeffery A. Leonard joined Alamo Group in September 2011 as Executive Vice President of Alamo Group Inc. and Executive Vice President of Alamo Group (USA) Inc., in charge of the Industrial Division. Mr. Leonard previously was Senior Vice President of Metso Minerals Industries Inc., a supplier of technology and services for mining, construction, power generation, automation, recycling, and pulp and paper industries.

Richard H. Raborn was appointed Executive Vice President of Alamo Group Inc. effective April 6, 2015. Mr. Raborn is also Executive Vice President of Alamo Group (USA) Inc. and is in charge of the Agricultural Division. Prior to joining the Company, Mr. Raborn was Vice President and General Manager of the Powertrain Metal Division for Illinois Tool Works (ITW) from 2009 to 2015. ITW is one of the world's leading diversified manufacturers of specialized industrial equipment, consumables and related service business.

Richard J. Wehrle has been Vice President, Controller and Treasurer of the Company since May 2001. He assumed Treasury responsibilities in May of 2018. Prior to his appointment, Mr. Wehrle served in various accounting management capacities within the Company since 1988.

Edward T. Rizzuti was appointed Vice President, General Counsel of Alamo Group Inc. effective July 15, 2015 and assumed the Secretary role in May of 2018. Prior to joining the Company, Mr. Rizzuti previously served from 2010 to 2015 as Vice President, General Counsel and Secretary for Erickson Incorporated, a publicly traded aircraft manufacturing and operating company based in Portland, Oregon.

Janet S. Pollock was appointed Vice President, Human Resources of Alamo Group Inc. effective May 3, 2018. Ms. Pollock joined Alamo Group in June of 2013 as Vice President of Human Resources for U.S. Operations. Prior to joining the Company, Ms. Pollock was previously Vice President of Human Resources with CPS Energy in San Antonio, Texas and Vice President of Strategic Initiatives for Coca-Cola Enterprises, Inc.

Lori L. Sullivan was appointed Vice President, Internal Audit of Alamo Group Inc. effective May 2, 2019. Prior to this appointment, Ms. Sullivan was Vice President of Internal Audit for U.S. Operations and Director of Internal Audit for Alamo Group Inc. Ms. Sullivan has held audit positions within various industries including research and development, public utilities, and public accounting prior to joining Alamo Group in July of 2011.

Item 1A. Risk Factors

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to the Company’s securities. If any of the following risks develop into actual events, the Company’s business, financial condition or results from operations could be materially and adversely affected and you could lose all or part of your investment.

Risks related to our business

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

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

- weakness in the worldwide economy;
- the price and availability of raw materials, purchased components and energy;
- budget constraints and revenue shortfalls for our governmental customers;
- changes in domestic and foreign governmental policies and laws, including increased levels of governmental regulation and associated liabilities;
- the levels of interest rates;
- the value of the U.S. dollar relative to the foreign currencies in countries where we sell our products but don’t have a manufacturing presence;
- impact of tighter credit markets on the Company, its dealers and end-users;
- impairment in the carrying value of goodwill; and

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

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

- animal disease outbreaks, epidemics and crop pests;
- weather conditions, such as droughts, floods and snowstorms;
- changes in farm incomes;
- cattle and agricultural commodity prices;
- changes in governmental agricultural policies worldwide;
- the level of worldwide farm output and demand for farm products; and
- limits on agricultural imports/exports.

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

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

The exit by the U.K. from the European Union ("Brexit") and the impact of the withdrawal may adversely affect business activity, political stability and economic conditions in the U.K., the European Union and elsewhere. The economic conditions and outlook could be further adversely affected by the uncertainty concerning new or modified trading arrangements between the U.K. and other countries. Any of these developments could negatively affect economic growth or business activity in the U.K., the European Union and elsewhere, and could materially and adversely affect our business and results of operations.

Significant changes in trade policy and related trade wars could have a material adverse impact on our results of operations.

The current administration continues to make potentially significant changes in U.S. trade policy and has taken certain actions that have adversely impacted U.S. trade and relationships with China and other trading partners, including imposing tariffs on certain goods imported into the U.S. Any continued actions or further changes in U.S. trade policy could trigger additional retaliatory actions by affected countries, resulting in "trade wars." Trade wars may lead to reduced economic activity, increased costs, reduced demand and changes in purchasing behaviors for some or all of our products, or other potentially adverse economic outcomes. These or other consequences from any trade wars could have a material adverse impact on our sales volumes, prices and our consolidated financial results.

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

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

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

We are subject to fluctuations in market prices for raw materials such as steel and energy. In addition, although most of the raw materials and purchased components we use are commercially available from a number of sources, we could experience disruptions in the availability of such materials. If we are unable to purchase materials we require or are unable to pass on price increases to our customers or otherwise reduce our cost of goods sold, our business, results of operations and financial condition may be adversely affected. In addition, higher energy costs could negatively affect spending by farmers, including their purchases of our products. In addition, a sudden and unrestrained outbreak of human disease could cause disruptions in our supply chain. For example, in 2020 we may experience delays in obtaining or an inability to obtain certain important components from our Chinese suppliers because of a rapid spread of the coronavirus in that country and potential reductions in manufacturing output.

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

The Company estimates the fair value of its reporting units using a discounted cash flow analysis. This analysis requires the Company to make significant assumptions and estimates about the extent and timing of future cash flows, discount rates and growth rates. The cash flows are estimated over a significant future period of time, which makes those estimates and assumptions subject to an even higher degree of uncertainty. The Company also utilizes market valuation models and other financial ratios, which require the Company to make certain assumptions and estimates regarding the applicability of those models to its assets and businesses. As of December 31, 2019, goodwill was $198,022,000, which represents 16% of total assets.

The Company recognized no goodwill impairment in 2019, 2018 or 2017. During the 2019 impairment analysis review, we performed a sensitivity analysis for goodwill impairment with respect to each of our reporting units and determined that a hypothetical 15% decline in the fair value of each reporting unit as of October 1, 2019 would not result in an impairment of goodwill for any of the reporting units. If we were to have a significant goodwill impairment caused by a greater than 15% decline in fair value, it could impact our results of operations as well as our net worth.

We are significantly dependent on information technology and our business may suffer from disruptions associated with information technology, cyber-attacks or other catastrophic losses affecting our IT infrastructure.

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

In addition, in the ordinary course of our business, we collect and store sensitive data, including our intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information or other sensitive information of our customers and employees. The secure use, processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite the information security measures we have taken, our information technology and infrastructure may be subjected to attacks by hackers or breached due to employee malfeasance, employee errors, or other disruptions. Cybersecurity threats and sophisticated computer crime pose a potential risk to the security of the Company's information technology systems, networks, and services, as well as the confidentiality and integrity of the Company's data and intellectual property. Cyber-attacks, security breaches, and other cyber incidents could include, among other things, computer viruses, malicious or destructive code, ransomware, social engineering attacks (including phishing and impersonation), hacking, denial-of-service attacks, and other similar attacks. Sensitive information is also stored by our vendors and on the platforms and networks of third-party providers. Cyber-attacks on the Company, our vendors, or our third-party providers could result in inappropriate access to our intellectual property, Company data, or personally identifiable information of our global workforce, suppliers, or customers. Potential consequences of a successful cyber-attack or other cybersecurity breach or incident include remediation costs, legal costs, increased cybersecurity protection costs, lost revenues resulting from the unauthorized use of proprietary information or the failure to retain or attract customers following an attack, litigation and legal risks including governmental or regulatory enforcement actions, increased insurance premiums, reputational damage that adversely affects customer or investor confidence, and damage to the Company's competitiveness, stock price, and long-term shareholder value. While we have taken steps to address these risks by implementing enhanced security technologies, internal controls, and business continuity plans, these measures may not be adequate.

Changes in the regulatory environment regarding privacy and data protection regulations could have a material adverse impact on our results of operations.

The EU has recently adopted a comprehensive overhaul of its data protection regime in the form of the General Data Protection Regulation ("GDPR"), which came into effect in May of 2018. GDPR extends the scope of the existing EU data protection law to foreign companies processing personal data of EU residents. The regulation imposes a strict data protection compliance regime with severe penalties of 4% of worldwide turnover or €20,000,000, whichever is greater, and includes new rights such as the right of erasure of personal data. Although the GDPR applies across the EU, as has been the case under the current data protection regime, EU Member States have some national derogations and local data protection authorities ("DPAs") will still have the ability to interpret the GDPR, which has the potential to create inconsistencies on a country-by-country basis. In addition, certain U.S. states have enacted privacy and data protection laws. For example, the State of California enacted the California Consumer Privacy Act ("CCPA") which became effective in 2020. Implementation of, and compliance with, the GDPR, CCPA and other similar laws could increase our cost of doing business and/or force us to change our business practices in a manner adverse to our business. In addition, violations of the GDPR, CCPA and other laws may result in significant fines, penalties and damage to our brand and business which could, individually or in the aggregate, materially harm our business and reputation.

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

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

Failure to develop new products or keep pace with technological developments may have a material adverse impact on our results of operations.

Our industry is affected by future technological developments. The introduction of new products or processes with innovative technologies could render our existing products or processes obsolete or unmarketable. Our success depends, to some extent, upon our ability to develop, market and sell cost-effective new products and applications that keep pace with technological developments in the markets we serve. We may not be successful in identifying, developing and marketing new products and applications or we may experience difficulties that could delay or prevent the successful development, introduction and marketing of such new products and applications, which could have a material adverse impact on our business and results of operations.

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

We have operations in a number of countries outside of the United States and we source raw materials and components globally. Our international operations are subject to the risks normally associated with conducting business in foreign countries, including but not limited to the following:

- limitations on ownership and on repatriation of earnings;
- import and export restrictions, tariffs and quotas;
- additional expenses relating to the difficulties and costs of staffing and managing international operations;
- labor disputes and uncertain political and economic environments and the impact of foreign business cycles;
- changes in laws or policies;
- changes in any international trade agreements, such as any changes in European Union membership;
- delays in obtaining or the inability to obtain necessary governmental permits;
- potentially adverse consequences resulting from the applicability of foreign tax laws;
- cultural differences;
- increased expenses due to inflation;
- weak economic conditions in foreign markets where our subsidiaries distribute their products;
- changes in currency exchange rates;
- disruptions in transportation and port authorities; and
- regulations involving international freight shipments.

Operating in the international marketplace exposes us to a number of risks, including the need to comply with U.S. and foreign laws and regulations applicable to our foreign operations, including anti-corruption laws such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, United States export control laws, and data privacy laws such as the recently enacted European GDPR. The costs of compliance with these various laws, regulations and policies can be significant and penalties for noncompliance could significantly and adversely impact our business. Our international operations may also be adversely affected by laws and policies affecting foreign trade, investment, taxation, and our ability to effectively source components and raw materials internationally. For example, any significant changes in U.S. trade policy, including the introduction of any new or expanded tariffs, could increase the cost of critical materials and supplies that we source internationally or negatively impact international sales of our products, which would have an adverse effect on our net sales and earnings.

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

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

We intend to grow internally and through the acquisition of businesses and assets that will complement our current businesses. To date, a material portion of our growth has come through acquisitions. We cannot be certain that we will be able to identify attractive acquisition targets, obtain financing for acquisitions on satisfactory terms or successfully acquire identified targets. Competition for acquisition opportunities may also increase our costs of making acquisitions or prevent us from making certain acquisitions. These and other acquisition-related factors may adversely impact our business, results of operations and financial condition.

We may not be able to realize the potential or strategic benefits of the acquisitions we complete, and the businesses we have acquired, or may acquire in the future, may not perform as expected.

Acquisitions are an important part of our growth strategy and we have completed a number of acquisitions over the past several years. In 2019, we completed three acquisitions, namely Dutch Power, Dixie Chopper, and Morbark. Acquisitions can be difficult, time-consuming, and pose a number of risks, including:

- potential negative impact on our earnings per share as a result of acquisition costs and related financing costs, among other things;

- the assumption of liabilities that are unknown to us at the time of closing;
- failure of acquired products to achieve projected sales;
- potential downward pressure on operating margins due to lower operating margins of acquired businesses, increased headcount costs and other expenses associated with adding and supporting new products;
- disruption of ongoing business operations, including diversion of management's attention and uncertainty for employees and customers, particularly during the post-acquisition integration process; and
- potential negative impact on our relationships with customers, distributors and vendors.

If we do not manage these risks, the acquisitions that we complete may have an adverse effect on our business, our results of operations or financial condition. In addition, we may not be successful in integrating acquired businesses into our existing operations and achieving projected synergies. We could face many risks in integrating acquired businesses, including but not limited to the following:

- we may incur substantial costs, delays or other operational or financial challenges in integrating acquired businesses, including integrating each company's accounting, information technology, human resource and other administrative systems to facilitate effective management;
- we may be unable to achieve expected cost reductions, to take advantage of cross-selling opportunities, or to eliminate redundant operations, facilities and systems;
- We may encounter problems in integrating the acquired products with our existing and/or new products;
- we may need to implement or improve controls, procedures and policies appropriate for a public company which could take a significant amount of time and expense;
- acquisitions may divert our management's attention from the operation of our existing businesses;
- we may not be able to retain key personnel of acquired businesses;
- there may be cultural challenges associated with integrating management and employees from the acquired businesses into our organization; and
- we may encounter unanticipated events, circumstances and legal risk and associated liabilities.

Our integration of acquired businesses requires significant efforts from the management of each entity, including coordinating existing business plans and research and development efforts. Integrating operations may distract management's attention from the day-to-day operation of the combined companies. Ultimately, our attempts to integrate the operations, technology and personnel of acquired businesses may not be successful. If we are unable to successfully integrate acquired businesses, our future results may be negatively impacted.

The agricultural industry and the infrastructure maintenance industry are seasonal, and seasonal fluctuations may cause our results of operations and working capital to fluctuate from quarter to quarter.

In general, agricultural and governmental end-users typically purchase new equipment during the first and second calendar quarters. Other products such as street sweepers, excavators, snow removal equipment, front-end loaders and pothole patchers have different seasonal patterns, as do replacement parts in general. In attempting to achieve efficient utilization of manpower and facilities throughout the year, we estimate seasonal demand months in advance and manufacturing capacity is scheduled in anticipation of such demand. We utilize an annual plan with updated quarterly sales forecasts provided by our marketing divisions and order backlog in order to develop a production plan for our manufacturing facilities. In addition, many of our marketing departments attempt to equalize demand for their products throughout the calendar year by offering seasonal sales programs which may provide additional incentives, including discounts and extended payment terms, on equipment that is ordered during off-season periods. Because we spread our production and wholesale shipments throughout the year to take into account the factors described above, sales in any given period may not reflect the timing of dealer orders and retail demand.

Weather conditions and general economic conditions may affect the timing of purchases and actual industry conditions might differ from our forecasts. In addition to seasonal factors, the agricultural industry is cyclical in nature with sales largely dependent on the state of the farm economy and, in particular, agriculture commodity prices and farm income. Consequently, sudden or significant declines in industry demand could adversely affect our working capital or results of operations.

Extreme weather conditions may impact demand for some of our products and impact our business, results of operations and financial condition.

Extreme weather conditions such as droughts or flooding may adversely affect sales of some of our products including our mowing equipment and other agricultural equipment and related parts. Milder winter conditions with lower snowfall accumulations can have an adverse impact on sales of our snow removal equipment and related parts business in the key markets we serve. In the event unfavorable weather conditions are worsened as a result of global climate change, our business may be adversely affected to a more significant extent.

If we do not retain key personnel and attract and retain other highly skilled employees, our business may suffer.

Our continued success will depend on, among other things, the efforts and skills of our executive officers, including our president and chief executive officer, and our ability to attract and retain additional highly qualified managerial, technical, manufacturing, and sales and marketing personnel. We do not maintain “key man” life insurance for any of our employees, and all of our senior management are employed at will. We cannot assure you that we will be able to attract and hire suitable replacements for any of our key employees. We believe the loss of a key executive officer or other key employee could have an adverse effect on our business, results of operations, and financial condition.

Increasingly stringent engine emission regulations could impact our ability to sell certain of our products into the market and appropriately price certain of our products, which could negatively affect our competitive position and financial results.

The products we manufacture or sell, particularly engines, are subject to increasingly stringent environmental emission regulations. For instance, the EPA has adopted increasingly stringent engine emission regulations, including Tier 4 emission requirements applicable to diesel engines in specified horsepower ranges that are used in some of our products. As of January 1, 2012, such requirements expanded to additional horsepower categories and, accordingly, apply to more of the products we sell. While we have developed and implemented plans to achieve full and timely compliance with these requirements, our ability to meet the Tier 4 requirements is subject to many variables, some of which are beyond our direct control. If we fail to meet the Tier 4 requirements and any other EPA emission standards that are currently in place or that may be introduced in the future, our ability to sell our products into the market may be limited, which could have a material adverse effect on our competitive position and financial results.

We are subject to environmental, health and safety and employment laws and regulations and related compliance expenditures and liabilities.

Like other manufacturers, the Company is subject to a broad range of federal, state, local and foreign laws and requirements, including those concerning air emissions, discharges into waterways, and the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, as well as the remediation of contamination associated with releases of hazardous substances at the Company’s facilities and offsite disposal locations, workplace safety and equal employment opportunities. These laws and regulations are constantly changing, and it is impossible to predict with accuracy the effect that changes to such laws and regulations may have on the Company in the future. Like other industrial concerns, the Company’s manufacturing operations entail the risk of noncompliance, and there can be no assurance that the Company will not incur material costs or other liabilities as a result thereof.

Changes in environmental laws or new laws relating to climate change and/or the emission of greenhouse gases ("GHG") may cause us to make additional investment in new product designs or could increase our environmental compliance expenditures. The regulation of GHG emissions could result in other additional costs to the Company in the form of tax or emissions allowances, facility improvement costs, and higher input costs. Increased input costs and other costs associated with GHG emissions regulation and related compliance may also negatively impact customer demand. Because the timing and extent of GHG emission regulations or climate change regulations are unknown at this time, we are unable to predict the impact this may have on our overall business.

The Company is subject to various other federal, state, and local laws affecting its business, as well as a variety of regulations relating to such matters as working conditions, equal employment opportunities, and product safety. A variety of state laws regulate the Company's contractual relationships with its dealers, some of which impose restrictive standards on the relationship between the Company and its dealers, including events of default, grounds for termination, non-renewal of dealer contracts, and equipment repurchase requirements.

We are subject on an ongoing basis to the risk of product liability claims and other litigation arising in the ordinary course of business.

Like other manufacturers, we are subject to various claims, including product liability claims, arising in the ordinary course of business, and we are a party to various legal proceedings that constitute routine litigation incidental to our business. We may be exposed to product liability claims in the event that the use of our products results, or is alleged to result, in bodily injury, property damage, or both. We cannot assure you that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend the Company against such claims. While we currently have product liability insurance, we cannot assure you that our product liability insurance coverage will be adequate for any liabilities that may ultimately be incurred or that it will continue to be available on terms acceptable to us. A successful claim brought against us in excess of available insurance coverage or a requirement to participate in a product recall may have a materially adverse effect on our business.

If we are unable to comply with the terms of our credit arrangements, especially the financial covenants, our credit arrangements could be terminated.

We cannot assure you that we will be able to comply with all of the terms of our credit arrangements, especially the financial covenants. Our ability to comply with such terms depends on the success of our business and our operating results. Various risks, uncertainties, and events beyond our control could affect our ability to comply with the terms of our credit arrangements. If we were out of compliance with any covenant required by our credit arrangements following any applicable cure periods, the banks could terminate their commitments unless we could negotiate a covenant waiver. The banks could condition such waiver on amendments to the terms of our credit arrangements that may be unfavorable to us, including a potential increase to the interest rate we currently pay on outstanding debt under our credit arrangements, which could adversely affect our operating results.

Fluctuations in currency exchange rates may adversely affect our financial results.

Our earnings are affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies, predominantly in European countries, Canada and Australia, as a result of the sale of our products in international markets. While we do enter into foreign exchange contracts to protect against such fluctuations to an extent (primarily in the U.K. market), we cannot assure you that we will be able to effectively manage these risks. Significant long-term fluctuations in relative currency values, such as a devaluation of the Euro against the U.S. dollar, could have an adverse effect on our future results of operations or financial condition.

Changes concerning the availability of the London Interbank Offered Rate ("LIBOR") may have a negative impact on our business.

Current interest rates on borrowings under our credit facility are variable and include the use of the London Interbank Offered Rate ("LIBOR"). In 2017, the U.K. Financial Conduct Authority announced that it intends to phase out LIBOR by the end of 2021. In addition, other regulators have suggested reforming or replacing other benchmark rates. The discontinuation, reform, or replacement of LIBOR or any other benchmark rates may result in fluctuating interest rates that may have a negative impact on our interest expense and our profitability.

Risks related to investing in our common stock

Because the price of our common stock may fluctuate significantly, it may be difficult for you to resell our common stock when desired or at attractive prices.

The trading price of our common stock has and may continue to fluctuate. The closing prices of our common stock on the New York Stock Exchange during 2019 ranged from $75.12 to $129.74 per share, and during 2018 from $73.92 to $120.13 per share. Our stock price may fluctuate in response to the risk factors set forth herein and to a number of events and factors, such as quarterly variations in operating and financial results, litigation, changes in financial estimates and recommendations by securities analysts, the operating and stock performance of other companies that investors may deem comparable to us, news reports relating to us or trends in our industry or general economic conditions. The stock price volatility and trading volume may make it difficult for you to resell your shares of our common stock when desired or at attractive prices.

You may experience dilution of your ownership interests due to the future issuance of additional shares of our common stock.

We may issue shares of our previously authorized and unissued securities, which will result in the dilution of the ownership interests of our present stockholders. We are currently authorized to issue 20,000,000 shares of common stock. On December 31, 2019, 11,828,764 shares of our common stock were issued and outstanding, and there were outstanding options and restricted stock awards totaling an additional 203,725 shares of our common stock. We also have additional shares available for grant under our 2015 Incentive Stock Option Plan and our 2019 Equity Incentive Plan. Additional stock option or other compensation plans or amendments to existing plans for employees and directors may be adopted. Issuance of these shares of common stock may dilute the ownership interests of our then existing stockholders. We may also issue additional shares of our common stock in connection with the hiring of personnel, future acquisitions, such as the 1,700,000 shares issued as consideration for the acquisition of *Bush Hog* in 2009, future private placements of our securities for capital raising purposes, or for other business purposes. This would further dilute the interests of our existing stockholders.

There is no assurance that we will continue declaring dividends or have the available cash to make dividend payments.

On January 2, 2020, the Board of Directors of the Company increased its quarterly dividend from $0.12 per share to $0.13 per share. Although we have paid a cash dividend in each quarter since becoming a public company in 1993, there can be no assurance that we will continue to declare dividends or that funds will continue to be available for this purpose in the future. The declaration and payment of dividends are restricted by the terms of our credit facility, are subject to the discretion of our Board of Directors, are not cumulative, and will depend upon our profitability, financial condition, capital needs, future prospects, and other factors deemed relevant by our Board of Directors.

Provisions of our corporate documents may have anti-takeover effects that could prevent a change in control.

Provisions of our charter, bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These provisions include prohibiting stockholders from calling stockholder meetings and prohibiting stockholder actions by written consent. Our Certificate of Incorporation and Bylaws state that any amendment to certain provisions, including those provisions regarding limitations on action by written consent discussed above, be approved by the holders of at least two-thirds of our common stock. We are also afforded the protections of Section 203 of the Delaware General Corporation Law, which would prevent us from engaging in a business combination with a person who becomes a 15% or greater stockholder for a period of three years from the date such person acquired such status unless certain board or stockholder approvals were obtained.

Future sales, or the possibility of future sales, of a substantial amount of our common stock may depress the price of the shares of our common stock.

Future sales, or the availability for sale in the public market, of substantial amounts of our common stock could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities. If we or our existing stockholders sell substantial amounts of our common stock in the public market, or if there is a perception that these sales may occur, the market price of our common stock could decline.

Certain stockholders own a significant amount of our common stock, and their interests may conflict with those of our other stockholders.

As of December 31, 2019, five investors - BlackRock, Inc., Henry Crown and Company, Dimensional Fund Advisors LP, Victory Capital Management Inc., and The Vanguard Group - beneficially owned approximately 45% of our outstanding common stock. As a result, the major stockholders combined could be able to significantly influence the direction of the Company, the election of our Board of Directors, and the outcome of any other matter requiring stockholder approval, including mergers, consolidations and the sale of all or substantially all of our assets, and together with other beneficially owned investors, to prevent or cause a change in control of the Company. Also, pursuant to contractual obligations, affiliates of Henry Crown and Company were entitled to certain rights with respect to the registration of the common stock owned by them under the Securities Act. Pursuant to such registration rights, on March 12, 2012, we filed a registration statement related to the common stock owned by such entities and such registration statement was declared effective by the SEC. The interests of the major stockholders may conflict with the interests of our other stockholders.

Item 1B. Unresolved Staff Comments

The Company has no unresolved staff comments to report pursuant to Item 1B.

Item 2. Properties

As of December 31, 2019, the Company utilized thirty principal manufacturing plants with sixteen located in the United States, eight in Europe, four in Canada, one in Australia and one in Brazil. The facilities are listed below

Facility	Square Footage		Principal Types of Products Manufactured And Assembled
Winn, Michigan*	1,100,000	Owned	Tree chippers, Grinders, Brush Cutters, Debarkers, Utility Loaders for *Morbark* and *Boxer*
Selma, Alabama*	769,000	Owned	Mechanical Rotary Mowers, Finishing Mowers, Zero Turn Radius Mowers, Backhoes, Front-End Loaders for *Bush Hog*
New Philadelphia, Ohio*	430,000	Owned	Telescopic Excavators for *Gradall* and Vacuum Trucks for *VacAll*
Wooster, Ohio*	400,000	Leased	Stump Cutters, Aerial Trimmers, Mulchers, Crawler Trucks for *Rayco*
Gibson City, Illinois*	275,000	Owned	Mechanical Mowers, Blades, Post Hole Diggers, Deep Tillage Equipment, front-end loaders, backhoes, and other implements for *Rhino*, *Bush Hog* and OEM's
Seguin, Texas*	230,000	Owned	Hydraulic and Mechanical Rotary and Flail Mowers, Sickle-Bar Mowers, and Boom-Mounted Equipment for *Alamo Industrial*
Indianola, Iowa*	200,000	Owned	Distribution and Manufacturing of Aftermarket Farm Equipment Replacement and Wear Parts for *Herschel/Valu-Bilt*
Richmond, Virginia*	197,000	Leased	Leaf Collection Equipment and Replacement Brooms for Street Sweepers for *ODB*
Neuville, France*	195,000	Owned	Hydraulic and Mechanical Boom-Mounted Hedge and Grass Cutters for *Rousseau* and *SMA*
Ludlow, England*	160,000	Owned	Hydraulic Boom-Mounted Hedge and Grass Cutters and other Equipment for *McConnel* and *Twose*
Salford Priors, England*	157,000	Owned	Tractor-Mounted Power Arm Flails and other Equipment for *Bomford* and *Twose* and *Spearhead*
Sao Joao da Boa Vista, Brazil*	138,000	Owned	Agriculture Mowing Equipment and other Attachments for *Santa Izabel*
Huntsville, Alabama*	135,000	Owned	Air and Mechanical Sweeping Equipment for *Schwarze*
New Berlin, Wisconsin*	120,000	Owned	Municipal Snow Removal and Ice Control Equipment for *Wausau*
Englefeld, Saskatchewan, Canada*	105,000	Owned	Mechanical Rotary Mowers, Snow Blowers, and Rock Removal Equipment for *Schulte*
St. Valerien, Quebec, Canada*	100,000	Owned	Snow and Ice Removal Equipment for *Tenco*
Daumeray, France*	100,000	Owned	Vacuum Trucks, High Pressure Cleaning Systems and Trenchers for *Rivard*
Leavenworth, Kansas*	72,000	Owned	Snow Plows and Heavy-Duty Snow Removal Equipment for *Henke*
Sioux Falls, South Dakota*	66,000	Owned	Hydraulic and Mechanical Mowing Equipment for *Tiger*
Enschede, The Netherlands	65,000	Owned	Rotary, Flail and Commercial Mowers for *Dutch Power*
New Berlin, Wisconsin*	55,000	Owned	Truck-Mounted Vacuum Trucks for *Super Products*
Brookfield, Wisconsin*	46,000	Leased	Truck-Mounted Vacuum Trucks for *Super Products*
Kent, Washington*	42,800	Owned	Truck-Mounted Sweeping Equipment for the contractor market branded *NiteHawk*
Ayer's Cliff, Quebec, Canada*	41,000	Owned	Municipal Snow Removal and Ice Control Equipment for *Everest*
Fond du Lac, Wisconsin*	38,000	Owned	Municipal Snow Removal and Ice Control Equipment for *Wausau*
Middelburg, The Netherlands*	32,000	Owned	Boom Mowers and Stump Grinders for *Dutch Power*
Roxton Falls, Canada	32,000	Owned	Brush Cutters, Mulchers, Utility Loaders for *Denis Cimaf*
Peschadoires, France*	22,000	Owned	Replacement Parts for Blades, Knives and Shackles for *Forges Gorce*
Oakey, Australia*	18,000	Leased	Agriculture Mowing Equipment and other Attachments for *Fieldquip*
Giessen, The Netherlands*	23,000	Owned	Aquatic Harvesting Boats and Remote Control Mowing Equipment for *Dutch Power*

* Principal manufacturing plants

Approximately 84% of the manufacturing, warehouse and office space is owned. Our Chartres, France location is listed for sale. The Company just completed building a new facility for its Super Products vacuum trucks operation and will begin manufacturing during the first quarter of 2020. The Company considers each of these facilities to be well maintained, in good operating condition and adequate for its present level of operations.

Item 3. Legal Proceedings

The Company is subject to various legal actions which have arisen in the ordinary course of its business. The most prevalent of such actions relate to product liability, which is generally covered by insurance after various self-insured retention amounts. While amounts claimed might be substantial and the ultimate liability with respect to such litigation cannot be determined at this time, the Company believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations; however, the ultimate resolution cannot be determined at this time.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock trades on the New York Stock Exchange under the symbol: ALG. On February 21, 2020, there were 11,834,714 shares of common stock outstanding, held by approximately 52 holders of record, but the total number of beneficial owners of the Company's common stock exceeds this number. On February 21, 2020, the closing price of the common stock on the New York Stock Exchange was $129.11 per share.

The following table sets forth, for the period indicated, on a per share basis, the range of high and low sales prices for the Company's common stock as quoted by the New York Stock Exchange. These price quotations reflect inter-dealer prices, without adjustment for retail markups, markdowns or commissions, and may not necessarily represent actual transactions.

On January 2, 2020, the Board of Directors of the Company declared a quarterly dividend of $0.13 per share which was paid on January 29, 2020 to holders of record as of January 16, 2020. The Company expects to continue its policy of paying regular cash dividends, although there is no assurance as to future dividends as they depend on future earnings, capital requirements and financial condition. In addition, the payment of dividends is subject to restrictions under the Company's bank revolving credit agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in Item 7 of Part II of this Annual Report on Form 10-K for a further description of the bank revolving credit agreement.

Information relating to compensation plans under which equity securities of the Company are authorized for issuance is set forth in Part III, Item 12 of this Annual Report on Form 10-K.

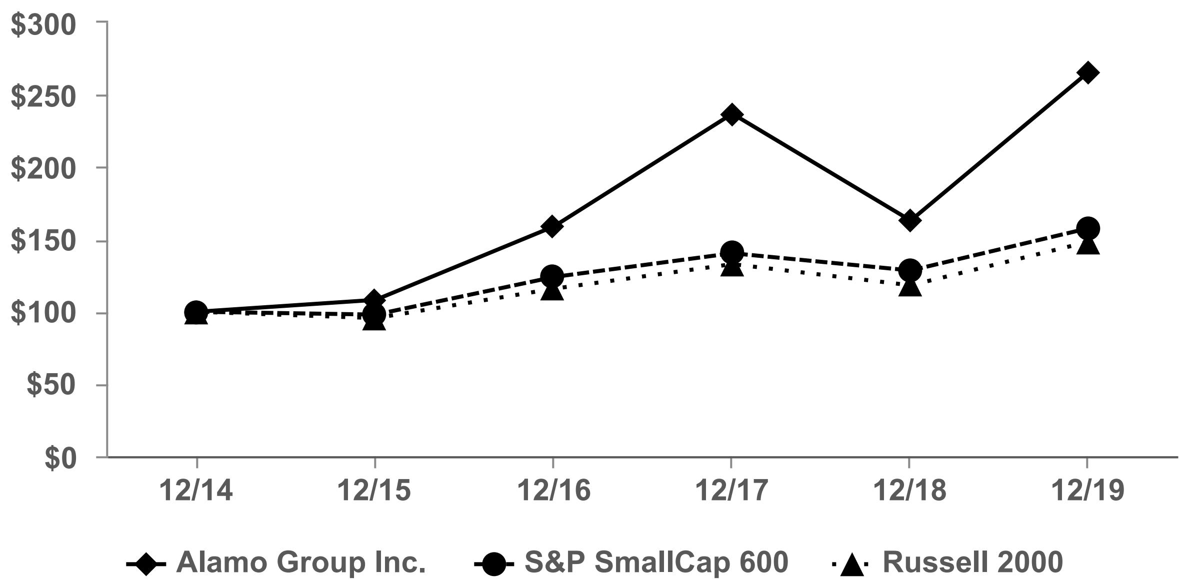
Stock Price Performance Graph

The information contained in this Stock Performance Graph section shall not be deemed to be “soliciting material” or “filed” with the SEC or subject to the liabilities of Section 18 of the Exchange Act except to the extent that Alamo Group Inc. specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.

The following graph and table set forth the cumulative total return to the Company's stockholders of our Common Stock during a five-year period ended December 31, 2019, as well as the performance of an overall stock market index (the S&P SmallCap 600 Index) and the Company's selected peer group index (the Russell 2000 Index).

The Company believes a representative industry peer group of companies with a similar business segment profile does not exist. The SEC has indicated that companies may use a base other than industry or line of business for determining its peer group index, such as an index of companies with similar market capitalization. Accordingly, the Company has selected the Russell 2000 Index, a widely used small market capitalization index, to use as a representative peer group.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Alamo Group Inc., the S&P SmallCap 600 Index and the Russell 2000 Index



*$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/14	12/15	12/16	12/17	12/18	12/19
Alamo Group Inc.	**100.00**	**108.23**	**159.06**	**237.01**	**163.09**	**266.12**
S&P SmallCap 600	**100.00**	**98.03**	**124.06**	**140.48**	**128.56**	**157.85**
Russell 2000	**100.00**	**95.59**	**115.95**	**132.94**	**118.30**	**148.49**

Purchase of Equity Securities

The following table provides a summary of the Company's repurchase activity for its common stock during the three months ended December 31, 2019:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly announced Plans or Programs	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [1]
October 1 -31, 2019	—	—	—	$ 25,861,222
November 1 - 30, 2019	—	—	—	$ 25,861,222
December 1 - 31, 2019	—	—	—	$ 25,861,222
Total	—		—	

[1] On December 13, 2018, the Board authorized a stock repurchase program of up to $30.0 million of the Company's common stock. The program shall have a term of five (5) years, terminating on December 12, 2023.

Item 6. Selected Financial Data

The following selected financial data is derived from the consolidated financial statements of Alamo Group Inc. and its subsidiaries. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein, including in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Fiscal Year Ended December 31, [1]				
(in thousands, except per share amounts)	2019	2018	2017	2016	2015
Operations:					
Net sales	$ 1,119,138	$1,008,822	$ 912,380	$ 844,748	$ 879,577
Income before income taxes	84,335	94,531	82,367	62,189	66,867
Net income	62,906	73,486	44,315	40,045	43,209
Percent of sales	5.6 %	7.3 %	4.9 %	4.7 %	4.9 %
Earnings per share					
Basic	5.36	6.30	3.84	3.50	3.81
Diluted	5.33	6.25	3.79	3.46	3.76
Dividends per share	0.48	0.44	0.40	0.36	0.32
Average common shares					
Basic	11,729	11,660	11,549	11,434	11,349
Diluted	11,800	11,761	11,682	11,565	11,482
Financial Position:					
Total assets	$ 1,212,763	$ 721,633	$ 639,671	$ 552,776	$ 603,503
Short-term debt and current maturities	18,840	119	82	73	77
Long-term debt, excluding current maturities	425,141	85,179	60,000	70,017	144,006
Stockholders’ equity	$ 569,757	$ 507,371	$ 449,108	$ 387,717	$ 360,469

[1] Includes the results of operations of companies acquired from the closing dates of acquisitions.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Outlook

This report contains forward-looking statements that are based on Alamo Group’s current expectations. Actual results in future periods may differ materially from those expressed or implied because of a number of risks and uncertainties which are discussed below and in the Forward-Looking Information section beginning on page 12.

In 2019, the Company encountered several challenges including, among other things, ongoing weak agricultural markets worldwide, slowing economic conditions due to weakening in the overall industrial markets we serve, and continued trade disputes between the U.S. and China, all of which hampered sales. While the Company believes that some of these adverse conditions are showing signs of moderating in 2020, we remain cautious in terms of our outlook for the year, given ever-changing market conditions and global uncertainty. Input costs can and do change regularly, while international trade disputes and a continuing tight labor market remain of concern. In addition, U.S. national elections in 2020 create further uncertainty for us, particularly in some of the governmental markets we serve. Despite the challenges faced in 2019, we were successful in completing three important acquisition transactions and, as a result, our backlog was in excess of $260,000,000 as of December 31, 2019, which is almost 9% higher than our backlog level at December 31, 2018. We believe these recent acquisitions will facilitate stronger top and bottom line growth for us going forward as we integrate the acquired businesses and focus our efforts on realizing identified cost and revenue synergies. We will also continue our focus on ongoing operational improvement initiatives and, as we did in 2019, will maintain a high level of capital expenditures in 2020 in line with expenditures of the last several years. Of course, we may also be negatively affected by several other unanticipated factors, such as a weakness in the overall economy; significant changes in currency exchange rates; further changes in trade policy; Brexit integration impacts; increased levels of government regulations; weakness in the agricultural sector; acquisition integration issues; budget constraints or revenue shortfalls in governmental entities; and other risks and uncertainties as described in “Risk Factors.”

Beginning with the fourth quarter of 2019, the Company began reporting operating results on the basis of two segments, namely the Industrial Division and the Agricultural Division, to align with certain changes in how our chief operating decision maker manages and allocates resources to our business. Prior to the fourth quarter of 2019, the Company had been reporting its operating results on the basis of three segments which included the Company's European Division. The Company's European Division was a mixture of industrial and agricultural products similar to those within our other two segments. We believe that by combining similar products under two reporting segments we will achieve better alignment of our products along functional lines which will allow the Company to operate more efficiently. Our prior period segment information has been retrospectively adjusted to reflect our current segment presentation.

The following discussion should be read in conjunction with the consolidated financial statements of the Company and the notes thereto included elsewhere in this Annual Report on Form 10-K.

The following tables set forth, for the periods indicated, certain financial data:

	Fiscal Year Ended December 31,		
Net sales (data in thousands):	2019	2018	2017
Industrial	$ 768,454	$ 638,198	$ 563,599
Agricultural	350,684	370,624	348,781
Total net sales	$ 1,119,138	$ 1,008,822	$ 912,380

Cost and profit margins, as percentages of net sales:

	2019	2018	2017
Cost of sales	75.6 %	74.6 %	74.3 %
Gross profit	24.4 %	25.4 %	25.7 %
Selling, general, administrative, and amortization expenses	16.0 %	15.4 %	16.0 %
Income from operations	8.5 %	10.0 %	9.7 %
Income before income taxes	7.5 %	9.4 %	9.0 %
Net income	5.6 %	7.3 %	4.9 %

Results of Operations

Fiscal 2019 compared to Fiscal 2018

The Company's net sales in the fiscal year ended December 31, 2019 ("2019") were $1,119,138,000, an increase of $110,316,000 or 10.9% compared to $1,008,822,000 for the fiscal year ended December 31, 2018 ("2018"). The increase in net sales was mainly due to the acquisition of *Dutch Power,* which contributed $36,350,000 in net sales and the *Morbark* acquisition, which added $35,113,000 in net sales. Also contributing to the increase in sales for 2019 was relatively strong demand for our products in the Company's Industrial Division. These positive net sales impacts more than offset lower sales in our Agricultural Division due to weak market conditions as well as unfavorable currency translation effects in our European operations.

Net Industrial sales were $768,454,000 in 2019 compared to $638,198,000 in 2018, an increase of $130,256,000 or 20.4%, primarily resulting from the acquisitions of *Dutch Power* and *Morbark* which together accounted for $71,463,000 of the increase in net sales. Also contributing to the increase were higher sales of vacuum trucks, sweepers, excavators and snow equipment. To a lesser extent, negatively affecting sales in this division were lower mowing equipment sales.

Net Agricultural sales were $350,684,000 in 2019 compared to $370,624,000 in 2018, representing a decrease of $19,940,000 or 5.4%. Negatively affecting sales in this Division were weak market conditions and lower farm incomes, which have been impacted by lower commodity prices as well as on going trade disputes. A first quarter 2019 shutdown in this Division's largest manufacturing facility to install an upgrade to its paint system in addition to heavy rains and flooding throughout the mid-west part of the U.S. during the second quarter of 2019 also negatively hampered sales. Also negatively affecting sales were weak agricultural conditions in the U.K. during the second half of 2019.

Gross profit for 2019 was $273,227,000 (24.4% of net sales) compared to $256,115,000 (25.4% of net sales) in 2018, an increase of $17,112,000. The increase in gross profit for 2019 came from the acquisitions of *Dutch Power* and *Morbark* and higher equipment sales in the Company's Industrial Division. Negatively affecting the gross margin and margin percentage for 2019 as compared to 2018 were the step-up inventory charge of $3,251,000 at *Morbark* due to the acquisition, the effects of lower production in our Agricultural Division and unfavorable product mix, partially offset by lower material costs and improvements in the *Rivard* vacuum truck business.

Selling, general and administrative expenses ("SG&A") were $172,921,000 (15.5% of net sales) in 2019 compared to $151,522,000 (15.0% of net sales) in 2018, an increase of $21,399,000. To a large extent, the increase in SG&A was a result of the acquisitions of *Dutch Power* and *Morbark* which accounted for $12,498,000 of the increase. Also contributing to the higher SG&A costs were increased spending in research and development projects, higher commissions and other selling expenses as well as acquisition expenses, in the amount of $1,940,000. Amortization expense in 2019 was $5,658,000 compared to $3,505,000 in 2018, an increase of $2,153,000. The increased amortization expense in 2019 was primarily from the acquisitions of *Dutch Power* and *Morbark.*

Interest expense for 2019 was $10,747,000 compared to $5,493,000 in 2018, an increase of $5,254,000 or 95.6%. The increase in interest expense in 2019 came from increased borrowings due to the *Dutch Power* and *Morbark* acquisitions.

Other income (expense), net was expense of $795,000 during 2019 compared to expense of $1,474,000 in 2018. The expense in 2019 and the expense in 2018 were primarily the result of changes in exchange rates.

Provision for income taxes was $21,429,000 (25.4% of income before income taxes) for 2019 compared to $21,045,000 (22.3% of income before income taxes) in 2018. The lower effective tax rate in 2018 as compared to 2019 was a result of the Company recording a net benefit to income taxes of $3,331,000 in 2018 relating to the adjustment in the provisional amounts recorded in the fourth quarter of 2017 upon enactment of Tax Cuts and Jobs Act ("TCJA"), as more fully described in Note 14 of the Notes to the Consolidated Financial Statements. This factor reduced the Company's effective income tax rate for 2018 to 22.3%.

Net income for 2019 was $62,906,000 compared to $73,486,000 in 2018, due to the factors described above.

Fiscal 2018 compared to Fiscal 2017

The Company's net sales in the fiscal year ended December 31, 2018 ("2018") were $1,008,822,000, an increase of $96,442,000 or 10.6% compared to $912,380,000 for the fiscal year ended December 31, 2017 ("2017"). The increase was mainly attributable to the increased demand for our products in the Company's Industrial Division and in our Agricultural Division's European operations. Our acquisitions of *Santa Izabel*, *ODB* and *RPM* added $39,396,000 to the increase in net sales. Also contributing to the increase in sales for 2018 were favorable currency translation effects primarily relating to our European sales.

> Net Industrial sales were $638,198,000 in 2018 compared to $563,599,000 in 2017, an increase of $74,599,000 or 13.2%. The increase primarily came from higher sales of vacuum trucks, mowing equipment, sweepers, excavators and snow equipment. Also contributing to the increase were the acquisitions of ODB and RPM which together added $29,174,000 in net sales.
>
> Net Agricultural sales were $370,624,000 in 2018 compared to $348,781,000 in 2017, representing an increase of $21,843,000 or 6.3%. The increase was a result of the acquisition of Santa Izabel which accounted for $10,222,000 in net sales along with increased sales in our European agriculture markets. Negatively affecting this Division were soft market conditions which resulted from lower farm incomes and commodity prices and the impacts of new and retaliatory tariffs.

Gross profit for 2018 was $256,115,000 (25.4% of net sales) compared to $234,693,000 (25.7% of net sales) in 2017, an increase of $21,422,000. The increase in gross profit for 2018 resulted from higher equipment sales in the Company's Industrial Division and in our Agricultural Division's European operations and, to a lesser extent, the acquisitions of *Santa Izabel*, *ODB* and *RPM*. Negatively affecting the gross margin and margin percentage for 2018 were higher steel, freight and other input costs (including tariff impacts) which more than offset productivity improvements, pricing actions, and purchasing initiatives. To a lesser extent, gross margin percentage was also impacted by the mix of higher wholegoods, tractor and chassis sales compared to modest higher margin part sales.

Selling, general and administrative expenses ("SG&A") were $151,522,000 (15.0% of net sales) in 2018 compared to $142,638,000 (15.6% of net sales) in 2017, an increase of $8,884,000. The increase in SG&A was primarily the result of the acquisitions of *Santa Izabe*l, *ODB* and *RPM* in the amount of $5,120,000 and to a lesser extent higher commissions and other selling expenses and higher spending on research and development projects. Amortization expense in 2018 was $3,505,000 compared to $3,317,000 in 2017, an increase of $188,000. The increased expense in 2018 was primarily from currency translation effects on our foreign amortization expense..

Interest expense for 2018 was $5,493,000 compared to $4,839,000 in 2017, an increase of $654,000 or 13.5%. The increase in expense in 2018 was due to higher debt levels as a result of increased demands in working capital and an increase in interest rates during 2018.

Other income (expense), net was expense of $1,474,000 during 2018 compared to expense of $1,868,000 in 2017. The expense in 2018 and the expense in 2017 were primarily the result of changes in exchange rates.

Provision for income taxes was $21,045,000 (22.3% of income before income taxes) for 2018 compared to $38,052,000 (46.2% of income before income taxes) in 2017. The decrease in both income taxes and the effective tax rate was due to the enactment of the TCJA which lowered the U.S. statutory income tax rate from 35% in 2017 to 21% in 2018. In addition, the Company recorded during 2018, a net benefit to income taxes of $3,331,000 relating to the adjustment in the provisional amounts recorded in the fourth quarter of 2017 upon enactment of TCJA, as more fully described in Note 14 of the Notes to the Consolidated Financial Statements. The combination of these two factors reduced the Company's effective income tax rate for 2018 to 22.3%.

Net income for 2018 was $73,486,000 compared to $44,315,000 in 2017, due to the factors described above.

Liquidity and Capital Resources

In addition to normal operating expenses, the Company has ongoing cash requirements which are necessary to conduct the Company's business, including inventory purchases and capital expenditures. The Company's inventory and accounts payable levels, particularly in its Agricultural Division, build in the first quarter and early spring and, to a lesser extent, in the fourth quarter in anticipation of the spring and fall selling seasons. Accounts receivable historically build in the first and fourth quarters of each year as a result of pre-season sales and year-round sales programs. These sales, primarily in the Agricultural Division, help balance the Company's production during the first and fourth quarters.

As of December 31, 2019, the Company had working capital of $407,954,000, which represents an increase of $55,963,000 from working capital of $351,991,000 as of December 31, 2018. The increase in working capital was primarily due to the acquisitions of *Dutch Power* and *Morbark*.

Capital expenditures were $31,337,000 for 2019, compared to $26,587,000 for 2018. The increase was primarily related to the construction of a new plant in Mukwonago, Wisconsin for the Company's *Super Products* vacuum truck operations as well as a significant plant expansion of the Company's *Tenco* facility in Canada. The Company will continue to maintain a high level of capital expenditures in order to increase production capacity, support improvement in operational efficiencies, invest in technology, as well as expand an existing manufacturing facility. We will fund future capital expenditures from operating cash flows or through our revolving credit facility, described below.

In conjunction with our implementation of the provisions of TCJA, and as more fully described in Note 14 to the consolidated financial statements, we recorded a liability in 2017 for the estimated U.S. federal tax due on the deemed repatriation of the accumulated earnings and profits of our international subsidiaries not previously distributed. We will pay this liability over the eight-year period permitted by the TCJA provisions. The deemed repatriation of these accumulated earnings and profits is generally no longer subject to any U.S. federal income tax consequences associated with the repatriation of the Company's $37,003,000 in cash and cash equivalents held by its foreign subsidiaries as of December 31, 2019; however, a portion would be subject to foreign withholding tax. The majority of these funds are at our French and Canadian facilities. As a result of the fundamental changes to the taxation of multinational corporations created by TCJA, we no longer intend to permanently reinvest all of the historical undistributed earnings of our European foreign affiliates. While the Company intends to use some of these funds for working capital and capital expenditures outside the U.S., recent changes in the U.S. tax laws have substantially mitigated the cost of repatriation. Consequently, the Company now intends to repatriate foreign cash and cash equivalents in excess of amounts needed to fund foreign operating and investing activities. Repatriated funds will initially be used to reduce funded debt levels under the Company's current credit facility and subsequently used to fund working capital, capital investments and acquisitions company-wide.

Net cash provided by operating activities was $88,813,000 for 2019, compared to $12,910,000 for 2018. The increase of cash from operating activities came primarily from working capital due to reductions in accounts receivable and inventory levels partially offset by increased investment in rental equipment in the Industrial Division *.*

Net cash used in investing activities was $429,940,000 for 2019, compared to $25,358,000 for 2018. The increase in cash used in investing activities was primarily due to the acquisitions of *Morbark*, *Dutch Power* and to a lesser extent *Dixie Chopper*.

Net cash provided by financing activities was $349,223,000 for 2019, compared to $22,208,000 for 2018. The majority of the increase in net cash provided by financing activities in 2019 was due to borrowings to finance the acquisitions of *Morbark*, *Dutch Power*, and to a lesser extent *Dixie Chopper*.

On October 24, 2019, the Company, as Borrower, and each of its domestic subsidiaries as guarantors, entered into a Second Amended and Restated Credit Agreement (the *Credit Agreement*) with Bank of America, N.A., as Administrative Agent. The Credit Agreement provides the Company with the ability to request loans and other financial obligations in an aggregate amount of up to $650,000,000 and, subject to certain conditions, the Company has the option to request an increase in aggregate commitments of up to an additional $200,000,000. Pursuant to the Credit Agreement, the Company has borrowed $300,000,000 pursuant to a Term Facility repayable with interest quarterly at a percentage of the initial principal amount of the Term Facility of 5.0% per year with the remaining principal due in 5 years. Up to $350,000,000 is available under the Credit Agreement pursuant to a Revolver Facility which terminates in 5 years. The Agreement requires the Company to maintain two financial covenants, a maximum leverage ratio and a minimum asset coverage ratio. The Agreement also contains various covenants relating to limitations on indebtedness, limitations on investments and acquisitions, limitations on sale of properties and limitations on liens and capital expenditures. The Agreement also contains other customary covenants, representations and events of defaults. The expiration date of the Term Facility and the Revolver Facility is October 24, 2024. As of December 31, 2019, $443,717,000 was outstanding under the Credit Agreement, $298,717,000 on the Term Facility and $145,000,000 on the Revolver Facility. On December 31, 2019, $3,025,000 of the revolver capacity was committed to irrevocable standby letters of credit issued in the ordinary course of business as required by vendors' contracts resulting in $201,975,000 in available borrowings. The Company is in compliance with the covenants under the Agreement.

Management believes the Agreement and the Company’s ability to internally generate funds from operations should be sufficient to meet the Company’s cash requirements for the foreseeable future. However, future challenges affecting the banking industry and credit markets in general could potentially cause changes to credit availability, which creates a level of uncertainty.

Inflation

The Company believes that inflation generally has not had a material impact on its operations or liquidity. The Company is exposed to the risk that the price of energy, steel and other purchased components may increase and the Company may not be able to increase the price of its products correspondingly. If this occurs, the Company’s results of operations would be adversely impacted.

New Accounting Pronouncements

As discussed in Note 2 of Notes to Consolidated Financial Statements, certain new financial accounting pronouncements became effective January 1, 2020, or will become effective in the future. The effect on our financial statements upon adoption of these pronouncements is discussed in the above- referenced note.

Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements that have or are currently likely to have a current or future material effect on our financial condition.

Contractual and Other Obligations

The following table shows the Company's approximate obligations and commitments to make future payments under contractual obligations as of December 31, 2019:

(in thousands)		Payment due by period			
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations	$ 443,717	$ 18,750	$ 30,000	$ 394,967	$ —
Capital lease obligations	264	90	121	39	14
Interest obligations	90,575	18,831	37,653	34,091	—
Operating lease obligations	14,061	4,305	4,769	2,400	2,587
Purchase obligations	152,607	152,607	—	—	—
Total	$ 701,224	$ 194,583	$ 72,543	$ 431,497	$ 2,601

Definitions:

A. *Long-term debt obligation* means a principal payment obligation under long-term borrowings.

B. *Capital lease obligation* means a principal payment obligation under a lease classified as a capital lease.

C. *Interest obligation* represents interest due on long-term debt and capital lease obligations. Interest on long-term debt assumes all floating rates of interest remain the same as those in effect at December 31, 2019.

D. *Operating lease obligation* means a payment obligation under a lease classified as an operating lease.

E. *Purchase obligation* means an agreement to purchase goods or services that is enforceable and legally binding on the registrant that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

Critical Accounting Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical Accounting Policies

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes the following critical accounting policies reflect its more significant estimates and assumptions used in the preparation of the Consolidated Financial Statements. For further information on the critical accounting policies, see Note 1 of our Notes to Consolidated Financial Statements.

Business Combinations

We account for the acquisition of a business in accordance with the accounting standards codification guidance for business combinations, whereby the total consideration transferred is allocated to the assets acquired and liabilities assumed, including amounts attributable to intangible assets based on their respective estimated fair values as of the date of acquisition. Goodwill represents the excess of consideration transferred over the estimated fair value of the net assets acquired in a business combination.

Assigning estimated fair values to the assets acquired and liabilities assumed requires the use of significant estimates, judgments, inputs, and assumptions regarding the fair value of intangibles assets that are separately identifiable from goodwill, inventory step-up, and property, plant, and equipment. Such significant estimates, judgments, inputs, and assumptions include, when applicable, the selection of an appropriate valuation method depending on the nature of the respective asset, such as the income approach, the market or sales comparison approach, or the cost approach; estimating future cash flows based on projected revenues and/or margins that we expect to generate subsequent to an acquisition; applying an appropriate discount rate to estimate the present value of those projected cash flows we expect to generate subsequent to an acquisition; selecting an appropriate royalty rate or estimating a customer attrition or technological obsolescence factor where necessary and appropriate given the nature of the respective asset; assigning the appropriate contributory asset charge where needed; determining an appropriate useful life and the related depreciation or amortization method for the respective asset; and assessing the accuracy and completeness of other historical financial metrics of the acquiree used as standalone inputs or as the basis for determining estimated projected inputs such as margins, customer attrition, and costs to hold and sell product.

In determining the estimated fair value of intangible assets that are separately identifiable from goodwill, we typically utilize the income approach, which discounts the projected future cash flows using an appropriate discount rate that reflects the risks associated with the projected cash flows. However, in certain instances, particularly in relation to developed technology or patents, we may utilize the cost approach depending on the nature of the respective intangible asset and the recency of the development or procurement of such technology. In determining the estimated fair value of acquired inventory, we typically utilize the cost approach for raw materials and the sales comparison approach for finished goods, work in process and component parts. In determining the estimated fair value of acquired property, plant, and equipment, we typically utilize the sales comparison approach or the cost approach depending on the nature of the respective asset and the recency of the construction or procurement of such asset.

Estimated fair values of intangible assets that are separately identifiable from goodwill, inventory, and property, plant, and equipment are based on available historical information, future expectations, and assumptions determined to be reasonable but are inherently uncertain with respect to future events, including economic conditions, competition, the useful life of the acquired assets and other factors. We may refine the estimated fair values of assets acquired and liabilities assumed, if necessary, over a period not to exceed one year from the date of acquisition by taking into consideration new information that, if known at the date of acquisition, would have affected the estimated fair values ascribed to the assets acquired and liabilities assumed. Estimates that are sensitive include judgments as to whether information gathered during the measurement period relate to information that was not yet available or whether subsequent developments have occurred that indicate the recognition of other asset or liabilities should be recorded within net earnings. The judgments made in determining the estimated fair value assigned to assets acquired and liabilities assumed, as well as the estimated useful life and depreciation or amortization method of each asset, can materially impact the net earnings of the periods subsequent to an acquisition through depreciation and amortization, and in certain instances through impairment charges, if the asset becomes impaired in the future. During the measurement period, any purchase price allocation changes that impact the carrying value of goodwill will affect any measurement of goodwill impairment taken during the measurement period, if applicable.

Sales Discounts

The Company's products are shipped to customers under various promotional programs. The most common programs provide a discount when the customer pays within a specified period of time.

The Company reviews the reserve quarterly based on analysis made on each program outstanding at the time. The cost of these discounts is estimated based on historical experience and known changes in promotional programs and is reported as a reduction to sales when the product sale is recognized. The reserve is adjusted if discounts paid differ from those estimated. Historically, those adjustments have not been material.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to various financial market risks. Market risk is the potential loss arising from adverse changes in market prices and rates. The Company does not enter into derivative or other financial instruments for trading or speculative purposes.

Foreign Currency Risk

International Sales

A portion of the Company's operations consists of manufacturing and sales activities in international jurisdictions. The Company manufactures its products primarily in the United States, the U.K., France, Canada, Brazil and Australia. The Company sells its products primarily within the markets where the products are produced, but certain of the Company's sales from its U.K. and Canadian operations are denominated in other currencies. As a result, the Company's financials, specifically the value of its foreign assets, could be affected by factors such as changes in foreign currency exchange rates in the U.K. and Canada or weak economic conditions in the other markets in which the subsidiaries of the Company distribute their products.

To mitigate the short-term effect of changes in currency exchange rates on the Company's functional currency-based sales, the Company's U.K. and Canadian subsidiaries regularly enter into foreign exchange contracts for over 90% of their future net foreign currency cash receipts over a period of six months. As of December 31, 2019, the Company had a notional amount of $1,072,000 in outstanding forward exchange contracts related to accounts receivable. A 15% fluctuation in exchange rates for these currencies would change the fair value by approximately $161,000. However, since these contracts offset foreign currency denominated transactions, any change in the fair value of the contracts should be offset by changes in the underlying value of the transaction.

Exposure to Exchange Rates

The Company's earnings are affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies, predominantly in European countries and Canada and, to a lesser extent, Australia and Brazil, as a result of the sale of its products in international markets. Foreign currency forward exchange contracts in the U.K. are used to offset the earnings effects of such fluctuations. On December 31, 2019, the result of a uniform 10% strengthening in the value of the U.S. dollar relative to the currencies in which the Company's sales are denominated would have been a decrease in gross profit of $8,612,000. Comparatively, on December 31, 2018, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which the Company's sales are denominated would have been a decrease in gross profit of approximately $7,360,000. This calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar. In addition to the direct effects of changes in exchange rates, which are a changed dollar value of the resulting sales, changes in exchange rates may also affect the volume of sales or the foreign currency sales price as competitors' products become more or less attractive. The Company's sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices. The translation adjustment during 2019 was a gain of $3,363,000. On December 31, 2019, the British pound closed at 0.7541 relative to the U.S. dollar, and the Euro closed at 0.8917 relative to the U.S. dollar. By comparison, on December 31, 2018, the British pound closed at 0.7838 relative to the U.S. dollar, and the Euro closed at 0.8718 relative to the U.S. dollar. No assurance can be given as to future valuation of the British pound or Euro or how further movements in those or other currencies could affect future earnings or the financial position of the Company.

Interest Rate Risk

The majority of the Company's long-term debt bears interest at variable rates. Accordingly, the Company's net income is affected by changes in interest rates. Assuming the average level of borrowings at variable rates and a two hundred basis point change in the 2019 average interest rate under these borrowings, the Company's 2019 interest expense would have changed by approximately $4,832,000. In the event of an adverse change in interest rates, management could take actions to mitigate its exposure. Further, this analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment. However, challenges affecting the banking industry and credit markets in general can potentially cause changes to credit availability and cost of borrowing, which creates a level of uncertainty.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data described in Item 15 of this report and included on pages 50 through 87 of this report are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. An evaluation was carried out, under the supervision and with the participation of the Company's management, including our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer (Principal Financial Officer), and Vice President and Corporate Controller (Principal Accounting Officer), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon the evaluation, the President & Chief Executive Officer, Executive Vice President & Chief Financial Officer (Principal Financial Officer), and Vice President & Corporate Controller (Principal Accounting Officer) concluded that the Company's disclosure controls and procedures were effective at the end of the period covered by this report.

Management's Annual Report on Internal Control over Financial Reporting. Management's report on the Company's internal control over financial reporting is included on page 44 of this Annual Report on Form 10-K and incorporated by reference herein. The Company's independent registered public accounting firm has audited and issued a report on the Company's internal control over financial reporting which is included on page 45 of this Annual Report on Form 10-K and incorporated by reference herein.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by KPMG LLP, an independent registered public accounting firm, and the firm's report on this matter is included in Item 8 of this annual report on Form 10-K.

Changes in Internal Controls over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined by paragraph (d) of Rule 13a-15 under the Securities Exchange Act) during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

(a) On February 27, 2020, the Board of Directors (the "Board") of the Company adopted forms of restricted stock award agreements, restricted stock unit agreements, and performance share unit agreements under the Company's 2019 Equity Incentive Plan (the "Plan"), which was approved by stockholders at the Company's 2019 annual meeting of stockholders. The form of restricted stock award agreement, restricted stock unit agreement and form of performance share unit agreement are attached to this Annual Report on Form 10-K as **exhibit 10.23, 10.24 and 10.25,** respectively, and the terms thereof are incorporated herein by reference.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

There are incorporated in this Item 10, by reference, those portions of the Company's definitive proxy statement for the 2020 Annual Meeting of Stockholders which appear therein under the captions "Proposal 1 - Election of Directors," "Nominees for Election to the Board of Directors," "Information Concerning Directors," "Meetings and Committees of the Board," "The Audit Committee," and "The Nominating/Corporate Governance Committee." See also the information under the caption "Information About Our Executive Officers" in Part I of this Report.

The Board of Directors has delegated certain responsibilities to three Committees of the Board. The Committees are the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. The Board of Directors has also adopted Corporate Governance guidelines and a Code of Business Conduct and Ethics for all employees, including the Chief Executive Officer, Principal Financial Officer, Principal Accounting Officer and those individuals performing similar functions.

The Committee Charters, Code of Business Conduct and Ethics, and Corporate Governance Guidelines may be found on the Company's website **(www.alamo-group.com)** under the "Our Commitment" tab and are also available in printed form at no charge by sending a request to the Corporate Secretary, Alamo Group Inc., 1627 E. Walnut Street, Seguin, Texas 78155, which is the principal executive office of the Company. The telephone number is (830) 379-1480. The Company will post any amendments to the Code of Conduct and Ethics, and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange, on the Company's website.

Item 11. Executive Compensation

There are incorporated in this Item 11, by reference, those portions of the Company's definitive proxy statement for the 2020 Annual Meeting of Stockholders which appear therein under the captions "Executive Compensation," "The Compensation Committee," "Compensation Discussion and Analysis," "Compensation Committee Report" and "Director Compensation during 2019."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

There is incorporated in this Item 12, by reference, that portion of the Company's definitive proxy statement for the 2020 Annual Meeting of Stockholders which appears under the caption "Beneficial Ownership of our Common Stock."

Information on Alamo Group Inc.'s Equity Compensation Plans

The following table provides information on the shares that are available under the Company's stock compensation plans and, in the case of plans where stock options may be granted, the number of shares of common stock issuable upon exercise of those stock options. The Company currently does not have an Equity Compensation Plan not approved by the Stockholders.

The numbers in the table are as of December 31, 2019, the last day of Alamo Group Inc.'s 2019 fiscal year.

	A	B	C
Equity Compensation Plan Category	**Number of Securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of Securities that remain available for future issuance under equity compensation plans (excluding securities reflected in column A)**
Plans approved by stockholders			
2005 Incentive Stock Option Plan	59,020	$41.27	—
2009 Equity Incentive Plan	83,645	$91.23	—
2015 Incentive Stock Option Plan	60,700	$73.58	327,250
2019 Equity Incentive Plan	360	$118.83	499,640
Plans not approved by stockholders	—	—	—
Total	**203,725**		**826,890**

Item 13. Certain Relationships, Related Transactions and Director Independence

Information regarding certain relationships and related transactions is set forth under the caption “Certain Relationships and Related Transactions” in the Company’s definitive proxy statement for the 2020 Annual Meeting of Stockholders, and such information is incorporated by reference herein. There were no such reportable relationships or related party transactions in the fiscal year ended December 31, 2019.

Information regarding director independence is set forth under the caption “Information Concerning Directors” in the Company’s definitive proxy statement for the 2020 Annual Meeting of Stockholders, and such information is incorporated by reference herein.

Item 14. Principal Accountant Fees and Services

Information regarding principal accountant fees and services is set forth under the caption “Proposal 3 – Ratification of Appointment of Independent Auditors” in the Company’s definitive proxy statement for the 2020 Annual Meeting of Stockholders, and such information is incorporated by reference herein.

PART IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements

Financial Statement Schedules

All schedules for which a provision is made in the applicable accounting regulation of the Securities and Exchange Commission are omitted because they are not required or because the required information is included in the consolidated financial statements or notes thereto.

Item 16. Summary

None.

Exhibits

Exhibits – The following exhibits are incorporated by reference to the filing indicated or are included following the index to Exhibits.

INDEX TO EXHIBITS

Exhibits		Exhibit Title	Incorporated by Reference From the Following Documents
3.1	—	Certificate of Incorporation, as amended, of Alamo Group Inc.	Filed as Exhibit 3.1 to Form S-1, February 5, 1993
3.2	—	Certificate of Amendment of Certificate of Incorporation of Alamo Group Inc.	Filed as Exhibit 3.1 to Form 8-K, May 10, 2016
3.3	—	By-Laws of Alamo Group Inc. as amended	Filed as Exhibit 3.2 to Form 8-K, May 10, 2016
4.1	—	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Filed Herewith
10.1	—	Form of indemnification agreements with Directors of Alamo Group Inc.	Filed as Exhibit 10.1 to Form 10-Q, May 15, 1997
10.2	—	Form of indemnification agreements with certain executive officers of Alamo Group Inc.	Filed as Exhibit 10.2 to Form 10-Q, May 15, 1997
*10.3	—	Incentive Compensation Plan, adopted on December 9, 1997	Filed as Exhibit 10.14 to Form 10-K, March 31, 1998
*10.4	—	401(k) Restoration Plan for Highly Compensated Employees, adopted on December 9, 1997	Filed as Exhibit 10.15 to Form 10-K, March 31, 1998
*10.5	—	Amended and Restated 1994 Incentive Stock Option Plan adopted by the Board of Directors on July 7, 1999	Filed as Exhibit B to Schedule 14A, July 30, 1999
*10.6	—	First Amended and Restated 1999 Non-Qualified Stock Option Plan, adopted by the Board of Directors on February 13, 2001	Filed as Exhibit B to Schedule 14A, March 30, 2001
*10.7	—	2005 Incentive Stock Option Plan, adopted by the Board of Directors on May 4, 2005	Filed as Appendix E to Schedule 14A, March 29, 2005
*10.8	—	2009 Equity Incentive Plan, adopted by the Board of Directors on May 7, 2009	Filed as Exhibit 10.1 to Form 8-K, May 13, 2009
10.9	—	Second Amended and Restated Credit Agreement, dated as of October 24, 2019, by and among Alamo Group Inc., Bank of America, N.A. as administrative agent, Wells Fargo Bank, National Association, and BBVA USA as co-syndication agents, and the other lenders party thereto.	Filed as Exhibit 10.1 to Form 8-K, October 29, 2019
10.10	—	Securities Purchase Agreement, dated as of September 11, 2019, by and among Alamo Acquisition Corporation, a Delaware corporation, Alamo Group Inc., a Delaware corporation, Stellex Capital Partners, LP, a Delaware limited partnership, and in its capacity as the initial representative of the other Sellers and Morbark Holdings Group, LLC, a Delaware limited liability company.	Filed as Exhibit 10.1 to Form 8-K, September 17, 2019

10.11 —	First Amendment to Securities Purchase Agreement, dated as of October 22, 2019, by and among Alamo Acquisition Corporation, a Delaware corporation, Alamo Group Inc., a Delaware corporation, Stellex Capital Partners, LP, a Delaware limited partnership, and in its capacity as the initial representative of the other Sellers pursuant to Section 10.6 of the Securities Purchase Agreement.	Filed as Exhibit 10.2 to Form 10-Q, October 31, 2019
*10.12 —	Form of Restricted Stock Award Agreement under the 2009 Equity Incentive Plan	Filed as Exhibit 10.2 to Form 8-K, May 13, 2009
*10.13 —	Form of Restricted Stock Unit Award Agreement under the 2009 Equity Incentive Plan	Filed as Exhibit 10.3 to Form 8-K, May 13, 2009
*10.14 —	Form of Nonqualified Stock Option Agreement under the 2009 Equity Incentive Plan	Filed as Exhibit 10.4 to Form 8-K, May 13, 2009
*10.15 —	Form of Nonqualified Stock Option Agreement under the First Amended and Restated 1999 Nonqualified Stock Option Plan	Filed as Exhibit 10.5 to Form 8-K, May 13, 2009
*10.16 —	Form of Stock Option Agreement under the 2005 Stock Option Plan	Filed as Exhibit 10.6 to Form 8-K, May 13, 2009
10.17 —	Investor Rights Agreement, dated October 22, 2009, between Alamo Group Inc. and Bush Hog, LLC	Filed as Exhibit 10.25 to Form 10-K, March 12, 2012
*10.18 —	Supplemental Executive Retirement Plan	Filed as Exhibit 10.1 to Form 8-K, January 18, 2011
*10.19 —	Executive Incentive Plan	Filed as Appendix A to Schedule 14A, March 28, 2013
*10.20 —	Amended and Restated Executive Incentive Plan	Filed as Exhibit 10.26 to Form 10-K, March 1, 2018
*10.21 —	2015 Incentive Stock Option Plan, adopted by the Board of Directors on May 7, 2015	Filed as Appendix A to Schedule 14A, March 19, 2015
*10.22	Alamo Group Inc. 2019 Equity Incentive Plan	Filed as Exhibit 10.1 to Form 8-K, May 7, 2019
*10.23	Form of Restricted Stock Award Agreement under the Alamo Group Inc. 2019 Equity Incentive Plan	Filed Herewith
*10.24	Form of Restricted Stock Unit Agreement under the Alamo Group Inc. 2019 Equity Incentive Plan	Filed Herewith
*10.25	Form of Performance Share Unit Agreement under the Alamo Group Inc. 2019 Equity Incentive Plan	Filed Herewith
21.1 —	Subsidiaries of the Registrant	Filed Herewith
23.1 —	Consent of KPMG LLP	Filed Herewith
31.1 —	Certification by Ronald A. Robinson under Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
31.2 —	Certification by Dan E. Malone under Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
31.3 —	Certification by Richard J. Wehrle under Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.1 —	Certification by Ronald A. Robinson under Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.2 —	Certification by Dan E. Malone under Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.3 —	Certification by Richard J. Wehrle under Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith
101.INS —	XBRL Instance Document	Filed Herewith
101.SCH —	XBRL Taxonomy Extension Schema Document	Filed Herewith
101.CAL —	XBRL Taxonomy Extension Calculation Linkbase Document	Filed Herewith

101.LAB	—	XBRL Taxonomy Extension Label Linkbase Document	Filed Herewith
101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document	Filed Herewith
101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document	Filed Herewith

*Compensatory Plan

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.

ALAMO GROUP INC.

Date: February 28, 2020

/s/ Ronald A. Robinson
Ronald A. Robinson
President & Chief Executive Officer

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 their capacities and on the 28th day of February, 2020.

Signature	Title
/s/RODERICK R. BATY Roderick R. Baty	Chairman of the Board & Director
/s/RONALD A. ROBINSON Ronald A. Robinson	President, Chief Executive Officer (Principal Executive Officer)
/s/DAN E. MALONE Dan E. Malone	Executive Vice President & Chief Financial Officer (Principal Financial Officer)
/s/RICHARD J. WEHRLE Richard J. Wehrle	Vice President, Controller & Treasurer (Principal Accounting Officer)
/s/ROBERT P. BAUER Robert P. Bauer	Director
/s/ERIC P. ETCHART Eric P. Etchart	Director
/s/TRACY C. JOKINEN Tracy C. Jokinen	Director
/s/RICHARD W. PAROD Richard W. Parod	Director
/s/LORIE L. TEKORIUS Lorie L. Tekorius	Director

Report of Management on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. Generally Accepted Accounting Principles.

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 using the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's management concludes that, as of December 31, 2019, the Company's internal controls over financial reporting were effective based on these criteria.

The Company acquired Dutch Power B.V. (Dutch Power) and Morbark, LLC. (Morbark) during 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, Dutch Power's and Morbark's internal control over financial reporting associated with combined total assets of $452 million and combined total net sales of $71 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019.

KPMG LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of internal control over financial reporting, which is included herein.

Date: February 28, 2020

/s/Ronald A. Robinson

Ronald A. Robinson

President, Chief Executive Officer & Director
(Principal Executive Officer)

/s/Dan E. Malone

Dan E. Malone

Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

/s/Richard J. Wehrle

Richard J. Wehrle

Vice President, Controller & Treasurer
(Principal Accounting Officer)

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Alamo Group Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Alamo Group Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, 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, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the sufficiency of evidence over Inventory

As discussed in Notes 1 and 6 to the consolidated financial statements, the value of inventory was $267.7 million as of December 31, 2019. To facilitate the global delivery of goods to customers, the Company operates across North America, South America, Europe and Australia. Within these locations, the Company has 30 principal manufacturing facilities located in seven countries.

We identified the assessment of the sufficiency of evidence over the existence of inventory as a critical audit matter. Inventory is located in dozens of locations across the world. The geographical dispersion of inventory required especially subjective auditor judgment in determining the sufficiency of audit evidence obtained over the existence of inventory. This included determining the Company facilities at which procedures were performed and the supervision and review of procedures performed at those facilities.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's inventory process, including controls related to the physical inspection of inventories at each facility. We analyzed facilities with inventory to determine where we would perform procedures. We performed independent test counts and compared to the Company's records to evaluate the inventory at those specific facilities. We inspected the results of counts performed for inaccuracies. We investigated inventory transactions that were made by the Company subsequent to the financial statement date for proper recording.

In addition, we assessed the overall sufficiency of audit evidence obtained over the existence of inventory.

Assessment of the initial fair value measurement of the intangible assets acquired through the business combination of Dutch Power Company B.V.

As discussed in Note 3 to the consolidated financial statements, the fair value of intangible assets related to trade names and trademarks, developed technology, and customer relationships acquired in the Dutch Power B.V. (Dutch Power) business combination was $14.1 million as of the acquisition date. The Company allocates the purchase price to assets acquired based on the fair value at the time of the acquisition.

We identified the assessment of the initial fair value measurement of the trade names and trademarks, developed technology, and customer relationships related to the acquisition of Dutch Power as a critical audit matter. Evaluating the assumptions used to determine the fair value involved a high degree of auditor judgment. The forecasted revenue, royalty rate, and the discount rate assumptions used to calculate the fair value of the intangible assets were challenging to test due to the sensitivity of the fair value determination to changes in these assumptions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's business combination process, including controls over the development of the relevant assumptions as listed above. We evaluated the Company's forecasted revenues for Dutch Power by comparing them to historical revenues of Dutch Power and to the Company's and industry's historical revenue growth rates. We compared the Company's historical revenue forecasts from acquired businesses to actual results to assess the Company's ability to accurately forecast. We performed sensitivity analyses over the forecasted revenue, royalty rate and discount rate assumptions to assess their impact on the Company's determination of the fair value. In addition, we involved a valuation professional with specialized skill and knowledge, who assisted in:

- evaluating the Company's royalty rates and discount rates by comparing each to a range of rates that were independently developed using publicly available market data for comparable entities; and

- developing an estimate of the intangible assets' fair value using the Company's cash flow forecast and an independently developed discount rate, and compared the results of our estimate of fair value to the Company's fair value estimate.

Assessment of the initial fair value measurement of the intangible assets acquired through the business combination of Morbark, LLC

As discussed in Note 3 to the consolidated financial statements, the fair value of intangible assets related to trade names and trademarks, developed technology, and customer relationships acquired in the Morbark, LLC (Morbark) business combination was $149 million as of the acquisition date. The Company allocates the purchase price to assets acquired based on the fair value at the time of the acquisition.

We identified the assessment of the initial fair value measurement of the trade names and trademarks, developed technology, and customer relationships related to the acquisition of Morbark as a critical audit matter. Evaluating the assumptions used to determine the fair value involved a high degree of auditor judgment. The customer attrition rate, forecasted revenue, royalty rate, and the discount rate assumptions used to calculate the fair value of the intangible assets were challenging to test due to the sensitivity of the fair value determination to changes in these assumptions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's business combination process, including controls over the development of the relevant assumptions as listed above. We evaluated the Company's forecasted revenues for Morbark by comparing them to historical revenues of Morbark and to the Company's and industry's historical revenue growth rates. We compared the Company's historical revenue forecasts from acquired businesses to actual results to assess the Company's ability to accurately forecast. We evaluated the Company's customer attrition rates by comparing them to historical customer data. We performed sensitivity analyses over the customer attrition rate, forecasted revenue, royalty rate and discount rate assumptions to assess their impact on the Company's determination of the fair value. In addition, we involved a valuation professional with specialized skill and knowledge, who assisted in:

- evaluating the Company's royalty rates and discount rates by comparing each to a range of rates that were independently developed using publicly available market data for comparable entities; and

- developing an estimate of the intangible assets' fair value using the Company's cash flow forecast and an independently developed discount rate, and compared the results of our estimate of fair value to the Company's fair value estimate.

/s/KPMG LLP

We have served as the Company's auditor since 2009.

San Antonio, Texas
February 28, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Alamo Group Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Alamo Group Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and related notes (collectively, the consolidated financial statements), and our report dated February 28, 2020 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Dutch Power Company B.V. and Morbark, LLC during 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, Dutch Power Company B.V.'s and Morbark, LLC's internal control over financial reporting associated with total assets of $452 million and total net sales of $71 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Dutch Power Company B.V. and Morbark, LLC.

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 Report of Management on Internal Control over Financial Reporting. 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 of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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/KPMG LLP

San Antonio, Texas

February 28, 2020

Alamo Group Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands, except per share amounts)	Year Ended December 31, 2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,311	$ 34,043
Accounts receivable, net	237,837	228,098
Inventories, net	267,674	176,630
Prepaid expenses and other current assets	10,099	5,327
Income tax receivable	12,907	8,745
Total current assets	570,828	452,843
Rental equipment, net	56,467	43,978
Property, plant and equipment	302,113	219,135
Less: Accumulated depreciation	(141,388)	(131,905)
Total property, plant and equipment, net	160,725	87,230
Goodwill	198,022	83,243
Intangible assets, net	206,272	48,857
Deferred income taxes	1,078	1,783
Other non-current assets	19,371	3,699
Total assets	$ 1,212,763	$ 721,633
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	$ 81,986	$ 54,083
Income taxes payable	2,362	2,865
Accrued liabilities	59,686	43,785
Current maturities of long-term debt and finance lease obligations	18,840	119
Total current liabilities	162,874	100,852
Long-term debt and finance lease obligations, net of current maturities	425,141	85,179
Long-term tax liability	7,432	6,120
Deferred pension liability	1,844	1,944
Other long-term liabilities	19,254	8,436
Deferred income taxes	26,461	11,731
Stockholders' equity:		
Common stock, $.10 par value, 20,000,000 shares authorized; 11,752,509 and 11,662,688 outstanding at December 31, 2019 and December 31, 2018, respectively	1,175	1,166
Additional paid-in capital	113,666	108,422
Treasury stock, at cost; 82,600 and 42,600 shares at December 31, 2019 and December 31, 2018, respectively	(4,566)	(426)
Retained earnings	500,320	443,040
Accumulated other comprehensive loss	(40,838)	(44,831)
Total stockholders' equity	569,757	507,371
Total liabilities and stockholders' equity	$ 1,212,763	$ 721,633

See accompanying notes.

Alamo Group Inc. and Subsidiaries
Consolidated Statements of Income

	Year Ended December 31,		
(in thousands, except per share amounts)	2019	2018	2017
Net sales:			
Industrial	$ 768,454	$ 638,198	$ 563,599
Agricultural	350,684	370,624	348,781
Total net sales	1,119,138	1,008,822	912,380
Cost of sales	845,911	752,707	677,687
Gross profit	273,227	256,115	234,693
Selling, general and administrative expenses	172,921	151,522	142,638
Amortization expense	5,658	3,505	3,317
Income from operations	94,648	101,088	88,738
Interest expense	(10,747)	(5,493)	(4,839)
Interest income	1,229	410	336
Other income	(795)	(1,474)	(1868)
Income before income taxes	84,335	94,531	82,367
Provision for income taxes	21,429	21,045	38,052
Net income	$ 62,906	$ 73,486	$ 44,315
Net income per common share:			
Basic	$ 5.36	$ 6.30	$ 3.84
Diluted	$ 5.33	$ 6.25	$ 3.79
Average common shares:			
Basic	11,729	11,660	11,549
Diluted	11,800	11,761	11,682

See accompanying notes.

Alamo Group Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
(in thousands, except per share amounts)	2019	2018	2017
Net income	$ 62,906	$ 73,486	$ 44,315
Other comprehensive income (loss):			
Foreign currency translation adjustment	3,363	(13,347)	16,966
Unrealized gains on derivative instruments	610	—	—
Net (loss) gain on pension and other post-retirement benefits	(683)	(1,667)	987
Other comprehensive income (loss) before income tax benefit (expense)	3,290	(15,014)	17,953
Income tax benefit (expense) related to items of other comprehensive income (loss)	703	349	(363)
Other comprehensive income (loss)	$ 3,993	$ (14,665)	$ 17,590
Comprehensive income	$ 66,899	$ 58,821	$ 61,905

See accompanying notes.

Alamo Group Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total Stock-holders' Equity
Balance at December 31, 2016	11,420	$ 1,146	$ 99,765	$ (426)	$ 334,988	$ (47,756)	$ 387,717
Other comprehensive income	—	—	—	—	44,315	17,590	61,905
Stock-based compensation expense	—	—	1,869	—	—	—	1,869
Stock-based compensation transactions	114	12	2,219	—	—	—	2,231
Other			11		(11)	—	—
Dividends paid ($0.40 per share)	—	—	—	—	(4,614)	—	(4,614)
Balance at December 31, 2017	11,534	$ 1,158	$ 103,864	$ (426)	$ 374,678	$ (30,166)	$ 449,108
Other comprehensive income	—	—	—	—	73,486	(14,665)	58,821
Stock-based compensation expense	—	—	2,450	—	—	—	2,450
Stock-based compensation transactions	86	8	2,108	—	—	—	2,116
Dividends paid ($0.44 per share)	—	—	—	—	(5,124)	—	(5,124)
Balance at December 31, 2018	11,620	$ 1,166	$ 108,422	$ (426)	$ 443,040	$ (44,831)	$ 507,371
Other comprehensive income					62,906	3,993	66,899
Stock-based compensation expense	—	—	3,269	—	—	—	3,269
Stock-based compensation transactions	90	9	1,975	—	—	—	1,984
Repurchased shares	(40)	—	—	(4,140)	—	—	(4,140)
Dividends paid ($0.48 per share)	—	—	—	—	(5,626)	—	(5,626)
Balance at December 31, 2019	11,670	1,175	113,666	(4,566)	500,320	(40,838)	569,757

See accompanying notes.

Alamo Group Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(in thousands)	Year Ended December 31, 2019	2018	2017
Operating Activities			
Net income	$ 62,906	$ 73,486	$ 44,315
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for doubtful accounts	575	71	187
Depreciation - PP&E	14,934	12,884	11,616
Depreciation - Rental	9,373	6,725	5,531
Amortization of intangibles	5,658	3,505	3,317
Amortization of debt issuance	295	221	203
Stock-based compensation expense	3,269	2,450	1,869
Provision for deferred income tax expense	3,316	2,052	1,328
Gain on sale of property, plant and equipment	(912)	(361)	(341)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	11,447	(27,029)	(23,134)
Inventories	657	(25,991)	142
Rental equipment	(20,729)	(22,424)	(3,054)
Prepaid expenses and other	(4,633)	(583)	2,845
Trade accounts payable and accrued liabilities	6,397	4,130	11,688
Income taxes payable	(4,861)	(10,332)	2,357
Long term tax payable	(1,082)	(6,196)	12,478
Other assets and liabilities, net	2,203	302	(543)
Net cash provided by operating activities	88,813	12,910	70,804
Investing Activities			
Acquisitions, net of cash acquired	(400,784)	—	(38,553)
Purchase of property, plant and equipment	(31,337)	(26,587)	(13,490)
Proceeds from sale of property, plant and equipment	2,277	1,341	767
Purchase of patents	(96)	(112)	—
Net cash used in investing activities	(429,940)	(25,358)	(51,276)
Financing Activities			
Borrowings on bank revolving credit facility	217,000	159,000	143,000
Repayment on bank revolving credit facility	(157,000)	(134,000)	(153,000)
Principal payments on long-term debt and capital leases	(122)	216	(17)
Proceeds from issuance of long-term debt	300,002	—	—
Debt issuance cost	(2,875)	—	—
Dividends paid	(5,626)	(5,124)	(4,614)
Proceeds from exercise of stock options	2,573	2,552	2,397
Treasury stock repurchased	(4,140)	—	—
Common stock repurchased	(589)	(436)	(166)
Net cash provided (used in) in financing activities	349,223	22,208	(12,400)
Effect of exchange rate changes on cash	172	(1,090)	1,452
Net change in cash and cash equivalents	8,268	8,670	8,580
Cash and cash equivalents at beginning of the year	34,043	25,373	16,793
Cash and cash equivalents at end of the year	$ 42,311	$ 34,043	$ 25,373
Cash paid during the year for:			
Interest	$ 9,455	$ 5,199	$ 5,217
Income taxes	$ 23,099	$ 30,295	$ 23,175

See accompanying notes.

Alamo Group Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Business and Segments

The Company manufactures, distributes and services high quality tractor-mounted mowing and other vegetation maintenance equipment, street sweepers, excavators, vacuum trucks, forestry and tree maintenance equipment, snow removal equipment, leaf collection equipment, pothole patchers, zero turn radius mowers, agricultural implements and related aftermarket parts and services.

The Company manages its business through two principal reporting segments: Industrial and Agricultural which are discussed in Note 18.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Alamo Group Inc. and its subsidiaries (the “Company” or “Alamo Group”), all of which are wholly owned. All intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

At the beginning of the fourth quarter of 2019, the Company began reporting operating results on the basis of two segments, the Industrial Division and the Agricultural Division. Prior to the fourth quarter of 2019, the Company had been reporting its operating results on the basis of three segments which included the Company's European Division. The Company's European Division was a mixture of industrial and agricultural products similar to those within the other two segments. The prior period segment information has been retrospectively adjusted to reflect the current segment presentation in Note 18 to the Consolidated Financial Statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amount of assets, liabilities, revenues, and expenses reported in the financial statements and accompanying notes. Judgments related to asset impairment and certain reserves are particularly subject to change. Actual results could differ from those estimates. Such estimates include, but are not limited to, allowance for doubtful accounts, reserve for sales discounts, estimated realizable value on obsolete and slow-moving inventory, warranty reserve, estimates related to pension accounting; estimates related to fair value for purposes of assessing goodwill, long-lived assets and intangible assets for impairment; estimates related to income taxes; and estimates related to contingencies.

Foreign Currency

The Company translates the assets and liabilities of foreign-owned subsidiaries at rates in effect at the end of the year. Revenues and expenses are translated at average rates in effect during the reporting period. Translation adjustments are included in Accumulated other comprehensive income (loss).

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. As of December 31, 2019 and December 31, 2018, there was no restricted cash.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. The credit risk is limited because of the large numbers and types of customers and their geographic dispersion.

Inventories

Inventories of U.S. operating subsidiaries are stated at the lower of cost (last-in, first-out method) ("LIFO") or market, and the Company's international subsidiaries' inventories are stated at the lower of cost (first-in, first-out) ("FIFO") or market. Inventory costs include those costs directly attributable to products, including raw materials, labor and overhead.

Property, Plant and Equipment

Property, plant, and equipment are stated on the basis of cost. Major renewals and betterments are charged to the property accounts while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed to the current period. Depreciation is provided at amounts calculated to amortize the cost of the assets over their estimated useful economic lives using the straight-line method.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, rental equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company first compares non-discounted cash flows expected to be generated by that asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on a non-discounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized but is instead tested for impairment at least annually, or whenever events or circumstances change between the annual impairment tests that make it likely that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell all or a portion of a reporting unit. The Company performs its annual test for goodwill impairment related to its reporting units on October 1 of each fiscal year. Impairment testing for goodwill is done at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (also known as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available, and segment management regularly reviews the operating results of that component.

We perform a qualitative assessment for all of our reporting units to determine whether it is more likely than not that an impairment exists. Factors considered include macroeconomic, industry and competitive conditions, legal and regulatory environment, historical financial performance and significant changes in the reporting unit. If the qualitative assessment indicates that it is more likely than not that an impairment exists, then a quantitative assessment is performed. Alternatively, we may also bypass the qualitative assessment and go ahead and perform step 1 to determine if the carrying amount exceeds the reporting unit's fair value. If the fair value of the reporting unit is lower than its carrying amount, goodwill is written down for the amount by which the carrying amount exceeds the fair value. However, the loss recognized cannot exceed the carrying amount of goodwill. We typically use discounted cash flow models to determine the fair value of a reporting unit. The assumptions used in these models are consistent with those we believe a hypothetical marketplace participant would use.

See Note 8 to the Consolidated Financial Statements for more information regarding goodwill.

Intangible Assets

The Company has intangible assets with both definite and indefinite useful lives. The definite-lived assets are trade names and trademarks, customer and dealer relationships, and patents and drawings that are subject to amortization with useful lives ranging from 3 years to 25 years. Impairment of definite-lived assets is discussed as part of the *Impairment of Long-Lived Assets* paragraph above.

The indefinite-lived assets not subject to amortization consist of trade names. The Company tests its indefinite-lived intangible assets for impairment on an annual basis at year-end, or more frequently if an event occurs or circumstances change that indicate that the fair value of an indefinite-lived intangible asset could be below its carrying amount. The impairment test consists of comparing the fair value of the indefinite-lived intangible asset, determined using the relief from royalty method, with its carrying amount. An impairment loss would be recognized for the carrying amount in excess of its fair value.

See Note 9 to the Consolidated Financial Statements for more information regarding intangible assets.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in other non-current assets, accrued liabilities, and other long-term liabilities on our consolidated balance sheets. Finance leases are included in property, plant and equipment, accrued liabilities, and other long-term liabilities on our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We have elected to not account for the lease and non-lease components separately for most of our asset classes with the exception of real-estate. We have also elected to exclude all lease agreements with an initial term of 12 months or less from the lease recognition requirements as allowed by ASC.

See Note 10 to the Consolidated Financial Statements for more information regarding leases.

Pensions

The Company records annual amounts relating to its pension and post-retirement plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, compensation increases, turnover rates and health care cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in Accumulated other comprehensive income (loss) and amortized to net periodic cost over future periods using the corridor method. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions. The net periodic costs are recognized as employees render the services necessary to earn the post-retirement benefits.

Revenue Recognition

The majority of the Company's revenue is recognized from product sales under contracts with customers. The Company presents two reportable operating segments within its financial statements: Industrial and Agricultural. Contract terms and performance obligations within each contractual agreement are generally consistent for both divisions, with small differences that do not have a significant impact on the revenue recognition considerations under Topic 606. Revenues are recognized when we satisfy our performance obligation to transfer product to our customers, which typically occurs at a point in time upon shipment or delivery of the product, and for an amount that reflects the transaction price that is allocated to the performance obligation. Our contracts with customers state the final terms of sale, including the description, quantity and price for goods sold. In the normal course of business, we generally do not accept product returns.

The transaction price is the consideration that we expect to be entitled to in exchange for our products. Some of our contracts contain variable consideration in the form of sales incentives to our customers, such as discounts and rebates. For contracts that include variable consideration, we estimate the factors that determine the variable consideration in order to establish the transaction price.

We have elected that any taxes collected from customers and remitted to government authorities (i.e., sales tax, use tax, etc.) are excluded from the measurement of the transaction price and therefore are excluded from net sales in the consolidated statements of operations.

There are instances where we provide shipping services in relation to the goods sold to our customers. Shipping and handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are included in cost of goods sold. We have elected to account for shipping and handling activities that occur after the customer has obtained control of a good as fulfillment activities (i.e., an expense) rather than as a promised service.

Rental Equipment

The Company enters into operating lease agreements with customers related to the rental of certain equipment. In accounting for these leases, the cost of the equipment purchased or manufactured by the Company is recorded as an asset, and is depreciated over its estimated useful life. Accumulated depreciation relating to the rental equipment was $14,587,000 and $11,145,000 on December 31, 2019 and December 31, 2018, respectively.

Shipping and Handling Costs

The Company’s policy is to include shipping and handling costs in costs of goods sold.

Advertising

We charge advertising costs to expense as incurred. Advertising and marketing expense related to operations for fiscal years 2019, 2018, and 2017 was approximately $12,177,000, $11,773,000 and $9,566,000, respectively. Advertising and marketing expenses are included in Selling, General and Administrative expenses (“SG&A”).

Research and Development

Product development and engineering costs charged to SG&A amounted to $11,984,000, $10,429,000, and $9,849,000 for the years ended December 31, 2019, 2018, and 2017, respectively.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Company's policy is to accrue for legal costs expected to be incurred in connection with loss contingencies.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial reporting basis and tax basis of assets and liabilities, and are measured by applying enacted statutory tax rates applicable to the future years in which deferred tax assets or liabilities are expected to be settled or realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, available tax carry backs and tax planning strategies in making this assessment other than those which we have reserved. We have elected to treat the global intangible low-taxed income (GILTI) tax as a period expense.

We previously considered substantially all of the earnings in our foreign subsidiaries to be permanently reinvested and, accordingly, recorded no deferred income taxes on such earnings. As a result of the fundamental changes to the taxation of multinational corporations as a result of TCJA, we no longer intend to permanently reinvest all of the historical undistributed earnings of our foreign subsidiaries. We will distribute earnings from our European subsidiaries, while maintaining our permanent reinvestment for our other foreign subsidiaries. GAAP requires recognition of a deferred tax liability in the reporting period in which its intent to no longer permanently reinvest its historical undistributed foreign earnings is made. There will generally be no U.S. federal taxes imposed on such future distributions of European foreign earnings.

Stock-Based Compensation

The Company has granted options to purchase its common stock to certain employees and directors of the Company and its affiliates under various stock option plans at no less than the fair market value of the underlying stock on the date of grant. These options are granted for a term not exceeding ten years and are forfeited in the event that the employee or director terminates his or her employment or relationship with the Company or one of its affiliates other than by retirement or death. These options generally vest over five years. All option plans contain anti-dilutive provisions that permit an adjustment of the number of shares of the Company's common stock represented by each option for any change in capitalization. Excess tax benefits or awards that are recognized in equity related to stock option exercises are reflected as cash flows from financing activities in the statement of cash flows.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes valuation method with the following assumptions noted:

1. The risk-free rate is based on the U.S. Treasury rate over the expected life of the option at the time of the grant.
2. The dividend yield is calculated as the ratio of dividends paid per share of common stock to the stock price on the date of the grant.
3. The expected volatility factors are based on the historical movement of the Company's common stock price over the expected life of the option.
4. The expected life is the average length of time in which officers, other employees, and non-employee directors are expected to exercise their options, and which are primarily based on historical experience.

The Company calculated the fair value for options with the following weighted-average assumptions for 2019, 2018, and 2017:

Fair Value Calculation Assumptions for Stock Compensation

	December 31,		
	2019	**2018**	**2017**
Risk-free interest rate	2.43 %	2.94 %	2.23 %
Dividend yield	0.5 %	0.5 %	0.5 %
Volatility factors	31.2 %	34.5 %	37.6 %
Weighted-average expected life	8.0 years	8.0 years	8.0 years

Earnings per Common Share ("EPS")

Basic EPS is computed using the weighted-average number of common shares outstanding during the year. The treasury stock method is used to compute diluted EPS which gives effect to the potential dilution of earnings that could have occurred if additional shares were issued for awards granted under the Company's incentive stock option plans. The treasury stock method assumes proceeds obtained upon exercise of awards granted under the incentive stock option plans are used to purchase outstanding common stock at the average market price during the period.

2. ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Adopted on January 1, 2019

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)". This update requires that a lessee recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Similar to current guidance, the update continues to differentiate between finance leases and operating leases, however this distinction now primarily relates to differences in the manner of expense recognition over time and in the classification of lease payments in the statement of cash flows. The updated guidance leaves the accounting for leases by lessors largely unchanged from existing GAAP. The guidance became effective for us on January 1, 2019. As a lessee, this standard primarily impacted our accounting for long-term real estate and equipment leases, for which we recognized right-of-use assets of $7,747,000 and a corresponding lease liability of $7,868,000 on our consolidated balance sheet.

We adopted these provisions on January 1, 2019 using the optional transition method that permits us to apply the new disclosure requirements in 2019 and continue to present comparative period information as required under FASB ASC Topic 840, "Leases". We did not have a cumulative-effect adjustment to the opening balance of retained earnings at the date of adoption. We elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed us to not account for lease and non-lease components separately for most of our asset classes and to exclude leases with an initial term of 12 months or less from the right-of-use assets and liabilities. Adoption of the standards had no impact on results of operations or liquidity.

In February 2018, the FASB issued ASU 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", to allow reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act ("TCJA"). Upon adoption of the ASU, entities will be required to disclose a description of the accounting policy for releasing income tax effects from accumulated other comprehensive income. The standard is required to be adopted for periods beginning after December 15, 2018, with early adoption available for any set of financial statements that have yet to be issued or made available for issuance including retrospectively for any period in which the effect of the change is the U.S. corporate income tax rate in the TCJA is recognized. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued Accounting Statement Update (ASU) No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”, which modifies the disclosures requirements on fair value measurements. Among other things, the amendments add disclosures for changes in unrealized gains and losses on Level 3 fair value measurements and requires additional disclosures on unobservable inputs associated with Level 3 assets. The guidance will become effective for us on January 1, 2020. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued Accounting Statement Update (ASU) No. 2018-14, “Compensation, Defined Benefit Plans", which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The update removes certain disclosures that are no longer considered cost beneficial and adds disclosure requirements identified as relevant. The guidance will become effective for us on January 1, 2021 with early adoption permitted for any financial statements that have not been issued. The impacts that adoption of the ASU is expected to have on our financial disclosures is being evaluated.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses,” to improve information on credit losses for financial instruments. The ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses. The ASU is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted beginning in fiscal years beginning after December 15, 2018. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes” to simplify the accounting for income taxes. The amendments in this Update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The guidance will become effective for us on January 1, 2021 with early adoption permitted for any financial statements that have not been issued. The impacts that adoption of the ASU is expected to have on our financial disclosures is being evaluated.

3. BUSINESS COMBINATIONS

Dutch Power Company B.V.

On March 4, 2019, the Company acquired 100% of the issued and outstanding equity interests of Dutch Power Company B.V. ("*Dutch Power*"). *Dutch Power* designs, manufactures and sells a variety of landscape and vegetation management machines primarily in Europe. The primary reason for the *Dutch Power* acquisition was to enhance the Company's platform for growth by increasing both the Company's product portfolio and capabilities in the European market. The acquisition price was approximately $53,000,000.

The total purchase price has been allocated on a preliminary basis to assets acquired and liabilities assumed, including estimated deferred taxes. Certain estimated values are not yet finalized and are subject to change. The Company will finalize the amounts once the necessary information is obtained and the analysis is complete.

This allocation resulted in goodwill of $12,097,000, all of which has been assigned to the Company's Industrial reporting segment, with none of the goodwill being tax deductible.

In the period between the date of acquisition and December 31, 2019, *Dutch Power* generated approximately $36,400,000 of net sales and $100,000 of net income. The Company has included the operating results of *Dutch Power* in its consolidated financial statements since the date of acquisition.

The following table reflects the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Cash	$	87
Accounts receivable		6,278
Inventory		17,731
Prepaid and other assets		1,451
Property, plant and equipment		13,439
Intangible assets		14,095
Deferred tax liability		(4,265)
Other liabilities assumed		(8,302)
Net assets assumed	$	40,514
Goodwill		12,097
Acquisition Price	$	52,611

Morbark, LLC.

On October 24, 2019, the Company completed the acquisition of 100% of the outstanding capital shares of Morbark, LLC. ("*Morbark*") a former portfolio company of Stellex Capital Management. *Morbark* manufacturers equipment and aftermarket parts for forestry, tree maintenance, biomass, land management and recycling markets. These products are marketed under the Morbark, Rayco, Denis Cimaf and Boxer Equipment brand names. The total consideration for the purchase was approximately $354,000,000 on a debt free basis and subject to certain post-closing adjustments.

In connection with this acquisition, Alamo Group expanded its credit facility from $250,000,000 to $650,000,000 to accommodate this event and the ongoing needs of the combined entities. The new credit facility has a five-year duration and consists of a $300,000,000 term loan and a $350,000,000 revolving line of credit. The Company financed the Morbark acquisition through $355,000,000 of new borrowings under the amended credit facility.

The primary reason for the acquisition is to expand and complement our range of vegetation maintenance equipment in an adjacent market along with accelerating Morbark's international growth using the Company's existing presence in Europe, Brazil and Australia.

This allocation resulted in goodwill of $102,662,000, all of which has been assigned to the Company's Industrial reporting segment. $73,963,000 of goodwill is tax deductible, the remaining balance is not.

The acquisition was accounted for in accordance with ASC Topic 805 *Business Combinations* ("ASC Topic 805"). The total purchase price has been allocated on a preliminary basis to assets acquired and liabilities assumed, including deferred taxes, based on their estimated fair values as of October 24, 2019. Certain estimated values are not yet finalized and are subject to change. The Company will finalize the amounts once the necessary information is obtained and the analysis is complete.

In the period between the date of acquisition and December 31, 2019, *Morbark* generated approximately $35,100,000 of net sales and $1,500,000 of net loss. The Company has included the operating results of *Morbark* in its consolidated financial statements since the date of acquisition.

The following table reflects the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Accounts receivable	$	13,966
Inventory		72,972
Prepaid and other assets		5,180
Rental Equipment		1,133
Property, plant and equipment		44,552
Intangible assets		149,015
Deferred tax liability		(7,628)
Other liabilities assumed		(32,275)
Net assets assumed	$	246,915
Goodwill		102,662
Total Acquisition Price net cash		349,577
Plus: Cash		4,735
Total Consideration		354,312

The following table presents the unaudited pro forma combined results of operations of the Company and the acquired business units of *Morbark* as if the acquisition had occurred on January 1, 2018 for the years ended December 31, 2018 and December 31, 2019. This includes certain pro forma adjustments including: (i) recognition of the costs related to the step-up in fair value of the *Morbark* inventory, (ii) amortization of acquired intangible assets, (iii) the impact of certain fair value adjustments such as depreciation on the acquired property, plant and equipment, and (iv) interest expense for historical long-term debt of *Morbark* that was repaid and interest expense on additional borrowings by the Company to fund the acquisition. The unaudited pro forma statement of income of the Company is as follows:

(In thousands, except per share amounts)	(Unaudited) Year Ended December 31, 2019	2018
Net sales	$ 1,329,901	$ 1,214,285
Net income	$ 69,417	$ 56,697
Diluted earnings per share	$ 5.88	$ 4.82

The unaudited pro forma financial information is presented for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations of the Company that would have been reported had the acquisition been completed as of the beginning of the periods presented, and should not be taken as being representative of the future consolidated results of operations of the Company.

4. EARNINGS PER SHARE

The following table sets forth the reconciliation from basic to diluted average common shares and the calculations of net income per common share. Net income for basic and diluted calculations does not differ.

(in thousands, except per share amounts)	2019	2018	2017
Net income	$ 62,906	$ 73,486	$ 44,315
Average common shares:			
Basic (weighted-average outstanding shares)	11,729	11,660	11,549
Dilutive potential common shares from stock options	71	101	133
Diluted (weighted-average outstanding shares)	11,800	11,761	11,682
Basic earnings per share	$ 5.36	$ 6.30	$ 3.84
Diluted earnings per share	$ 5.33	$ 6.25	$ 3.79

Stock options totaling 4,244 shares in 2019, 4,850 shares in 2018, and 1,565 shares in 2017 were not included in the diluted earnings per share calculation because the effect would have been anti-dilutive.

5. VALUATION AND QUALIFYING ACCOUNTS

Valuation and qualifying accounts included the following:

(in thousands)	Balance Beginning of Year	Net Charged to Costs and Expenses	Translations, Reclassifications and Acquisitions	Net Write-Offs or Discounts Taken	Balance End of Year
2019					
Reserve for sales discounts	$ 18,123	$ 91,962	$ 39	$ (93,241)	$ 16,883
Reserve for inventory obsolescence	7,194	5,711	6,467	(11,139)	8,233
Reserve for warranty	4,992	8,273	4,343	(7,359)	10,249
2018					
Reserve for sales discounts	$ 15,652	$ 91,082	$ (48)	$ (88,563)	$ 18,123
Reserve for inventory obsolescence	6,932	3,773	(116)	(3,395)	7,194
Reserve for warranty	5,335	5,815	(144)	(6,014)	4,992
2017					
Reserve for sales discounts	$ 13,488	$ 82,724	$ 166	$ (80,726)	$ 15,652
Reserve for inventory obsolescence	7,262	3,007	886	(4,223)	6,932
Reserve for warranty	5,262	7,224	567	(7,718)	5,335

Sales Discounts

On December 31, 2019, the Company had $16,883,000 in reserves for sales discounts compared to $18,123,000 on December 31, 2018 on product shipped to our customers under various promotional programs. The most common programs provide a discount when the customer pays within a specified period of time.

The Company reviews the reserve quarterly based on analysis made on each program outstanding at the time. The cost of these discounts is estimated based on historical experience and known changes in promotional programs and is reported as a reduction to sales when the product sale is recognized. The reserve is adjusted if discounts paid differ from those estimated. Historically, those adjustments have not been material.

Inventories – Obsolete and Slow Moving

The Company had a reserve of $8,233,000 on December 31, 2019 and $7,194,000 on December 31, 2018 to cover obsolete and slow moving inventory. The increase in the reserve was primarily attributable to the Company's Industrial Division. The obsolete and slow moving inventory reserve is calculated as follows: 1) no inventory usage over a three-year period is deemed obsolete and reserved at 100%; and 2) slow moving inventory with little usage requires a 100% reserve on items that have a quantity greater than a three-year supply. There are exceptions to the obsolete and slow moving classifications if approved by an officer of the Company, based on specific identification of an item or items that are deemed to be either included or excluded from this classification. In cases where there is no historical data, management makes a judgment based on a specific review of the inventory in question to determine what reserves, if any, are appropriate. New products or parts are generally excluded from the reserve until a three-year history has been established.

Warranty

The Company’s warranty policy is generally to provide its customers warranty for up to one year on all wholegood units and 90 days on parts, though some components can have warranty for longer terms.

Warranty reserve, as a percentage of sales, is generally calculated by looking at the current twelve months’ expenses and prorating that amount based on twelve months’ sales with a 90 day to six-month lag period. The Company’s historical experience is that an end-user takes approximately 90 days to six months from the receipt of the unit to file a warranty claim. A warranty reserve is established for each different marketing group.

The current liability warranty reserve balance was $10,249,000 on December 31, 2019 and $4,992,000 on December 31, 2018 and is included in Note 11.

6. INVENTORIES

Inventories valued at LIFO represented 42% and 60% of total inventory for the years ended December 31, 2019 and 2018, respectively. The excess of current costs (market value) over LIFO-valued inventories was $10,910,000 and $10,646,000 on December 31, 2019 and December 31, 2018, respectively. Inventories consisted of the following on a cost basis, net of reserves for obsolescence and LIFO:

	December 31,	
(in thousands)	2019	2018
Finished goods and parts	$ 227,823	$ 149,298
Work in process	21,918	12,732
Raw materials	17,933	14,600
Inventory, net	$ 267,674	$ 176,630

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31,		
(in thousands)	2019	2018	Useful Lives
Land	$ 13,876	$ 11,970	
Buildings and improvements	135,474	90,065	5-20 yrs.
Machinery and equipment	121,870	88,806	3-10 yrs.
Office furniture and equipment	10,749	10,290	3-7 yrs.
Computer software	12,665	11,410	3-7 yrs.
Transportation equipment	7,479	6,594	3 yrs.
Property, plant and equipment, at cost	302,113	219,135	
Accumulated depreciation	(141,388)	(131,905)	
Property, plant and equipment, net	$ 160,725	$ 87,230	

8. GOODWILL

The changes in the carrying amount of goodwill for the year ended December 31, 2017, 2018, and 2019 are as follows:

	Industrial	Agricultural	Consolidated
(in thousands)			
Balance at December 31, 2016	$ 63,152	$ 11,673	$ 74,825
Translation adjustment	1,506	689	2,195
Goodwill acquired	4,846	2,895	7,741
Balance at December 31, 2017	$ 69,504	$ 15,257	$ 84,761
Translation adjustment	(916)	(1,460)	(2,376)
Goodwill adjustment	84	774	858
Balance at December 31, 2018	$ 68,672	$ 14,571	$ 83,243
Translation adjustment	(124)	144	20
Goodwill acquired	114,759	—	114,759
Balance at December 31, 2019	$ 183,307	$ 14,715	$ 198,022

9. DEFINITE- AND INDEFINITE-LIVED INTANGIBLE ASSETS

The following is a summary of both the Company's definite and indefinite-lived intangible assets net of the accumulated amortization:

(in thousands)	Estimated Useful Lives	December 31, 2019	December 31, 2018
Definite:			
Trade names and trademarks	15-25 years	$ 67,222	$ 23,938
Customer and dealer relationships	8-15 years	121,508	32,260
Patents and developed technologies	3-12 years	28,485	2,061
Favorable leasehold interests	7 years	4,200	—
Total at cost		221,415	58,259
Less accumulated amortization		(20,643)	(14,902)
Total net		200,772	43,357
Indefinite:			
Trade names and trademarks		5,500	5,500
Total Intangible Assets		$ 206,272	$ 48,857

The Company's net carrying value at December 31, 2019 of intangible assets with definite useful lives consists of trade names and trademarks at $61,588,000, customer and dealer relationships at $108,023,000, patents and drawings at $26,961,000, and favorable leasehold interests at $4,200,000. As of December 31, 2019, the related accumulated amortization balance for the definite-lived assets were $5,634,000 for trade names and trademarks, $13,485,000 for customer and dealer relationships, $1,524,000 for patents and drawings, and zero for favorable leasehold interests. The Company estimates amortization expense to be $14,500,000 for each of the next five years.

Indefinite-lived trade names and trademarks consisted of the *Gradall* trade name with a carrying value of $3,600,000 and the *Bush Hog* trade name with a carrying value of $1,900,000.

10. LEASES

Leases

The Company leases office space and equipment under various operating and capital leases, which generally are expected to be renewed or replaced by other leases. As of December 31, 2019, the components of lease cost were as follows:

Components of Lease Cost

(in thousands)	Twelve Months Ended December 31, 2019
Finance lease cost:	
Amortization of right-of-use assets	$ 125
Interest on lease liabilities	10
Operating lease cost	4,457
Short-term lease cost	594
Variable lease cost	464
Total lease cost	$ 5,650

As of December 31, 2019, future minimum lease payments under these non-cancelable leases are:

Future Minimum Lease Payments

	December 31, 2019	
(in thousands)	Operating Leases	Finance Leases
2020	$ 4,305	$ 97
2021	2,718	83
2022	2,051	45
2023	1,459	22
2024	941	19
Thereafter	2,587	14
Total minimum lease payments	$ 14,061	$ 280
Less imputed interest	(1,100)	(16)
Total lease liabilities	$ 12,961	$ 264

As of December 31, 2018, prior to the adoption of ASU 2016-02, the approximate future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year were:

	December 31, 2018	
(in thousands)	Operating Leases	Capital Leases
2019	$ 3,310	$ 125
2020	2,453	97
2021	1,308	62
2022	743	24
2023	419	1
Thereafter	79	—
Total minimum lease payments	$ 8,312	$ 309
Less imputed interest	—	(11)
Total lease liabilities	$ 8,312	$ 298

Rental expense for operating leases was $5,515,000 for 2019, $5,087,000 for 2018, and $4,788,000 for 2017.

Future Lease Commencements

As of December 31, 2019, we have additional operating leases, that have not yet commenced in the amount of $116,000. These operating leases will commence in fiscal year 2020.

Supplemental balance sheet information related to leases was as follows:

Operating Leases

(in thousands)	December 31, 2019
Other non-current assets	$ 12,858
Accrued liabilities	3,972
Other long-term liabilities	8,989
Total operating lease liabilities	$ 12,961

Finance Leases

(in thousands)	December 31, 2019
Property, plant and equipment, gross	$ 524
Accumulated Depreciation	(265)
Property, plant and equipment, net	$ 259
Current maturities of long-term debt and finance lease obligations	$ 90
Long-term debt and finance lease obligations, net of current maturities	174
Total finance lease liabilities	$ 264
Weighted Average Remaining Lease Term	
Operating leases	5.10 years
Finance leases	3.47 years
Weighted Average Discount Rate	
Operating leases	3.29 %
Finance leases	3.39 %

Supplemental Cash Flow information related to leases was as follows:

(in thousands)	Twelve Months Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 10
Operating cash flows from operating leases	4,507
Financing cash flows from finance leases	122

11. ACCRUED LIABILITIES

Accrued liabilities consist of the following balances:

	December 31,	
(in thousands)	2019	2018
Salaries, wages and bonuses	$ 28,296	$ 22,598
Taxes	5,130	6,621
Warranty	10,249	4,992
Retirement Provision	2,795	2,646
Customer Deposits	2,430	2,520
Other	10,786	4,408
Accrued Liabilities	$ 59,686	$ 43,785

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP requires or permits certain assets or liabilities to be measured at fair value on a recurring or non-recurring basis in our balance sheets. U.S. GAAP also requires the disclosure of the fair values of financial instruments when on option to elect fair value accounting has been provided but such election has not been made. A debt obligation is an example of such a financial instrument.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. There is a three-tier fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In fair value, measurements are classified under the following hierarchy:

Level 1 – Quoted prices for identical assets or liabilities in active markets.
Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.
Level 3 – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When measuring fair value, the Company maximizes use of observable inputs and minimizes the use of unobservable inputs.

Fair value measurements are classified to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

The carrying values of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, approximate fair value because of the short-term nature of these items. The carrying value of our debt approximates the fair value as of December 31, 2019 and 2018, as the floating rates on our outstanding balances approximate current market rates. This conclusion was made based on Level 2 inputs. Fair values determined by Level 2 utilize inputs that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. Other than the investments held by the retirement benefit plans, as described in Note 17 to the Consolidated Financial Statements, the Company does not have any other significant financial assets or liabilities measured at fair value on a recurring basis.

The Company has no recurring nor nonrecurring valuations that fall under Level 3 of the fair value hierarchy as of December 31, 2019 and 2018.

13. LONG-TERM DEBT

The components of long-term debt are as follows:

	December 31,	
(in thousands)	2019	2018
Bank revolving credit facility	$ 145,000	$ 85,000
Term debt	298,717	—
Capital lease obligations	264	298
Total debt	443,981	85,298
Less current maturities	18,840	119
Total long-term debt	$ 425,141	$ 85,179

On October 24, 2019, the Company, as Borrower, and each of its domestic subsidiaries as guarantors, entered into a Second Amended and Restated Credit Agreement (the *Credit Agreement*) with Bank of America, N.A., as Administrative Agent. The Credit Agreement provides the Company with the ability to request loans and other financial obligations in an aggregate amount of up to $650,000,000 and, subject to certain conditions, the Company has the option to request an increase in aggregate commitments of up to an additional $200,000,000. Pursuant to the Credit Agreement, the Company has borrowed $300,000,000 pursuant to a Term Facility repayable with interest quarterly at a percentage of the initial principal amount of the Term Facility of 5.0% per year with the remaining principal due in 5 years. Up to $350,000,000 is available under the Credit Agreement pursuant to a Revolver Facility which terminates in 5 years. The Agreement requires the Company to maintain two financial covenants, a maximum leverage ratio and a minimum asset coverage ratio. The Agreement also contains various covenants relating to limitations on indebtedness, limitations on investments and acquisitions, limitations on sale of properties and limitations on liens and capital expenditures. The Agreement also contains other customary covenants, representations and events of defaults. The expiration date of the Term Facility and the Revolver Facility is October 24, 2024. As of December 31, 2019, $443,717,000 was outstanding under the Credit Agreement. Of the total outstanding, $298,717,000 was on the Term Facility at a rate of 4.19% and $145,000,000 was on the Revolver Facility at a weighted average rate of 4.32%. On December 31, 2019, $3,025,000 of the revolver capacity was committed to irrevocable standby letters of credit issued in the ordinary course of business as required by vendors' contracts resulting in $201,975,000 in available borrowings. The Company is in compliance with the covenants under the Agreement.

The aggregate maturities of long-term debt, as of December 31, 2019, are as follows: $18,840,000 in 2020; $15,078,000 in 2021; $15,043,000 in 2022; $15,021,000 in 2023; and $379,985,000 in 2024; and $14,000 thereafter.

14. INCOME TAXES

Income Statement Components

The jurisdictional components of income before taxes consist of the following:

	December 31,		
(in thousands)	2019	2018	2017
Income before income taxes:			
Domestic	$ 54,566	$ 66,858	$ 61,329
Foreign	29,769	27,673	21,038
	$ 84,335	$ 94,531	$ 82,367

The components of income tax expense (benefit) consist of the following:

	December 31,		
(in thousands)	2019	2018	2017
Current:			
Domestic	$ 6,403	$ 6,771	$ 26,713
Foreign	8,419	7,391	6,222
State	3,291	4,831	3,789
	18,113	18,993	36,724
Deferred:			
Domestic	3,800	2,542	1,711
Foreign	(280)	(390)	(155)
State	(204)	(100)	(228)
	3,316	2,052	1,328
Total income taxes	$ 21,429	$ 21,045	$ 38,052

The difference between income tax expense (benefit) for financial statement purposes and the amount of income tax expense computed by applying the domestic statutory income tax rate of 21% in 2019 and 2018 and 35% in 2017 to income before income taxes consists of the following:

	December 31,		
(in thousands)	2019	2018	2017
Income tax expense at statutory rates	$ 17,710	$ 19,851	$ 28,828
Increase (reduction) from:			
Jurisdictional rate differences	988	719	(1,863)
Valuation allowance	460	(267)	308
Stock based compensation	(358)	(205)	(778)
U.S. state taxes	3,125	3,917	2,463
Domestic production deduction	—	—	(1,039)
R&D credit	(699)	(531)	(500)
GILTI	872	673	—
Previously unrecognized tax benefit	(1,504)	—	—
Other, net	835	219	397
Provision for income taxes before tax reform	$ 21,429	$ 24,376	$ 27,816
Effective tax rate before effects of tax reform	25 %	26 %	34 %
Tax Reform:			
Rate change of deferreds	—	1,200	(3,334)
Transition tax on deemed repatriation	—	(4,531)	13,104
Other	—	—	466
Impact of tax reform	$ —	$ (3,331)	$ 10,236
Provision for income tax	$ 21,429	$ 21,045	$ 38,052
Effective tax rate	25 %	22 %	46 %

Deferred Income Tax Assets and Liabilities

Deferred income taxes arise from temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The components of the Company's deferred income tax assets and liabilities consist of the following:

	December 31,			
(in thousands)	2019		2018	
Deferred income tax assets:				
Inventory basis difference	$	4,351	$	1,825
Accounts receivable reserve		384		251
Rental equipment and Property, plant and equipment		73		56
Stock based compensation		391		672
Pension liability		2,874		3,204
Employee benefit accrual		1,669		1,911
Product liability and warranty reserves		2,526		1,294
Foreign net operating loss		4,485		4,164
Lease liability		3,046		—
State net operating loss		148		148
Other		190		(156)
Total deferred income tax assets	$	20,137	$	13,369
Less: Valuation allowance		(4,156)		(3,696)
Net deferred income tax assets	$	15,981	$	9,673
Deferred income tax liabilities:				
Inventory basis differences	$	(122)	$	—
Rental equipment and Property, plant and equipment		(17,327)		(9,928)
Lease asset		(3,022)		—
Intangible assets		(18,897)		(8,944)
Expenses not currently deductible for book purposes		(1,996)		(749)
Total deferred income tax liabilities	$	(41,364)	$	(19,621)
Net deferred income taxes	$	(25,383)	$	(9,948)

As of December 31, 2019, the Company had foreign deferred tax assets consisting of foreign net operating losses and other tax benefits available to reduce future taxable income in a foreign jurisdiction. These foreign jurisdictions' net operating loss carry-forwards are approximately $10,519,000 with an unlimited carry-forward period, and $5,363,000 with a carry-forward expiring in 2036. The Company also has U.S. state net operating loss carry-forwards in the amount of $4,602,000 which will expire between 2020 and 2030.

We have recorded a valuation allowance as of December 31, 2019 and 2018 due to uncertainties related to our ability to utilize some of the deferred income tax assets, primarily consisting of international operating losses and foreign tax credits generated by the transition tax, before they expire. The valuation allowance is based on estimates of taxable income in the various jurisdictions in which we operate and the period over which deferred income tax assets will be recoverable. During 2019, the valuation allowance increased $460,000 related to operating losses generated by foreign affiliates.

Unrecognized Tax Benefits

Unrecognized tax benefits in the amount of $262,000 and $236,000 for 2019 and 2018, respectively, are included in other non-current liabilities on the balance sheet. The unrecognized tax benefits, if recognized, would favorably impact our effective tax rate in a future period. We do not expect our unrecognized tax benefits disclosed above to change significantly over the next 12 months.

Unrecognized Tax Benefits

	December 31,	
	2019	**2018**
Balance as of beginning of year	$ 236,000	$ 234,000
Increases for tax positions related to the current year	88,000	63,000
Increases in tax positions taken related to liabilities assumed in acquisitions	2,219,000	—
Decreases in tax positions taken related to liabilities assumed in acquisitions	(1,504,000)	—
Decreases as a result of settlements with taxing authorities related to liabilities assumed in acquisitions	(715,000)	—
Decreases due to lapse of statute of limitations	(62,000)	(61,000)
Balance as of end of year	$ 262,000	$ 236,000

The Company adopted the policy to include interest and penalty expense related to income taxes as interest and other expense, respectively. As of December 31, 2019, no interest or penalties has been accrued. The Company's open tax years for its federal and state income tax returns are for the tax years ended 2015 through 2019. The Company's open tax years for its foreign income tax returns are for the tax years ended 2013 through 2019.

The Company previously considered substantially all of the earnings in our foreign subsidiaries to be permanently reinvested and, accordingly, recorded no deferred income taxes on such earnings. As a result of the fundamental changes to the taxation of multinational corporations created by TCJA, we no longer intend to permanently reinvest all of the historical undistributed earnings of our foreign affiliates. We will distribute earnings from our European subsidiaries, while maintaining our permanent reinvestment for our other foreign subsidiaries. There will generally be no U.S. corporate taxes imposed on such future distributions of foreign earnings or foreign withholding and other local taxes. For the amounts we continue to assert permanent reinvestment, if the amounts were distributed, the company would be subject to approximately $3,965,000 in withholding taxes.

15. COMMON STOCK

On January 2, 2020, the Board of Directors of the Company declared a quarterly dividend of $0.13 per share which was paid on January 29, 2020 to holders of record as of January 16, 2020. The Company also has a share repurchase program under which the Company is authorized to repurchase, in the aggregate, up to $30 million of its outstanding common stock. During 2019, the Company purchased 40,000 shares.

16. STOCK OPTIONS

Incentive Stock Option Plan

On May 7, 2015, the stockholders of the Company approved the 2015 Incentive Stock Option Plan ("2015 ISO Plan") and the Company reserved 400,000 shares of common stock for options to be issued under the 2015 ISO Plan. Each option becomes vested and exercisable for up to 20% of the total optioned shares one year following the grant of the option and for an additional 20% of the total optioned shares after each succeeding year until the option is fully exercisable at the end of the fifth year.

We also maintain other incentive option plans that have expired, under which previously granted awards remain outstanding. No additional grants may be awarded under these plans.

Following is a summary of activity in the Incentive Stock Option Plans for the periods indicated:

	2019		2018		2017	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Options outstanding at beginning of year	140,170	$ 49.78	172,875	$ 43.91	220,820	$ 37.39
Granted	12,150	105.56	9,500	92.50	10,750	83.99
Exercised	(28,100)	38.93	(41,205)	34.89	(54,945)	24.83
Canceled	(4,500)	58.57	(1,000)	54.49	(3,750)	54.57
Options outstanding at end of year	119,720	57.65	140,170	49.78	172,875	43.91
Options exercisable at end of year	85,070	$ 47.10	96,320	$ 41.56	111,875	$ 36.44
Options available for grant at end of year	327,250		336,450		344,950	

**Weighted Averages*

Options outstanding and exercisable at December 31, 2019 were as follows:

Qualified Stock Options	Options Outstanding			Options Exercisable	
	Shares	Remaining Contractual Life (yrs)*	Exercise Price*	Shares	Exercise Price*
Range of Exercise Price					
$26.45 - $42.70	39,820	2.57	$ 35.89	39,820	$ 35.89
$49.44 - $83.99	59,800	5.60	$ 57.89	43,600	$ 55.62
$92.50 - $105.56	20,100	8.94	$ 100.07	1,650	$ 92.50
Total	119,720			85,070	

**Weighted Averages*

The weighted-average grant-date fair values of options granted during 2019, 2018, and 2017 were $39.85, $38.77 and $36.00, respectively. Stock option expense was $451,000, $482,000 and $597,000 for years ending 2019, 2018, and 2017, respectively. As of December 31, 2019, there was $755,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a period of five years.

Equity Incentive Plan

On May 2, 2019, the stockholders of the Company approved the 2019 Equity Incentive Plan and the Company reserved 500,000 shares of common stock for issuance of equity awards including the issuance of non-qualified options for the purchase of shares of our common stock which may be granted to Company officers and non-employee directors. Options become vested and exercisable for up to 20% of the total optioned shares one year following the grant of the option and for an additional 20% of the total optioned shares after each succeeding year until the option is fully exercisable at the end of the fifth year.

	2019 (1)	2018 (2)	2017 (2)
Options available for grant at end of year	499,640	146,075	176,294

1. In 2019, options available are from the 2019 Equity Incentive Plan.
2. In 2018 and 2017, options available are from the 2009 Equity Incentive Plan.

We also maintain other incentive option plans that have expired, under which previously granted awards remain outstanding. No additional grants may be awarded under these plans.

Non-Qualified Options

Following is a summary of activity in the Non-Qualified Stock Option Plans for the periods indicated:

	2019		2018		2017	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Options outstanding at beginning of year	40,200	$ 42.99	67,000	$ 42.43	112,400	$ 34.48
Granted	—	—	—	—	—	—
Exercised	(34,900)	42.40	(26,800)	41.61	(45,400)	22.73
Canceled	—	—	—	—	—	—
Options outstanding at end of year	5,300	46.87	40,200	42.99	67,000	42.43
Options exercisable at end of year	5,300	$ 46.87	34,400	$ 41.21	50,400	$ 39.86

**Weighted Averages*

Options outstanding and exercisable as of December 31, 2019 were as follows:

Non-Qualified Stock Options	Options Outstanding			Options Exercisable	
	Shares	Remaining Contractual Life (yrs)*	Exercise Price*	Shares	Exercise Price*
Range of Exercise Price					
$26.45 - $42.70	1,300	1.36	26.45	1,300	26.45
$49.44 - $83.99	4,000	4.37	$ 53.51	4,000	$ 53.51
Total	5,300			5,300	

**Weighted Averages*

There were no options granted in 2017, 2018 or 2019. Stock option expense was $8,000, $22,000 and $22,000 for years ending 2019, 2018, and 2017, respectively. As of December 31, 2019, there was zero unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a period of five years.

During 2019, 2018, and 2017, 34,900, 26,800, and 45,400 non-qualified options were exercised, respectively, $1,480,000, $1,115,000, and $1,032,000 of cash receipts were received, respectively.

Restricted Stock Awards/Units

Following is a summary of activity in the Restricted Stock Awards for the periods indicated:

	2019		2018		2017	
	Shares	Grant-Date Fair Value*	Shares	Grant-Date Fair Value*	Shares	Grant-Date Fair Value*
Awards outstanding at beginning of year	75,636	$ 81.39	63,052	$ 70.08	45,621	$ 54.58
Granted	36,060	105.69	35,300	92.50	33,620	84.34
Exercised	(32,466)	69.94	(22,266)	66.91	(16,189)	56.03
Canceled	(525)	99.96	(450)	83.99	—	—
Awards outstanding at end of year	78,705	94.34	75,636	81.39	63,052	70.08

**Weighted Averages*

Restricted stock awards vest 25% after one year following the award date and for an additional 25% of total awarded shares each succeeding year until fully vested. The weighted-average remaining contractual life in years for 2019, 2018, and 2017 was 2.48, 2.53 and 2.69, respectively. Compensation expense was $2,810,000, $1,946,000 and $1,250,000 for years ending 2019, 2018, and 2017, respectively. As of December 31, 2019, there was $5,775,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a period of four years.

17. RETIREMENT BENEFIT PLANS

Defined Benefit Plans

In connection with the February 3, 2006 purchase of all the net assets of the *Gradall* excavator business, the Company assumed sponsorship of two *Gradall* non-contributory defined benefit pension plans, both of which are frozen with respect to both future benefit accruals and future new entrants.

The *Gradall* Company Employees' Retirement Plan covers approximately 245 former employees and 64 current employees who (i) were formerly employed by JLG Industries, Inc., (ii) were not covered by a collective bargaining agreement and (iii) first participated in the plan before December 31, 2004. An amendment ceasing future benefit accruals for certain participants was effective December 31, 2004. A second amendment discontinued all future benefit accruals for all participants effective April 24, 2006.

The *Gradall* Company Hourly Employees' Pension Plan covered former employees and current employees who (i) were formerly employed by JLG Industries, Inc., (ii) were covered by a collective bargaining agreement and (iii) first participated in the plan before April 6, 1997. An amendment ceasing all future benefit accruals was effective April 6, 1997.

On April 6, 2016, the Company notified all participants in the *Gradall* Company Hourly Employees' Pension Plan of our decision to terminate the plan. Participants in the plan did not lose any benefits but were given a choice between obtaining certain continued annuity benefits that match the benefits offered under the plan or receiving an immediate one-time lump sum payment in total settlement of benefits. The Company made a final contribution of $622,000 and met all legal requirements to effectuate a proper termination of the plan before December 31, 2016. The Company expensed $2,889,000 related to accumulative pension actuarial losses relating to the closure of the *Gradall* Hourly Employees' Savings and Investment Plan that had been previously deferred in Other comprehensive income and deferred taxes.

The following table sets forth the change in plan assets, change in projected benefit obligation, rate assumptions and components of net periodic benefit cost as of December 31 with respect to the plan. The measurement dates of the assets and liabilities of the plan were December 31 of the respective years presented.

Reconciliation of Funded Status

(in thousands)	Year Ended December 31, 2019	Year Ended December 31, 2018
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 20,050	$ 21,552
Service cost	3	4
Interest cost	819	757
Liability actuarial (gain) loss	2,604	(1,270)
Benefits paid	(1,027)	(993)
Benefit obligation at end of year	22,449	20,050
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	18,106	20,327
Return on plan assets	3,526	(1,228)
Employer contributions	—	—
Benefits paid	(1,027)	(993)
Fair value of plan assets at end of year	20,605	18,106
Funded status	(1,844)	$ (1,944)

The Company recognizes the overfunded or underfunded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of defined benefit postretirement plans as an asset or liability in its consolidated balance sheet and recognizes changes in the funded status in the year in which the changes occur. The Company measures the funded status of a plan as of the date of the year-end consolidated balance sheet.

The underfunded status of the plan of $1,844,000 and $1,944,000 as of December 31, 2019 and 2018, respectively, is recognized in the accompanying consolidated balance sheets as long-term accrued pension liability because plan assets are less than the value of benefit obligations expected to be paid.

The accumulated benefit obligation for our pension plan represents the actuarial present value of benefits based on employee service and compensation as of a certain date and does not include an assumption about future compensation levels.

In determining the projected benefit obligation and the net pension cost, we used the following significant weighted-average assumptions:

Rates to Determine Benefit Obligation

	Year Ended December 31,	
	2019	**2018**
Discount rate	3.15%	4.20%
Composite rate of compensation increase	N/A	N/A

Rates to Determine Net Periodic Benefit Cost

	Year Ended December 31,	
	2019	**2018**
Discount rate	4.20%	3.60%
Long-term rate of return on plan assets	7.25%	7.25%
Composite rate of compensation increase	N/A	N/A

The Company employs a building block approach in determining the expected long-term rate of return on plan assets. Historical markets are studied and long-term historical relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term market assumptions are determined. The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonability and appropriateness.

The following table presents the components of net periodic benefit cost (gains are denoted with parentheses and losses are not):

Components of Net Periodic Benefit Cost

	Year Ended December 31,	
(in thousands)	**2019**	**2018**
Service cost	$ 3	$ 4
Interest cost	819	757
Expected return on plan assets	(1,273)	(1,454)
Amortization of net loss	542	346
Net periodic benefit cost	$ 91	$ (347)

The Company estimates that $508,000 of unrecognized actuarial expense will be amortized from Accumulated other comprehensive income (loss) into net periodic benefit costs during 2020.

The Company employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalization. Other assets such as real estate, private equity, and hedge funds are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies. Our current asset allocations are consistent with our targeted allocations.

The pension plans' weighted-average asset allocation as a percentage of plan assets at December 31 are as follows:

Asset Allocation as a Percentage of the Plan

	Year Ended December 31,	
	2019	**2018**
Equity securities	56%	55%
Debt securities	37%	38%
Short-term investments	2%	2%
Other	5%	5%
Total	100%	100%

The following table presents the hierarchy levels for our postretirement benefit plan investments as of December 31 as described in Note 1 to the Consolidated Financial Statements:

(in thousands)	December 31, 2019	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Mid Cap	$ 2,239	$ 2,239	$ —	$ —
Large Cap	2,574	2,574	—	—
International	1,879	1,879	—	—
Common/Collective Trusts:				
Wells Fargo Liability Driven Solution	2,866	—	2,866	—
Wells Fargo BlackRock International Equity	861	—	861	—
Wells Fargo Core Bond	1,413	—	1,413	—
Wells Fargo/Causeway International	864	—	864	—
Wells Fargo BlackRock Large Cap Growth Index Fund	1,153	—	1,153	—
Wells Fargo BlackRock Large Cap Value Index Fund	1,159	—	1,159	—
Wells Fargo Multi-Manager Small Cap	1,434	—	1,434	—
Wells Fargo BlackRock Russell 2000 Index Fund	667	—	667	—
Wells Fargo BlackRock S&P Mid Cap Index Fund	732	—	732	—
Wells Fargo/MFS Value CIT F	599	—	599	—
Wells Fargo/T. Rowe Price Large-Cap Growth Managed CIT	602	—	602	—
Wells Fargo/T. Rowe Price Equity Income	590	—	590	—
Wells Fargo Voya Large Cap Growth CIT F	605	—	605	—
Cash & Short-term Investments	368	368	—	—
Total	$ 20,605	$ 7,060	$ 13,545	$ —

(in thousands)	December 31, 2018		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Mutual Funds:							
Mid Cap	$	1,176	$	1,176	$	—	$ —
Large Cap		2,618		2,618		—	—
International		2,051		2,051		—	—
Common/Collective Trusts:							
Wells Fargo Liability Driven Solution		2,532		—		2,532	—
Wells Fargo BlackRock International Equity		765		—		765	—
Wells Fargo Core Bond		1,266		—		1,266	—
Wells Fargo/Causeway International		766		—		766	—
Wells Fargo BlackRock Large Cap Growth Index Fund		1,026		—		1,026	—
Wells Fargo BlackRock Large Cap Value Index Fund		1,025		—		1,025	—
Wells Fargo Multi-Manager Small Cap		1,246		—		1,246	—
Wells Fargo BlackRock Russell 2000 Index Fund		573		—		573	—
Wells Fargo BlackRock S&P Mid Cap Index Fund		641		—		641	—
Wells Fargo/MFS Value CIT F		516		—		516	—
Wells Fargo/T. Rowe Price Large-Cap Growth Managed CIT		516		—		516	—
T. Rowe Price Equity Income		515		—		515	—
Wells Fargo Voya Large Cap Growth CIT F		516		—		516	—
Cash & Short-term Investments		358		358		—	—
Total	$	18,106	$	6,203	$	11,903	$ —

Our interests in the common collective trust investments are managed by one custodian. Consistent with our investment policy, the custodian has invested the assets across a widely diversified portfolio of U.S. and international equity and fixed income securities. Fair values of each security within the collective trust as of December 31, 2019 were obtained from the custodian and are based on quoted market prices of individual investments; however, since the fund itself does not have a quoted market price, these assets are considered Level 2.

The common collective funds noted in the above table have estimated fair value using the net asset value per share of investments. Investments can be redeemed immediately at the current net asset value per share based on the fair value of the underlying assets. Redemption frequency is daily. The categories contain investments in equity securities of smaller growing companies, medium-sized U.S. companies, large value-oriented and growth-oriented companies, and foreign companies traded on international markets.

Expected benefit payments are estimated using the same assumptions used in determining our benefit obligation as of December 31, 2019. The following table illustrates the estimated pension benefit payments that are projected to be paid:

Projected Future Benefit Payments

(in thousands)	Employees' Retirement Plan
2020	$ 1,152
2021	1,237
2022	1,267
2023	1,286
2024	1,294
Years 2025 through 2029	6,407

Supplemental Retirement Plan

The Board of Directors of the Company adopted the Alamo Group Inc. Supplemental Executive Retirement Plan (the "SERP"), effective as of January 3, 2011. The SERP will benefit certain key management or other highly compensated employees of the Company and/or certain subsidiaries who are selected by the Compensation Committee and approved by the Board to participate.

The SERP is intended to provide a benefit from the Company upon retirement, death or disability, or a change in control of the Company. Accordingly, the SERP obligates the Company to pay to a participant a Retirement Benefit (as defined in the SERP) upon the occurrence of certain payment events to the extent a participant has a vested right thereto. A participant's right to his or her Retirement Benefit becomes vested in the Company's contributions upon 10 years of Credited Service (as defined in the SERP) or a change in control of the Company. The Retirement Benefit is based on 20% of the final three-year average salary of each participant on or after his or her normal retirement age (65 years of age). In the event of the participant's death or a change in control, the participant's vested retirement benefit will be paid in a lump sum to the participant or his or her estate, as applicable, within 90 days after the participant's death or a change in control, as applicable. In the event that the participant is entitled to a benefit from the SERP due to disability, retirement or other termination of employment, the benefit will be paid in monthly installments over a period of fifteen years.

The Company records amounts relating to the SERP based on calculations that incorporate various actuarial and other assumptions, including discount rates, rate of compensation increases, retirement dates and life expectancy. The net periodic costs are recognized as employees render the services necessary to earn the SERP benefits.

In May of 2015, the Board amended the SERP to allow the Board to modify the retirement benefit percentage either higher or lower than 20%. In May of 2016, the Board added additional highly compensated employees to the plan. As of December 31, 2019, the current retirement benefit (as defined in the plan) for the participants ranges from 10% to 20%.

The change in the Projected Benefit Obligation (PBO) as of December 31, 2019 and 2018, is shown below:

Reconciliation of Benefit Obligation

	Year Ended December 31,	
(in thousands)	2019	2018
Benefit obligation at January 1,	$ 7,446	$ 5,945
Service cost	240	249
Interest cost	298	248
Liability actuarial loss (gain)	1,193	(328)
Benefits paid	(155)	(98)
Plan amendments	—	1,430
Benefit obligation at December 31,	$ 9,022	$ 7,446

The components of net periodic pension expense were as follows:

Components of Net Periodic Benefit Cost

	Year Ended December 31,	
(in thousands)	2019	2018
Service cost	$ 240	$ 249
Interest cost	298	248
Amortization of prior service cost	318	501
Net periodic benefit cost	$ 856	$ 998

The Company estimates that $475,000 of unrecognized actuarial expense will be amortized from accumulated other comprehensive income into net periodic benefit costs during 2020.

In determining the projected benefit obligation and the net pension cost, we used the following significant weighted-average assumptions:

Assumptions used to determine benefit obligations at December 31:

Rates to Determine Benefit Obligation

	2019	2018
Discount rate	2.95%	4.10%
Composite rate of compensation increase	3.00%	3.00%

Assumptions used to determine net periodic benefit cost for the years ended December 31:

Rates to Determine Net Periodic Benefit Cost

	2019	2018
Discount rate	4.10%	3.45%
Composite rate of compensation increase	3.00%	3.00%
Long-term rate of return on plan assets	N/A	N/A

Future estimated benefits expected to be paid from the plan over the next ten years as follows:

Projected Future Benefit Payments

(in thousands)	SERP
2020	$ 1,205
2021	350
2022	450
2023	453
2024	480
Years 2025 through 2029	3,258

Defined Contribution Plans

The Company has two defined contribution plans, The *Gradall* Salaried Employees' Savings and Investment Plan ("Salary Plan") and The International Association of Machinist and Aerospace Workers Retirement Plan ("IAM Plan"). The Company contributed $557,000, $418,000, and $408,000 to the IAM Plan for the plan years ended December 31, 2019, 2018 and 2017, respectively. The Company converted the Salary Plan into its 401(k) retirement and savings plan and put the Hourly Plan into a separate 401(k) retirement and savings plan.

The Company provides a defined contribution 401(k) retirement and savings plan for eligible U.S. employees. Company matching contributions are based on a percentage of employee contributions. Company contributions to the plan during 2019, 2018 and 2017 were $2,806,000, $2,340,000, and $1,942,000, respectively.

Three of the Company's international subsidiaries also participate in a defined contribution and savings plan covering eligible employees. The Company's international subsidiaries contribute between 0% and 10% of the participant's salary up to a specific limit. Total contributions made to the above plans were $861,000, $850,000, and $716,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

18. REVENUE AND SEGMENT REPORTING

Disaggregation of revenue is presented in the tables below by product type. Management has determined that this level of disaggregation would be beneficial to users of the financial statements.

Revenue by Product Type

	December 31,		
(in thousands)	2019	2018	2017
Net Sales			
Wholegoods	$ 875,805	$ 802,403	$ 714,862
Parts	207,766	186,979	182,412
Other	35,567	19,440	15,106
Consolidated	$ 1,119,138	$ 1,008,822	$ 912,380

Other includes rental sales, extended warranty sales and service sales as it is considered immaterial.

Effective for the fourth quarter of 2019, the Company began reporting its operating results on the basis of two segments, the Industrial Division and Agricultural Division. Prior to the fourth quarter of 2019, the Company had been reporting its operating results on the basis of three segments which included the Company's European Division. The Company's European Division was a mixture of industrial and agricultural products similar to those within the other two segments. The Company's prior period segment information has been retrospectively adjusted to reflect the current segment presentation.

The Company has included a summary of the financial information by reporting segment. The following table presents the revenue and income from operations by reporting segment for the years ended December 31, 2019, 2018, and 2017:

	December 31,		
(in thousands)	2019	2018	2017
Net Revenue			
Industrial	$ 768,454	$ 638,198	$ 563,599
Agricultural	350,684	370,624	348,781
Consolidated	$ 1,119,138	$ 1,008,822	$ 912,380
Income from Operations			
Industrial	$ 65,262	$ 65,077	$ 55,752
Agricultural	29,386	36,011	32,986
Consolidated	$ 94,648	$ 101,088	$ 88,738

The following table presents the goodwill and total identifiable assets by reporting segment for the years ended December 31, 2019 and 2018:

	December 31,	
(in thousands)	2019	2018
Goodwill		
Industrial	$ 183,307	$ 68,672
Agricultural	14,715	14,571
Consolidated	$ 198,022	$ 83,243
Identifiable Assets		
Industrial	$ 922,738	$ 440,729
Agricultural	290,025	280,904
Consolidated	$ 1,212,763	$ 721,633

19. INTERNATIONAL OPERATIONS AND GEOGRAPHIC INFORMATION

Following is selected financial information on the Company's international operations, which include Europe, Canada and Australia:

International Operations Financial Information

	December 31,		
(in thousands)	2019	2018	2017
Net sales	$ 357,602	$ 297,246	$ 254,144
Income from operations	32,518	28,301	23,110
Income before income taxes	31,975	29,254	22,476
Identifiable assets	333,392	244,888	227,758

Following is other selected geographic financial information on the Company's operations:

Geographic Financial Information

	December 31,		
(in thousands)	2019	2018	2017
Geographic net sales:			
United States	$ 774,854	$ 726,582	$ 663,600
France	99,145	90,956	86,443
Canada	72,950	62,077	52,332
United Kingdom	52,098	51,043	44,416
Brazil	17,919	16,829	9,321
Netherlands	23,462	3,983	4,312
China	16,384	9,479	2,071
Germany	7,825	1,600	2,811
Australia	7,550	9,055	12,778
Other	46,951	37,218	34,296
Total net sales	$ 1,119,138	$ 1,008,822	$ 912,380
Geographic location of long-lived assets:			
United States	$ 515,189	$ 191,958	$ 171,048
Netherlands	37,930	—	—
Canada	32,606	21,647	24,302
United Kingdom	19,840	19,270	18,948
France	19,513	18,650	19,324
Brazil	15,096	15,701	11,558
Australia	1,021	815	917
Total long-lived assets	$ 641,195	$ 268,041	$ 246,097

Net sales are attributed to countries based on the location of customers.

20. OTHER COMMITMENTS AND CONTINGENCIES

The Company is subject to various unresolved legal actions that arise in the ordinary course of its business. The most significant of such actions relates to product liability, which is generally covered by insurance after various self-insured retention amounts. While amounts claimed might be substantial and the liability with respect to such litigation cannot be determined at this time, the Company believes that the outcome of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations; however, the ultimate resolution cannot be determined at this time.

Also, like other manufacturers, the Company is subject to a broad range of federal, state, local and foreign laws and requirements, including those concerning air emissions, discharges into waterways, and the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, as well as the remediation of contamination associated with releases of hazardous substances at the Company's facilities and off-site disposal locations, workplace safety and equal employment opportunities. These laws and regulations are constantly changing, and it is impossible to predict with accuracy the effect that changes to such laws and regulations may have on the Company in the future. Like other industrial concerns, the Company's manufacturing operations entail the risk of noncompliance, and there can be no assurance that the Company will not incur material costs or other liabilities as a result thereof.

21. QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data for 2019 and 2018 are presented below. Seasonal influences affect the Company's sales and profits, with heavier business occurring in May through August.

(in thousands, except per share amounts)

	2019				2018			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Sales	$ 261,934	$ 285,186	$ 271,829	$ 300,189	$ 238,087	$ 257,125	$ 257,572	$ 256,038
Gross profit	63,308	73,133	68,710	68,076	60,257	66,454	66,772	62,632
Net income	15,253	20,667	17,418	9,568	14,583	18,771	23,543	16,589
Earnings per share								
Diluted	$ 1.30	$ 1.75	$ 1.47	$ 0.81	$ 1.24	$ 1.60	$ 2.00	$ 1.41
Average shares								
Diluted	11,777	11,798	11,813	11,811	11,739	11,759	11,777	11,768
Dividends per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.11	$ 0.11	$ 0.11	$ 0.11
Market price of common stock								
High	$ 101.58	$ 106.19	$ 124.33	$ 129.74	$ 120.22	$ 118.93	$ 102.29	$ 93.45
Low	$ 74.74	$ 93.00	$ 93.11	$ 103.60	$ 103.38	$ 88.60	$ 88.13	$ 72.85

The sum of quarterly earnings per share may not equal total year earnings per share due to rounding of earnings per share amounts, and differences in weighted-average shares and equivalent shares outstanding for each of the periods presented.

DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following summary describes our common stock, par value $0.10 per share, of Alamo Group Inc., which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934. In this summary, the terms "we" and "our" refer to Alamo Group Inc. and its consolidated subsidiaries, unless the context requires otherwise.

DESCRIPTION OF COMMON STOCK

The summary describes the material terms of our common stock and is not complete. This summary is qualified in its entirety by reference to applicable Delaware law, our certificate of incorporation (our "Certificate of Incorporation") and our bylaws (our "Bylaws"). For a complete description of our common stock, we refer you to our Certificate of Incorporation and Bylaws, which have been filed with the Securities and Exchange Commission and are incorporated by reference as exhibits to this Annual Report on Form 10-K.

The authorized capital stock of the Company consists of 20,000,000 shares of common stock, $0.10 par value, of which 11,746,164 shares (excluding treasury shares) were issued and outstanding as of December 31, 2019. Holders of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders, to receive dividends out of funds legally available for distribution when and if declared by the Board of Directors, and to share ratably in the assets of the Company legally available for distribution to its stockholders in the event of liquidation, dissolution or winding-up of the Company. The common stock is not subject to a sinking fund. The holders of common stock do not have cumulative voting rights. Holders of common stock have no conversion, redemption, subscription or preemptive rights and are not subject to further calls or assessments by the Company.

Transfer Agent and Register

The transfer agent and registrar for the common stock is American Stock Transfer & Trust Company.

Certain Effects of Authorized but Unissued Stock

The Company has 8,247,886 shares of common stock available for future issuance without stockholder approval under certain circumstances. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital or to facilitate corporate acquisitions.

One of the effects of the existence of unissued and unreserved common stock of the Company may be to enable the Board of Directors to issue shares to third parties in order to render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise.

Anti-Takeover Effects of our Certificate of Incorporation and By-laws

The Company's Certificate of Incorporation and By-laws contain provisions which may discourage certain types of transactions involving an actual or threatened change of control of the Company. These provisions are designed to make it more difficult to change majority control of the Board of Directors without its consent, and thus to reduce the vulnerability of the Company to an unsolicited takeover proposal or to an unsolicited proposal to restructure or sell all or part of the Company. The Board of Directors believes that these provisions serve to encourage any person intending to attempt such a takeover to negotiate with the Board of Directors, and that the Board of Directors will therefore be better able to protect the interests of the stockholders. These provisions include the following:

Limitations on Calling Special Meetings. The Company's By-laws provide that special meetings of stockholders may be called only by the Board of Directors or by the Chairman of the Board, the President or the

Secretary at the written request of a majority of the Board of Directors. This provision eliminates the stockholders' ability under Delaware law to call special meetings.

Stockholder Action. Stockholders may act only at an annual or special meeting of stockholders and may not act by written consent.

Amendments. The Company's Certificate of Incorporation and By-laws state that any amendment to the provisions regarding the limitations on action by written consent discussed above be approved by the holders of at least two-thirds of the outstanding shares of common stock. This requirement prevents a stockholder with only a majority of the common stock from avoiding the requirements of provision by simply repealing such provision.

Limitation of Director Liability. Our Certificate of Incorporation provides that our directors generally will not be personally liable to the Company or its stockholders for monetary damages for breach of their fiduciary duties. These provisions would not limit the liability of a director for breach of the director's duty of loyalty to us or our stockholders, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, payment of an unlawful dividend or any unlawful stock purchase or redemption as provided under Section 174 of the Delaware General Corporation Law (the "DGCL"), or any transaction from which the director derived an improper benefit.

Indemnification of Directors and Officers. Our Certificate of Incorporation and By-laws also provide that we will indemnify our directors and officers to the full extent permitted by Section 145 of the DGCL (or any other provision of Delaware law that may replace it). We carry liability insurance for our officers and directors and have entered into indemnification agreements with them.

It is possible that these provisions will discourage unsolicited tender offers for the Company's common stock. This could have the incidental effect of inhibiting certain changes in management and may also prevent temporary fluctuations in the market price of the Company's shares, which often result from actual or rumored takeover attempts. It is also possible that such provisions could make it more difficult to accomplish a transaction favorable to the interests of stockholders but that is opposed by the Board of Directors.

Delaware Anti-Takeover Law

Under Section 203 of the Delaware General Corporation Law (the "Delaware anti-takeover law"), certain "business combinations" between a Delaware corporation whose stock generally is publicly traded or held of record by more than 2,000 stockholders and an "interested stockholder" are prohibited for a three-year period following the date such stockholder became an interested stockholder, unless (i) the corporation has elected in its certificate of incorporation not to be governed by the Delaware anti-takeover law (the Company has not made such an election), (ii) the business combination was approved by the Board of Directors of the corporation before the other party to the business combination became an interested stockholder, (iii) upon consummation of the transaction that made it an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the commencement of the transaction (excluding voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender or vote stock held by the plan), or (iv) the business combination was approved by the Board of Directors of the corporation and ratified by 66⅔ % of the voting stock which the interested stockholder did not own. The three-year prohibition also does not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of certain extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation's directors. The term "business combination" is defined generally to include mergers, asset sales and other transactions resulting in financial benefit to an "interested stockholder." The term "interested stockholder" is defined generally as those stockholders who beneficially own (or within three years, did own) 15% or more of a Delaware corporation's voting stock.

ALAMO GROUP INC.

2019 EQUITY INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AWARD AGREEMENT (the "Award Agreement") is made and entered into as of ___________, (the "Date of Grant"), by and between Alamo Group Inc., a Delaware corporation (the "Company"), and ______________ (the "Grantee"). Capitalized terms not defined herein shall have the meaning ascribed to them in the Company's 2019 Equity Incentive Plan (the "Plan").

1. **Notice of Restricted Stock Grant**. Pursuant to the Plan, the Company has determined that the Grantee is to be granted Restricted Stock (the "Award"), subject to the terms and conditions set forth in the Plan and herein, and hereby grants such Restricted Stock.

2. **Number of Shares of Restricted Stock**. The Award hereby entitles the Grantee to _________ Shares of Restricted Stock (the "Restricted Stock Shares"), with no purchase price to be payable by Grantee for such Restricted Stock Shares.

3. **Terms and Conditions of Award**. The Award shall be subject to the following terms, conditions, and restrictions:

a. *Awards and Escrow*. Grantee shall be issued a share certificate for the Restricted Stock Shares, which certificate shall be registered in the name of Grantee and shall bear the legend described in Section 3(b) hereof; provided, however, that: (i) the Company as escrow agent shall hold the share certificate for Grantee's Restricted Stock Shares until the Restricted Period described in Section 3(c) has ended and all restrictions on such Restricted Stock Shares have lapsed, and (ii) as a condition of receiving this Award, the Grantee shall have delivered a stock power in the form provided by the Company, endorsed in blank, relating to the Restricted Stock Shares.

b. *Certificate; Restrictive Legend*. The Grantee agrees that any certificate issued for the Restricted Stock Shares prior to the end of the Restricted Period and lapse of any restrictions relating thereto shall be inscribed with the following legend:

"THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS, INCLUDING FORFEITURE PROVISIONS AND RESTRICTIONS AGAINST TRANSFER (THE "RESTRICTIONS"), CONTAINED IN THE ALAMO GROUP INC. 2019 EQUITY INCENTIVE PLAN AND THE RESTRICTED STOCK AWARD AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND THE

COMPANY. ANY ATTEMPT TO DISPOSE OF THESE SHARES IN CONTRAVENTION OF THE RESTRICTIONS, INCLUDING BY WAY OF SALE, ASSIGNMENT, TRANSFER, PLEDGE, HYPOTHECATION, OR OTHERWISE, SHALL BE NULL AND VOID AND WITHOUT EFFECT."

c. *Nontransferability of Restricted Stock Shares During Restricted Period*. The Restricted Stock Shares shall be subject to restrictions on transferability until such restrictions lapse pursuant to Section 3(d) hereof (the "Restricted Period"). During the Restricted Period, the Restricted Stock Shares and any interest therein may not be sold, transferred, pledged, hypothecated, assigned, or otherwise disposed of except by: (i) will or the laws of descent and distribution, or (ii) a qualified domestic relations order within the meaning of Section 414(p) of the Code or any similar instrument. Any attempt to dispose of any Restricted Stock in contravention of such restrictions shall be null and void and without effect.

d. Removal of Restrictions. Subject to Sections 3(e), 3(f) and 3(g) hereof, the Restricted Period shall end as to 33.33% of the total Restricted Stock Shares on the first anniversary of the Date of Grant, and as to an additional 33.33% of the total Restricted Stock Shares on each of the two succeeding anniversaries of the Date of Grant, provided that the Grantee has continuously been a Service Provider through each such date. Provided that the Grantee shall have complied with his or her obligations under Section 5 hereof, the Company will release to the Grantee from escrow on a rolling basis as Restricted Periods end, stock certificates free of the restrictive legend described in Section 3(b) hereof, for those Restricted Stock Shares for which the particular Restricted Period applicable to the Restricted Stock Shares has ended, as soon as practicable after the last day of the particular Restricted Period applicable to the Restricted Stock Shares.

e. Termination of Relationship as a Service Provider. Except as otherwise may be provided in this Award or in the Plan, if the Grantee ceases to be a Service Provider for any reason during the Restricted Period, the Grantee's rights to the Restricted Stock Shares for which restrictions have not lapsed will be forfeited back to the Company and the Grantee will have no further rights thereto.

f. *Change in Control.* Except as may otherwise be provided in any Change in Control Agreement between the Company and the Grantee, in the event of a Change in Control, restrictions on all Restricted Stock Shares shall immediately lapse and the Restricted Period shall end, unless the Award is either assumed or equitable substitution is made therefor.

g. *Death or Disability*. Notwithstanding Section 3(e) above, if the Grantee ceases to be a Service Provider during the Restricted Period as a result of the Grantee's death or Disability (as hereinafter defined), the complete unvested balance of the Grantee's Restricted Stock Shares shall automatically become vested upon the date of such death or Disability. The term "Disability" means that the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. The ultimate determination of whether an individual has suffered a Disability shall be made by the Committee in its reasonable discretion.

h. *Rights as a Stockholder*. Except as provided in this Section 3, the Grantee shall possess all incidents of ownership with respect to the Restricted Stock Shares during the Restricted Period, including the right to receive all dividends and distributions paid with respect to such Restricted Stock Shares and to vote such Restricted Stock Shares. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Restricted Stock Shares with respect to which they were paid.

4. **Adjustments**. This Award and all rights and obligations under this Award Agreement are subject to Section 9 of the Plan.

5. **Tax Withholding and Obligations**.

a. Pursuant to Section 10 of the Plan, the Company has the right to require the Grantee to remit to the Company in cash an amount sufficient to satisfy any federal, local, state, foreign, or other tax withholding requirements related to the Award. With the approval of the Committee, the Grantee may satisfy the foregoing requirement by electing to have the Company withhold from delivery Shares or by delivering Shares, in each case, having a value equal to the aggregate required minimum tax withholding to be collected by the Company. Such Shares shall be valued at their Fair Market Value on the date on which the amount of tax to be withheld is determined. Fractional Share amounts shall be settled in cash.

b. The Grantee shall notify the Company of any election made pursuant to Section 83(b) of the Code.

6. **Notices**. Whenever any notice is required or permitted hereunder, such notice shall be in writing and shall be given by personal delivery, facsimile, first class mail, certified or registered with return receipt requested. Any notice required or permitted to be delivered hereunder shall be deemed to have been duly given on the date which it is personally delivered or, whether actually received or not, on the third business day after mailing or 24 hours after transmission by facsimile to the respective parties named below. Either party may change such party's address for notices by duly giving notice pursuant hereto.

If to the Company: Alamo Group Inc.
Attn: Edward Rizzuti
1627 East Walnut
Seguin, Texas 78155
Facsimile: (830) 372-9683

If to the Grantee: ____________________
____
____
____

7. Agreement Not a Contract of Employment. Neither the Plan, the granting of the Award, the Award Agreement, nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Grantee has a right to continue to be employed by, or to provide services as a Service Provider to the Company or a Company's direct or indirect subsidiary.

8. Compliance with Laws.

a. Shares shall not be issued pursuant to the Award granted hereunder unless the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall be under no obligation to affect the registration pursuant to the Securities Act of 1933, as amended, of any interests in the Plan or any Shares to be issued hereunder or to effect similar compliance under any state laws.

b. All certificates for Shares delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares may then be listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. The Committee may require, as a condition of the issuance and delivery of certificates evidencing Shares pursuant to the terms hereof, that the recipient of such Shares make such agreements and representations as the Committee, in its sole discretion, deems necessary or desirable.

9. Protections Against Violations of Agreement. No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Restricted Stock Shares by any holder thereof in violation of the provisions of this Award Agreement or the Certificate of Incorporation or the Bylaws of the Company, will be valid, and the Company will not transfer any such Restricted Stock Shares on its books nor will any of such Restricted Stock Shares be entitled to vote, nor will any dividends be paid thereon, unless and until there has been full compliance with such provisions to the satisfaction of the Company. The foregoing restrictions are in addition to and not in lieu of any other remedies, legal or equitable, available to enforce said provisions.

10. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of the Award Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

11. Governing Law. The Award Agreement shall be governed by the laws of the State of Delaware without regard to its principles of conflict of laws.

12. Incorporation of the Plan. The Plan, as it exists on the date of the Award Agreement and as amended from time to time, is hereby incorporated by reference and made a part hereof, and the Award and this Award Agreement shall be subject to all terms and conditions of the Plan. In the event of any conflict between the provisions of the Award Agreement and the provisions of the Plan, the terms of the Plan shall control, except as expressly stated otherwise.

13. Amendments. This Award Agreement may be amended or modified at any time, but only by an instrument in writing signed by each of the parties hereto.

14. Authority of Committee. The Committee shall have full authority to interpret and construe the terms of the Plan and the Award Agreement. The determination by the Committee as to any such matter of interpretation or construction shall be final, binding, and conclusive.

15. Binding Effect. The Award Agreement shall apply to and bind the Grantee and the Company and their respective permitted assignees or transferees, heirs, legatees, executors, administrators, and legal successors.

16. Tax Representation. The Grantee hereby represents that he or she has reviewed with his or her own tax advisors the federal, state, local, and foreign tax consequences of the transactions contemplated by this Award Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understand that he or she (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by the Award Agreement

17. **<u>Acceptance</u>**. The Grantee hereby acknowledges receipt of a copy of the Plan and this Award Agreement. Grantee has read and understands the terms and provisions thereof, and accepts the Award subject to all terms and conditions of the Plan and the Award Agreement.

[*Signatures to Follow on Next Page.*]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Award Agreement on the day and year first written above.

COMPANY:

ALAMO GROUP INC.

By: ________________________________
Ronald A. Robinson
Its: President & CEO

GRANTEE:

Signature: ____________________________________
Name: ____________________________________
Address: ____________________________________
Telephone No.: ____________________________________

ALAMO GROUP INC.

2019 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Award Agreement") is made and entered into as of ________________, 20___ (the "Date of Grant"), by and between Alamo Group Inc., a Delaware corporation (the "Company"), and __________________ (the "Grantee"). Capitalized terms not defined herein shall have the meaning ascribed to them in the Company's 2019 Equity Incentive Plan (the "Plan").

1. Notice of Restricted Stock Unit Grant. Pursuant to the Plan, the Committee has determined that the Grantee is to be granted Restricted Stock Units (the "Award"), subject to the terms and conditions set forth in the Plan and herein, and hereby grants such Restricted Stock Units.

2. Number of Restricted Stock Units. The Award hereby entitles the Grantee to _______ Restricted Stock Units (the "Restricted Stock Units"), with no purchase price to be payable by Grantee for such Restricted Stock Units.

3. Terms and Conditions of Award. The Award shall be subject to the following terms, conditions, and restrictions:

a. *Awards.* Grantee shall not be issued a share certificate for the Restricted Stock Units or receive compensation therefor unless and until such Restricted Stock Units have vested in accordance with Section 3(b) hereof.

b. *Vesting.* Subject to Section 3(c) and 3(d) hereof, the Grantee shall vest as to 33.33% of the total Restricted Stock Units on the first anniversary of the Date of Grant, and as to an additional 33.33% of the total Restricted Stock Units on each of the two succeeding anniversaries of the Date of Grant, provided that the Grantee has continuously been a Service Provider through each such date. Provided that the Grantee shall have complied with his or her obligations under Section 5 hereof, the Company will, as soon as practicable after the date on which such Restricted Stock Units vest, issue to the Grantee an amount of cash, stock certificates for Shares, or a combination of the foregoing (as determined by the Committee in its sole discretion) equal, per unit, to the Fair Market Value of a Share on the date on which such Restricted Stock Unit vests.

c. Termination of Relationship as a Service Provider. If the Grantee ceases to be a Service Provider for any reason before the Restricted Stock Units have vested, the Grantee's rights to the unvested Restricted Stock Units shall be cancelled and the Grantee shall have no further rights thereto.

d. *Change in Control.* In the event of a Change in Control, all Restricted Stock Units shall immediately vest, unless the Award is either assumed or equitable substitution is made therefor.

e. Death or Disability. Notwithstanding Section 3(c) above, if, before the full vesting of Restricted Stock Units, the Grantee ceases to be a Service Provider as a result of the Grantee's death or Disability (as hereinafter defined), the complete unvested balance of the Grantee's Restricted Stock Units shall automatically become vested upon the date of such death or Disability. The term "Disability" means that the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. The ultimate determination of whether an individual has suffered a Disability shall be made by the Committee in its reasonable discretion.

f. No Ownership or Rights as a Stockholder. The Grantee shall not possess any incidents of ownership with respect to the Restricted Stock Units (and therefor the Grantee may not transfer such Restricted Stock Units) unless and until: (i) such Restricted Stock Units have vested pursuant to Section 3(b) or (e) hereof, and (ii) the Company has issued to the Grantee cash, Shares, or a combination thereof with respect to the Restricted Stock Units. The Grantee shall not possess any rights as a stockholder, shall not have the right to receive any dividends or distributions with respect to such Restricted Stock Units, and shall have no right to vote such Restricted Stock Units, unless and until: (i) such Restricted Stock Units have vested pursuant to Section 3(b) or (e) hereof, and (ii) the Company has issued to Grantee Shares at the Company's election, rather than cash, with respect to any of the Restricted Stock Units pursuant to Section 3(b) hereof.

4. **Adjustments**. This Award and all rights and obligations under this Award Agreement are subject to Section 9 of the Plan.

5. **Tax Withholding and Obligations.** Pursuant to Section 10 of the Plan, the Company has the right to require the Grantee to remit to the Company in cash an amount sufficient to satisfy any federal, local, state, foreign, or other tax withholding requirements related to the Award. With the approval of the Committee, the Grantee may satisfy the foregoing requirement by electing to have the Company withhold from delivery Shares or by delivering Shares, in each case, having a value equal to the aggregate required minimum tax withholding to be collected by the Company. Such Shares shall be valued at their Fair Market Value on the date on which the amount of tax to be withheld is determined. Fractional Share amounts shall be settled in cash.

6. **Notices**. Whenever any notice is required or permitted hereunder, such notice shall be in writing and shall be given by personal delivery, facsimile, first class mail, certified or registered with return receipt requested. Any notice required or permitted to be delivered hereunder shall be deemed to have been duly given on the date which it is personally delivered or, whether actually received or not, on the third business day after mailing or 24 hours after transmission by facsimile to the respective parties named below. Either party may change such party's address for notices by duly giving notice pursuant hereto.

If to the Company: Alamo Group Inc.
Attn: Edward Rizzuti
1627 East Walnut
Seguin, Texas 78155
Facsimile: (830) 371-9683

If to the Grantee: ______________________
____
____
Facsimile: ______________

7. Agreement Not a Contract of Employment. Neither the Plan, the granting of the Award, the Award Agreement, nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Grantee has a right to continue to be employed by, or to provide services as a Service Provider to the Company or a Company's direct or indirect subsidiary.

8. Compliance with Laws.

a. Shares shall not be issued pursuant to the Award granted hereunder unless the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall be under no obligation to effect the registration pursuant to the Securities Act of 1933, as amended, of any interests in the Plan or any Shares to be issued hereunder or to effect similar compliance under any state laws.

b. All certificates for Shares delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares may then be listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. The Committee may require, as a condition of the issuance and delivery of certificates evidencing Shares pursuant to the terms hereof, that the recipient of such Shares make such agreements and representations as the Committee, in its sole discretion, deems necessary or desirable.

9. Protections Against Violations of Agreement. No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Restricted Stock Units by any holder thereof in violation of the provisions of this Award Agreement or the Certificate of Incorporation or the Bylaws of the Company, will be valid, and the Company will not transfer any such Restricted Stock Units on its books nor will any of such Restricted Stock Units be entitled to vote, nor will any dividends be paid thereon, unless and until there has been full compliance with such provisions to the satisfaction of the Company. The foregoing restrictions are in addition to and not in lieu of any other remedies, legal or equitable, available to enforce said provisions.

10. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of the Award Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

11. Governing Law. The Award Agreement shall be governed by the laws of the State of Delaware without regard to its principles of conflict of laws.

12. Incorporation of the Plan. The Plan, as it exists on the date of the Award Agreement and as amended from time to time, is hereby incorporated by reference and made a part hereof, and the Award and this Award Agreement shall be subject to all terms and conditions of the Plan. In the event of any conflict between the provisions of the Award Agreement and the provisions of the Plan, the terms of the Plan shall control, except as expressly stated otherwise.

13. Amendments. This Award Agreement may be amended or modified at any time, but only by an instrument in writing signed by each of the parties hereto.

14. Authority of Committee. The Committee shall have full authority to interpret and construe the terms of the Plan and the Award Agreement. The determination by the Committee as to any such matter of interpretation or construction shall be final, binding, and conclusive.

15. Binding Effect. The Award Agreement shall apply to and bind the Grantee and the Company and their respective permitted assignees or transferees, heirs, legatees, executors, administrators, and legal successors.

16. Tax Representation. The Grantee hereby represents that he or she has reviewed with his or her own tax advisors the federal, state, local, and foreign tax consequences of the transactions contemplated by this Award Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Grantee understand that he or she (and not the

Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by the Award Agreement

17. **<u>Acceptance</u>**. The Grantee hereby acknowledges receipt of a copy of the Plan and this Award Agreement. Grantee has read and understands the terms and provisions thereof, and accepts the Award subject to all terms and conditions of the Plan and the Award Agreement.

[*Signatures to Follow on Next Page.*]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Award Agreement on the day and year first written above.

COMPANY:

ALAMO GROUP INC.

By: ___________________________________
its _________________

GRANTEE:

Signature: _____________________________
Name: _________________________________
Address: _______________________________
____
Telephone No.: _________________________
Social Security No.: ______________________

ALAMO GROUP INC.
2019 EQUITY INCENTIVE PLAN
<u>PERFORMANCE SHARE UNIT AWARD AGREEMENT</u>

[DATE]
[NAME AND ADDRESS]

Dear [NAME]:

Pursuant to the terms of the Alamo Group Inc. (the "Company") 2019 Equity Incentive Plan (the "2019 Plan"), the Company has granted you an award (the "Award") of performance share units as described in this award agreement (this "Agreement"). These are performance-based restricted stock units as described under Section 8 of the 2019 Plan.

Participant Name: [Name]
Grant Date: [Date]
Target Number of Performance Share Units: [Target Number]
Performance Period: 2020 - 2022 (the "Performance Period")

The number of performance share units you earn will depend on the actual performance of the Company relative to the performance goals for the three year Performance Period. The Board has approved the performance goals and related payout schedule as set forth on <u>Exhibit A</u> attached hereto.
The terms and conditions of this Award are governed by the provisions of this Agreement, the 2019 Plan and the performance share unit ("PSU") terms and conditions attached hereto as <u>Exhibit B</u> (the "PSU Terms and Conditions") which are incorporated herein by reference. Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the 2019 Plan and/or the PSU Terms and Conditions.

<u>COMPANY</u>:
ALAMO GROUP INC.

By: ____________________
Ronald A. Robinson, President & CEO

I hereby acknowledge and accept the Award described above subject to all of the terms and conditions of the 2019 Plan and the PSU Terms and Conditions, as may be amended from time to time, copies of which I have received and read. I further acknowledge receipt of the Company's recoupment policy (the "Recoupment Policy") pursuant to which I may be required to forfeit to or reimburse the Company with respect to certain incentive compensation that may be impacted in the event the Company is required to make an accounting restatement.
By signing below, I (i) agree to be bound by the terms and conditions of the 2019 Plan, and the PSU Terms and Conditions; (ii) acknowledge the Company's Recoupment Policy, as may be amended from time to time, and agree that any performance-based

compensation paid to me under this Agreement or any other agreement or arrangement with the Company (including annual cash incentive compensation) which is subject to recovery under the Recoupment Policy will be subject to such deductions and recoupment as may be required or permitted therein; (iii) acknowledge that the performance share units that have been awarded to me have no independent economic value, but rather are mere units of measurement to be used in calculating benefits, if any, payable pursuant to the Award; (iv) agree to accept as binding, conclusive and final, all decisions or interpretations of the Board or the Committee regarding any questions arising under this Award, the 2019 Plan or the PSU Terms and Conditions; and (v) acknowledge and agree that, except as otherwise specifically provided in the 2019 Plan or the PSU Terms and Conditions, the vesting of my Award is expressly conditioned on my continuous employment with the Company from the Grant Date through the end of the Performance Period (as such terms are defined above).

Signature: ____________________________
[Name]
Date: ____________________________

EXHIBIT A
Performance goals and payout schedule
[2020 – 2022 Performance Period]

The number of performance share units earned will depend on the actual performance of the Company relative to the performance goals for the three year Performance Period. There are two equally weighted performance goals considered for the Performance Period as follows:

i. **Cumulative Operating Income (Income from Operations) Growth; and**

ii. **Return on Invested Capital.**

The Board has approved the following regarding performance goals and the related payout schedule for the Performance Period:

Targets and Payout Table			
Cumulative OI Growth Target ($ in thousands)	**Payout Multiplier**	**ROIC Target**	**Payout Multiplier**
-	200%	17.7%	200%
-	100%	16.1%	100%
-	50%	13.7%	50%
Below $419,690	No Payout	Below 13.7%	No Payout

For actual performance values that fall between the levels of performance set out in the above table, straight-line interpolation shall be used to determine the appropriate award multiplier. The number of shares to be issued pursuant to the Award shall be calculated as follows:

(Target Award Shares) x (Cumulative OI Growth Payout Multiplier x.50) **PLUS**
(Target Award Shares) x (ROIC Payout Multiplier x .50)

Cumulative Operating Income Growth - for purposes of measuring performance, the target annual operating income growth rate will be converted into a cumulative operating income amount computed as the sum of all operating income generated during the three-year performance period assuming the target annual growth rate. Actual performance will be calculated as the sum of the Company's actual consolidated operating income during the three-year performance period in comparison to the target amount of cumulative operating income.

ROIC - ROIC for will be measured as the three-year average ROIC calculated for each year within the performance period in accordance with the following formula:

$$\frac{\text{EBIT + Amortization Expense}}{\text{Total Debt + Total Equity}}$$

Notwithstanding the foregoing, the calculation of the above metrics as well as the determination of whether the performance goals have been met for the Performance Period, and any adjustments to such performance goals, will be made by the Compensation Committee in its sole discretion following the end of the Performance Period.

EXHIBIT B

PSU Terms and conditions

These PSU Terms and Conditions have been approved by the Board of Directors of Alamo Group Inc. (the "Company"). Awards of performance share units granted pursuant to Section 8 of the Company's 2019 Equity Incentive Plan (the "2019 Plan") are subject to and governed by the terms and conditions set forth in the 2019 Plan and the terms and conditions set forth herein, and the terms and conditions of the Company's Recoupment Policy. In the event of any conflict between the provisions of the 2019 Plan and these terms and conditions, the Committee shall have full authority and discretion to resolve such conflict and any such determination shall be final, conclusive and binding on the Participant and all interested parties. Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the 2019 Plan or the Award.

1. Performance Goals.

a. The number of PSUs earned by the Participant for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the performance goals in accordance with the Award Agreement. All determinations of whether performance goals have been achieved, the number of PSUs earned by the Participant, and all other matters related to this Section 1 shall be made by the Committee in its sole discretion.
b. Promptly following completion of the Performance Period (and no later than seventy-five (75) days following the end of the Performance Period, the Committee will review and certify (a) whether, and to what extent, the performance goals for the Performance Period have been achieved, and (b) the number of PSUs that the Participant shall earn, if any, subject to compliance with the requirements of Section 2 of these terms and conditions.

2 Terms and Conditions of Award; Vesting.

a. *Vesting of PSUs*. The PSUs are subject to forfeiture until they vest. Except as otherwise provided herein, the PSUs will vest and become nonforfeitable on the last day of the Performance Period (a) subject to the achievement of the minimum threshold performance goals for payout set forth in the Award Agreement, and (b) provided that the Participant has been a continuous Service Provider from the Grant Date through the last day of the Performance Period. The number of PSUs that vest and become payable under the Award Agreement shall be determined by the Committee based on the level of achievement of the performance goals set forth in the Award Agreement and shall be rounded to the nearest whole PSU.

b. *Termination of Relationship as a Service Provider*. Except as otherwise expressly provided herein or in the Award Agreement, if the Participant ceases to be a Service Provider for any reason at any time before all of his or her PSUs have vested, the Participant's unvested PSUs shall be automatically forfeited at the time at which the Participant ceases to be a Service Provider and neither the Company nor any Affiliate shall have any further obligations to the Participant under the Award Agreement.

c. *Death or Disability*. Notwithstanding Section 2b. above, if the Participant ceases to be a Service Provider during the Performance Period as a result of the Participant's death or Disability (as hereinafter defined), a portion of the Participants' unvested PSU's will vest on such date in a pro rata amount calculated by multiplying the target amount of the Award (assuming achievement of the target performance goal) by a fraction, the numerator of which equals the number of days that the Participant was a Service Provider during the Performance Period and the denominator of which equals the total number of days in the Performance Period. The term "Disability" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. The ultimate determination of whether an individual has suffered a Disability shall be made by the Committee in its reasonable discretion.

d. *Qualifying Retirement*. Notwithstanding Section 2b. above, if the Participant ceases to be a Service Provider during the Performance Period as a result of a Qualifying Retirement, which shall be defined and determined by the Committee in its sole discretion (by resolution), a portion of the Participant's unvested PSU's will vest at the end of the Performance Period in a pro rata amount calculated by multiplying the actual award achieved at the end of the Performance Period (based on actual Company performance) by a fraction, the numerator of which equals the number of days that the Participant was a Service Provider during the Performance Period up to the date of the Qualifying Retirement and the denominator of which equals the total number of days in the Performance Period. If the Company's actual performance during the relevant Performance Period results in no payout then the Participant shall not be entitled to receive any Common Shares pursuant to the Award.

e. *Effect of a Change in Control*. Notwithstanding Section 2b., and except as may be provided in any Change in Control Agreement between the Company and the Participant, if there is a Change in Control during the Performance Period, a portion of the Participants' unvested PSU's will vest on the date of such Change of Control in a pro rata amount calculated by multiplying the amount of the Award (which amount shall be determined by the Committee in its reasonable discretion based on the Company's expected performance during the relevant Performance Period or, if such amount cannot be reasonably determined by the Committee, then the target award amount) by a fraction, the numerator of which equals the number of days that the Participant was a Service Provider during the Performance Period up to the date of the Change of Control and the denominator of which equals the total number of days in the Performance Period. Common Shares shall be paid pursuant to such vested Awards (if any) no later than sixty (60) days following such Change in Control.

f. *Payment of PSUs*. Payment in respect of the PSUs earned for the Performance Period shall be made in Common Shares (as defined in the 2019 Plan) and shall be issued to the Participant as soon as practicable following the vesting date and in any event within seventy five (75) days following the vesting date. The Company shall (a) issue and deliver to the Participant the number of Common Shares equal to the number of vested PSUs, and (b) enter the Participant's name on the books of the Company as the shareholder of record with respect to the Common Shares delivered to the Participant.

g. *Transferability*. Subject to any exceptions set forth herein or in the 2019 Plan, the PSUs or the rights relating thereto may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant, except by will or the laws of descent and distribution, and upon any such transfer by will or the laws of descent and distribution, the transferee shall hold such PSUs subject to all of the terms and conditions that were applicable to the Participant immediately prior to such transfer.

h. *Rights as Shareholder; Dividend Equivalents*. Except as otherwise provided herein, the Participant shall not have any rights of a shareholder with respect to the shares of Common Shares underlying the PSUs, including, but not limited to, voting rights and the right to receive or accrue dividends or dividend equivalents. Upon and following the vesting of the PSUs and the issuance of shares, the Participant shall be the record owner of the shares of Common Shares underlying the PSUs unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting and dividend rights).

3. **No Right to Continued Service**. Neither the 2019 Plan nor the Award Agreement shall confer upon the Participant any right to be retained in any position as a Service Provider of the Company. Further, nothing in the 2019 Plan or the Award Agreement shall be construed to limit the discretion of the Company to terminate the Participant's position as a Service Provider at any time, with or without Cause.

4. **Adjustments**. Notwithstanding anything to the contrary provided herein, the Award and all rights and obligations under the Award Agreement are subject to Section 9 of the 2019 Plan, provided, however, that PSU's shall not be adjusted as a result of the payment of any ordinary cash dividend by the Company, and provided further that the provisions set forth in Section 2 of these terms and conditions will apply to determine the acceleration of vesting of PSU's in the event of a Change of Control.

5. __Tax Liability and Withholding/Parachute Payments__.

a. The Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the 2019 Plan, the amount of any required withholding taxes in respect of the PSUs and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Committee may permit the Participant to satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

i. tendering a cash payment;

ii. authorizing the Company to withhold Shares from the number of Shares otherwise issuable or deliverable to the Participant as a result of the vesting of the PSUs; *provided, however*, that no Shares shall be withheld with a value exceeding the amount of tax required to be withheld by law; or

iii. delivering to the Company previously owned and unencumbered Shares.

b. Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax, or other tax-related withholding ("Tax-Related Items"), the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and the Company (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or settlement of the PSUs or the subsequent sale of any shares, and (b) does not commit to structure the PSUs to reduce or eliminate the Participant's liability for Tax-Related Items.

c. Anything in this Agreement to the contrary notwithstanding and except as set forth in subparagraph (d) below, if it is determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Participant, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any reduction (if any) required under this Section 5 (the "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax ("Excise Tax"), then the Company will automatically reduce (the "Reduction") the Participant's Payment to the minimum extent necessary to prevent the

Payment (after the Reduction) from being subject to the Excise Tax, but only if, by reason of the Reduction, the after-tax benefit of the reduced Payment exceeds the after-tax benefit if such Reduction was not made. If the after-tax benefit of the reduced Payment does not exceed the after-tax benefit if the Payment is not reduced, then the Reduction will not apply. If the Reduction is applicable, the Payment will be reduced in such a manner that provides the Participant with the best economic benefit and, to the extent any portions of the Payment are economically equivalent with each other, each will be reduced pro rata.

d. All determinations required to be made under this Section 5, including the after-tax benefit and calculation of the Reduction, will be made by a certified public accounting firm that is selected by the Company prior to the occurrence of a Change in Control (the "Accounting Firm"), which may be the Company's independent auditor, but which firm will not be a firm serving as accountant or auditor for the individual, entity or group effecting the Change in Control. If the Reduction is applicable, the Company will provide the Participant with a written summary of the portions of the Payment that will be reduced. All fees and expenses of the Accounting Firm will be borne solely by the Company. All determinations by the Accounting Firm made under this Section 5 are binding upon the Company and the Participant.

6. **Compliance with Laws**. The issuance and transfer of shares of Common Shares in connection with the PSUs shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares may be listed. No Common Shares shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the restricted stock shares by any holder thereof in violation of the provisions of the Award Agreement, these terms and conditions or the Certificate of Incorporation or the Bylaws of the Company, will be valid, and the Company will not transfer any such shares on its books nor will any of such shares be entitled to vote, nor will any dividends be paid thereon, unless and until there has been full compliance with such provisions to the satisfaction of the Company.

7. **Notices**. Whenever any notice is required or permitted hereunder, such notice shall be in writing and shall be given by personal delivery, nationally recognized overnight courier, facsimile, first class mail, or certified or registered with return receipt requested at the party’s address as stated in the Award Agreement or at the party’s last known address. Any notice required or permitted to be delivered hereunder shall be deemed to have been duly given on the date which it is personally delivered or, whether actually received or not, on the third business day after mailing or 24 hours after transmission by facsimile to the respective parties named below. Either party may change such party's address for notices by duly giving notice pursuant hereto.

8. **Failure to Enforce Not a Waiver**. The failure of the Company to enforce at any time any provision of the Award Agreement shall in no way be construed to be a waiver of such provision or of any other provision.

9. **Governing Law**. The Award Agreement and these PSU Terms and Conditions will be construed and interpreted in accordance with the laws of the State of Delaware without regard to conflict of law principles.

10. **Authority of Committee**. The Committee shall have full authority to interpret and construe the terms of the 2019 Plan and the Award Agreement. The determination by the Committee as to any such matter of interpretation or construction shall be final, binding, and conclusive.

11. **Binding Effect; Successors and Assigns**. The Company may assign any of its rights under the Award Agreement. The Award Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, the Award Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the PSUs may be transferred by will or the laws of descent or distribution.

12. **Tax Representation**. The Participant hereby represents that he or she has reviewed with his or her own tax advisors the federal, state, local, and foreign tax consequences of the transactions contemplated by the Award Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understand that he or she (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by the Award Agreement.

13. **Section 409A**. This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

Exhibit 21.1

SUBSIDIARIES OF ALAMO GROUP INC.

Name	Jurisdiction of Incorporation
Alamo Group (USA) Inc. (1)	Delaware
Alamo Group Europe Limited (1)	United Kingdom
Alamo Group (Canada) Inc. (1)	New Brunswick
Alamo Group Brazil I, Inc. (1)	Delaware
Alamo Group Brazil II, Inc. (1)	Delaware
Alamo Acquisition Corporation (2)	Delaware
Alamo Group (TX) Inc. (2)	Texas
Alamo Group Management Inc. (2)	Texas
Alamo Group Services Inc.(2)	Delaware
Alamo Sales Corp. (2)	Delaware
Bush Hog, Inc. (2)	Delaware
Gradall Industries, Inc. (2)	Delaware
Henke Manufacturing Corporation (2)	Kansas
Herschel Parts, Inc. (2)	Nevada
Howard P. Fairfield LLC (2)	Delaware
Morbark Holdings Group, LLC (17)	Delaware
Morbark, LLC (15)	Michigan
Nite-Hawk Sweepers, LLC (2)	Washington
NP Real Estate Inc. (2)	Ohio
Old Dominion Brush Company, Inc. (2)	Delaware
Rayco Manufacturing, LLC (14)	Ohio
RhinoAg, Inc. (2)	Delaware
Schulte (USA) Inc. (2)	Florida
Schwarze Industries Australia PTY Ltd. (3)	Australia
Schwarze Industries, Inc. (2)	Alabama
Super Products LLC (2)	Delaware
Stellex Morbark Blocker, LLC (13)	Delaware
Stellex Morbark Splitter, LLC (16)	Delaware
Tenco Industries Inc. (2)	Delaware
Terrain King Corporation (2)	Nevada
Tiger Corporation (2)	Nevada
Wausau Equipment Company Inc. (2)	Delaware
ALG (HK) Limited (2)	Hong Kong
ALG (Beijing) Trading Co. Ltd. (9)	China
Alamo Manufacturing Services (UK) Limited (4)	United Kingdom
Bomford & Evershed Ltd. (5)	United Kingdom
Bomford Turner Ltd. (5)	United Kingdom
Kellands Agricultural Ltd. (4)	United Kingdom
McConnel Ltd. (4)	United Kingdom
Spearhead Machinery Ltd. (4)	United Kingdom
Turner International (ENG) Ltd. (5)	United Kingdom
Twose of Tiverton Ltd. (5)	United Kingdom
Alamo Group (FR) SAS (4)	France
SMA Faucheux SAS (6)	France
Forges Gorce SAS (6)	France

Rivard SAS (6)	France
Rousseau SAS (6)	France
R.P.M. Tech Inc. (7)	Alberta
Schulte Industries Ltd. (7)	New Brunswick
Tenco Inc. (7)	New Brunswick
Everest Equipment Co. (7)	Nova Scotia
Super Products Canada Inc. (7)	Alberta
Denis Cimaf Inc. (14)	Quebec
Fieldquip PTY Ltd. (10)	Australia
Alamo Brasil Participacoes Ltda. (11)	Brazil
Denis Cimaf Brasil Maquinas Industrias Ltda. (20)	Brazil
Herder Implementos e Maquinas Agricolas Ltda. (12)	Brazil
Santa Izabel Agro Industria Ltda. (12)	Brazil
Alamo Group Netherlands Holding B.V. (4)	The Netherlands
Dutch Power Company B.V. (18)	The Netherlands
Conver B.V. (19)	The Netherlands
Herder B.V.. (19)	The Netherlands
Roberine B.V. (19)	The Netherlands
DPC Maschinen Vertrieb GMBH (19)	Germany

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(1) 100% owned by Alamo Group Inc.

(2) 100% owned by Alamo Group (USA) Inc.

(3) 100% owned by Schwarze Industries, Inc.

(4) 100% owned by Alamo Group (Europe) Limited

(5) 100% owned by Alamo Manufacturing Services (UK) Limited

(6) 100% owned by Alamo Group (FR) SAS

(7) 100% owned by Alamo Group (Canada) Inc.

(8) 100% owned by SMA SAS

(9) 100% owned by ALG (HK) Limited

(10) 100% owned by Schwarze Industries Australia PTY Ltd.

(11) 90% owned by Alamo Group Brazil I, Inc.
10% owned by Alamo Group Brazil II, Inc.

(12) 100% owned by Alamo Brasil Participacoes Ltda.

(13) 100% owned by Alamo Acquisition Corporation

(14) 100% owned by Morbark, LLC.

(15) 100% owned by Morbark Holdings Group, LLC

(16) 87% Alamo Acquisition Corporation & 13% Owned by Stellex Morbarck Blocker LLC

(17) 87% owner Stellex Morbark Splitter LP & 13% owner Alamo Acquisition Corporation

(18) 100% owned by Alamo Group Netherlands Holding B.V.

(19) 100% owned by Dutch Power Company B.V.

(20) 100% owned by Denis Cimaf Inc.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Alamo Group Inc.:

We consent to the incorporation by reference in the registration statements on Form S-3 (Registration No. 333-180049), and on Form S-8 (Registration Nos. 333-231205, 333-204169, 333-174755, 333-143216, and 333-88454) of Alamo Group Inc. of our reports dated February 28, 2020, with respect to the consolidated balance sheets of Alamo Group Inc. as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes, and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of Alamo Group Inc.

/s/KPMG LLP

San Antonio, Texas
February 28, 2020

Exhibit 31.1

I, Ronald A. Robinson, certify that:

1. I have reviewed this annual report on Form 10-K of Alamo Group Inc;

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

1. 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.

February 28, 2020

/s/Ronald A. Robinson

Ronald A. Robinson
President & Chief Executive Officer

Exhibit 31.2

I, Dan E. Malone, certify that:

1. I have reviewed this annual report on Form 10-K of Alamo Group Inc;

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

1. 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.

February 28, 2020

/s/Dan E. Malone

Dan E. Malone
Executive Vice President & Chief Financial Officer

Exhibit 31.3

I, Richard J. Wehrle, certify that:

1. I have reviewed this annual report on Form 10-K of Alamo Group Inc;

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

1. 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.

February 28, 2020

/s/Richard J. Wehrle

Richard J. Wehrle
Vice President, Controller and Treasurer

Exhibit 32.1

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 Alamo Group Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Ronald A. Robinson, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2020

/s/Ronald A. Robinson

Ronald A. Robinson
President & Chief Executive Officer

Exhibit 32.2

**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 Alamo Group Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dan E. Malone, Executive Vice President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2020

/s/Dan E. Malone
Dan E. Malone
Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.3

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 Alamo Group Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard J. Wehrle, Vice President & Corporate Controller of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 28, 2020

/s/Richard J. Wehrle
Richard J. Wehrle
Vice President, Controller and Treasurer
(Principal Accounting Officer)