

---

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

**FORM 10-Q**

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2019  
OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_ TO \_\_\_\_

Commission file number 0-21220

**ALAMO GROUP INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

74-1621248

(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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

At July 26, 2019, 11,818,179 shares of common stock, \$.10 par value, of the registrant were outstanding.

---

# Alamo Group Inc. and Subsidiaries

## INDEX

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1. Interim Condensed Consolidated Financial Statements (Unaudited)	
<a href="#">Interim Condensed Consolidated Balance Sheets</a>	<a href="#">3</a>
June 30, 2019 and December 31, 2018	
<a href="#">Interim Condensed Consolidated Statements of Income</a>	<a href="#">4</a>
Three and Six Months Ended June 30, 2019 and June 30, 2018	
<a href="#">Interim Condensed Consolidated Statements of Comprehensive Income</a>	<a href="#">5</a>
Three and Six Months Ended June 30, 2019 and June 30, 2018	
<a href="#">Interim Condensed Consolidated Statements of Stockholders' Equity</a>	<a href="#">6</a>
Three and Six Months Ended June 30, 2019 and June 30, 2018	
<a href="#">Interim Condensed Consolidated Statements of Cash Flows</a>	<a href="#">8</a>
Six Months Ended June 30, 2019 and June 30, 2018	
<a href="#">Notes to Interim Condensed Consolidated Financial Statements</a>	<a href="#">9</a>
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">18</a>
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risks</a>	<a href="#">23</a>
Item 4. <a href="#">Controls and Procedures</a>	<a href="#">25</a>
PART II. <a href="#">OTHER INFORMATION</a>	<a href="#">25</a>
Item 1. Legal Proceedings	
Item 1A. Risk Factors	
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	
Item 3. Defaults Upon Senior Securities	
Item 4. Mine Safety Disclosures	
Item 5. Other Information	
Item 6. Exhibits	
<a href="#">SIGNATURES</a>	<a href="#">27</a>

**Alamo Group Inc. and Subsidiaries**  
**Interim Condensed Consolidated Balance Sheets**  
**(Unaudited)**

(in thousands, except share amounts)	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 48,190	\$ 34,043
Accounts receivable, net	267,064	228,098
Inventories, net	205,910	176,630
Prepaid expenses and other current assets	6,690	5,327
Income tax receivable	8,250	8,745
Total current assets	536,104	452,843
Rental equipment, net	51,517	43,978
Property, plant and equipment	243,489	219,135
Less: Accumulated depreciation	(138,022)	(131,905)
Total property, plant and equipment, net	105,467	87,230
Goodwill	93,134	83,243
Intangible assets, net	62,725	48,857
Deferred income taxes	961	1,783
Other non-current assets	16,671	3,699
Total assets	\$ 866,579	\$ 721,633
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 67,391	\$ 54,083
Income taxes payable	1,926	2,865
Accrued liabilities	47,707	43,785
Current maturities of long-term debt and finance lease obligations	131	119
Total current liabilities	117,155	100,852
Long-term debt and finance lease obligations, net of current maturities	166,232	85,179
Long-term tax liability	6,378	6,120
Deferred pension liability	1,719	1,944
Other long-term liabilities	14,340	8,436
Deferred income taxes	17,923	11,731
Stockholders' equity:		
Common stock, \$0.10 par value, 20,000,000 shares authorized; 11,737,993 and 11,662,688 outstanding at June 30, 2019 and December 31, 2018, respectively	1,174	1,166
Additional paid-in-capital	111,476	108,422
Treasury stock, at cost; 72,600 and 42,600 shares at June 30, 2019 and December 31, 2018, respectively	(3,381)	(426)
Retained earnings	476,152	443,040
Accumulated other comprehensive loss	(42,589)	(44,831)
Total stockholders' equity	542,832	507,371
Total liabilities and stockholders' equity	\$ 866,579	\$ 721,633

See accompanying notes.

**Alamo Group Inc. and Subsidiaries**  
**Interim Condensed Consolidated Statements of Income**  
**(Unaudited)**

(in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales:				
Industrial	\$ 168,000	\$ 150,031	\$ 326,425	\$ 282,198
Agricultural	55,159	59,071	108,332	117,718
European	62,027	48,023	112,363	95,296
Total net sales	285,186	257,125	547,120	495,212
Cost of sales	212,053	190,671	410,679	368,501
Gross profit	73,133	66,454	136,441	126,711
Selling, general and administrative expenses				
	43,784	39,668	84,486	78,564
Income from operations	29,349	26,786	51,955	48,147
Interest expense				
	(1,935)	(1,497)	(3,385)	(2,834)
Interest income	330	109	503	209
Other expense, net	(295)	(92)	(684)	(226)
Income before income taxes	27,449	25,306	48,389	45,296
Provision for income taxes	6,782	6,535	12,469	11,942
Net Income	\$ 20,667	\$ 18,771	\$ 35,920	\$ 33,354
Net income per common share:				
Basic	\$ 1.76	\$ 1.61	\$ 3.07	\$ 2.87
Diluted	\$ 1.75	\$ 1.60	\$ 3.05	\$ 2.84
Average common shares:				
Basic	11,726	11,652	11,712	11,629
Diluted	11,798	11,759	11,787	11,749
Dividends declared	\$ 0.12	\$ 0.11	\$ 0.24	\$ 0.22

See accompanying notes.

**Alamo Group Inc. and Subsidiaries**  
**Interim Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 20,667	\$ 18,771	\$ 35,920	\$ 33,354
Other comprehensive income:				
Foreign currency translation adjustments	1,194	(11,850)	1,914	(8,733)
Net gain on pension and other post-retirement benefits	215	228	430	423
Unrealized loss during the period related to derivatives	(12)	—	(12)	—
Other comprehensive income (loss) before income tax expense	1,397	(11,622)	2,332	(8,310)
Income tax expense related to items of other comprehensive income	(45)	(20)	(90)	(89)
Other comprehensive income (loss)	1,352	(11,642)	2,242	(8,399)
Comprehensive income	\$ 22,019	\$ 7,129	\$ 38,162	\$ 24,955

See accompanying notes.

**Alamo Group Inc. and Subsidiaries**  
**Interim Condensed Consolidated Statements of Stockholders' Equity**  
**(Unaudited)**

**For six months ended June 30, 2019**

(in thousands)	<u>Common Stock</u>		<u>Additional</u>	<u>Treasury</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Stock</u>	<u>Earnings</u>	<u>Other</u>	<u>Stock-</u>
			<u>Capital</u>			<u>Comprehensive</u>	<u>holders'</u>
						<u>Loss</u>	<u>Equity</u>
Balance at December 31, 2018	11,620	\$ 1,166	\$ 108,422	\$ (426)	\$ 443,040	\$ (44,831)	\$ 507,371
Net income	—	—	—	—	15,253	—	15,253
Translation adjustment	—	—	—	—	—	720	720
Net actuarial gain arising during period, net of taxes	—	—	—	—	—	170	170
Stock-based compensation	—	—	627	—	—	—	627
Common stock repurchase	(15)	—	—	(1,490)	—	—	(1,490)
Exercise of stock options	11	1	236	—	—	—	237
Dividends paid (\$0.12 per share)	—	—	—	—	(1,404)	—	(1,404)
<b>Balance at March 31, 2019</b>	<b>11,616</b>	<b>\$ 1,167</b>	<b>\$ 109,285</b>	<b>\$ (1,916)</b>	<b>\$ 456,889</b>	<b>\$ (43,941)</b>	<b>\$ 521,484</b>
Net income	—	—	—	—	20,667	—	20,667
Translation adjustment	—	—	—	—	—	1,194	1,194
Unrealized derivative loss, net of taxes	—	—	—	—	—	(12)	(12)
Net actuarial gain arising during period, net of taxes	—	—	—	—	—	170	170
Stock-based compensation	—	—	948	—	—	—	948
Common stock repurchase	(15)	—	(590)	(1,465)	—	—	(2,055)
Exercise of stock options	64	7	1,833	—	—	—	1,840
Dividends paid (\$0.12 per share)	—	—	—	—	(1,404)	—	(1,404)
<b>Balance at June 30, 2019</b>	<b>11,665</b>	<b>\$ 1,174</b>	<b>\$ 111,476</b>	<b>\$ (3,381)</b>	<b>\$ 476,152</b>	<b>\$ (42,589)</b>	<b>\$ 542,832</b>

**For six months ended June 30, 2018**

(in thousands)	<u>Common Stock</u>		<u>Additional</u>	<u>Treasury</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Stock</u>	<u>Earnings</u>	<u>Other</u>	<u>Stock-</u>
			<u>Capital</u>			<u>Comprehensive</u>	<u>holders'</u>
						<u>Loss</u>	<u>Equity</u>
Balance at December 31, 2017	11,534	\$ 1,158	\$ 103,864	\$ (426)	\$ 374,678	\$ (30,166)	\$ 449,108
Net income	—	—	—	—	14,583	—	14,583
Translation adjustment	—	—	—	—	—	3,117	3,117
Net actuarial gain arising during period, net of taxes	—	—	—	—	—	126	126
Stock-based compensation	—	—	458	—	—	—	458
Exercise of stock options	9	—	266	—	—	—	266
Dividends paid (\$0.11 per share)	—	—	—	—	(1,276)	—	(1,276)
Balance at March 31, 2018	11,543	\$ 1,158	\$ 104,588	\$ (426)	\$ 387,985	\$ (26,923)	\$ 466,382
Net income	—	—	—	—	18,771	—	18,771
Translation adjustment	—	—	—	—	—	(11,850)	(11,850)
Net actuarial gain arising during period, net of taxes	—	—	—	—	—	208	208
Stock-based compensation	—	—	730	—	—	—	730
Common stock repurchase	—	—	(437)	—	—	—	(437)
Exercise of stock options	67	7	1,913	—	—	—	1,920
Dividends paid (\$0.11 per share)	—	—	—	—	(1,277)	—	(1,277)
Balance at June 30, 2018	11,610	\$ 1,165	\$ 106,794	\$ (426)	\$ 405,479	\$ (38,565)	\$ 474,447

See accompanying notes.

**Alamo Group Inc. and Subsidiaries**  
**Interim Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

(in thousands)	Six Months Ended June 30,	
	2019	2018
<b>Operating Activities</b>		
Net income	\$ 35,920	\$ 33,354
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	157	(158)
Depreciation - Property, plant and equipment	6,868	6,242
Depreciation - Rental equipment	4,323	2,983
Amortization of intangibles	1,969	1,756
Amortization of debt issuance costs	110	110
Stock-based compensation expense	1,575	1,188
Provision for deferred income tax expense	2,306	967
Gain on sale of property, plant and equipment	(284)	(149)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(32,377)	(35,260)
Inventories	(11,023)	(22,116)
Rental equipment	(11,862)	(11,547)
Prepaid expenses and other assets	(3,393)	(1,452)
Trade accounts payable and accrued liabilities	5,555	5,959
Income taxes payable	(477)	(9,806)
Long-term tax payable	258	—
Other assets and long-term liabilities	1,274	215
Net cash provided by (used in) operating activities	899	(27,714)
<b>Investing Activities</b>		
Acquisitions, net of cash acquired	(52,499)	—
Purchase of property, plant and equipment	(12,423)	(10,829)
Proceeds from sale of property, plant and equipment	661	628
Net cash used in investing activities	(64,261)	(10,201)
<b>Financing Activities</b>		
Borrowings on bank revolving credit facility	122,000	104,000
Repayments on bank revolving credit facility	(41,000)	(45,000)
Principal payments on finance leases	(76)	(66)
Proceeds from issuance of long-term debt and finance leases	38	—
Dividends paid	(2,808)	(2,553)
Proceeds from exercise of stock options	2,077	2,186
Treasury stock	(2,955)	—
Cost of common stock repurchased	(590)	(437)
Net cash provided by financing activities	76,686	58,130
Effect of exchange rate changes on cash and cash equivalents	823	(1,986)
Net change in cash and cash equivalents	14,147	18,229
Cash and cash equivalents at beginning of the year	34,043	25,373
Cash and cash equivalents at end of the period	\$ 48,190	\$ 43,602
Cash paid during the period for:		
Interest	\$ 3,285	\$ 2,526
Income taxes	10,035	19,637

See accompanying notes.

**Alamo Group Inc. and Subsidiaries**  
**Notes to Interim Condensed Consolidated Financial Statements - (Unaudited)**  
**June 30, 2019**

**1. Basis of Financial Statement Presentation**

***General***

The accompanying unaudited interim condensed consolidated financial statements of Alamo Group Inc. and its subsidiaries (the "Company") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulations S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. The balance sheet at December 31, 2018 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2018 (the "2018 10-K").

***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 impacts that adoption of the ASU is expected to have on our financial disclosures is being evaluated.

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.

## **2. Accounting Policies**

### ***Leases***

The following policy resulted from our adoption of the provisions of ASC Topic 842, “Leases,” effective January 1, 2019, as described above in “Accounting Pronouncements Adopted on January 1, 2019.”

If we determine that an arrangement is or contains a lease, we recognize a right-of-use (ROU) asset and lease liability at the commencement date of the lease. 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.

### 3. Business Combinations

On March 4, 2019, the Company acquired 100 percent 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 million and has been finalized.

The Company has included the operating results of Dutch Power in its consolidated financial statements since the acquisition. The total purchase price has been allocated to assets acquired and liabilities assumed, including deferred taxes, based on their fair values as of the completion of the acquisitions. 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. The following are 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		17,498
Prepaid and other assets		3,564
Property, plant and equipment		12,828
Intangible assets		15,787
Other liabilities assumed		(13,132)
Net assets assumed	\$	42,910
Goodwill		9,701
Acquisition Price	\$	52,611

### 4. Accounts Receivable

Accounts receivable is shown net of sales discounts and the allowance for doubtful accounts.

At June 30, 2019 the Company had \$19,220,000 in reserves for sales discounts compared to \$18,123,000 at December 31, 2018 related to products shipped to our customers under various promotional programs. The increase was primarily due to additional discounts reserved related to increased sales of the Company's agricultural products sold during the first six months of 2019.

### 5. Inventories

Inventories valued at LIFO cost represented 54% and 60% of total inventory at June 30, 2019 and December 31, 2018, respectively. The excess of current cost over LIFO valued inventories was approximately \$10,646,000 at June 30, 2019 and December 31, 2018. An actual valuation of inventory under the LIFO method is made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO must be based, to some extent, on management's estimates at each quarter end. Net inventories consist of the following:

(in thousands)	June 30, 2019	December 31, 2018
Finished goods	\$ 172,577	\$ 149,298
Work in process	18,192	12,732
Raw materials	15,141	14,600
Inventories, net	\$ 205,910	\$ 176,630

Inventory obsolescence reserves were \$7,014,000 at June 30, 2019 and \$7,194,000 at December 31, 2018.

## 6. Rental Equipment

Rental equipment is shown net of accumulated depreciation of \$12,417,000 and \$11,145,000 at June 30, 2019 and December 31, 2018, respectively. The Company recognized depreciation expense of \$2,234,000 and \$1,577,000 for the three months ended June 30, 2019 and June 30, 2018, respectively and \$4,323,000 and \$2,983,000 for the six months ended June 30, 2019 and June 30, 2018, respectively

## 7. Fair Value Measurements

The carrying values of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, approximate their fair value because of the short-term nature of these items. The carrying value of our debt approximates the fair value as of June 30, 2019 and December 31, 2018, as the floating rates on our outstanding balances approximate current market rates. This conclusion was made based on Level 2 inputs.

## 8. Goodwill and Definite and Indefinite-lived Intangible Assets

The following is the summary of changes to the Company's Goodwill for the six months ended June 30, 2019:

	Industrial	Agricultural	European	Consolidated
(in thousands)				
Balance at December 31, 2018	\$ 61,107	\$ 6,230	\$ 15,906	\$ 83,243
Translation adjustment	326	46	(182)	190
Goodwill acquired	—	—	9,701	9,701
Balance at June 30, 2019	\$ 61,433	\$ 6,276	\$ 25,425	\$ 93,134

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

(in thousands)	Estimated Useful Lives	June 30, 2019	December 31, 2018
Definite:			
Trade names and trademarks	25 years	\$ 33,083	\$ 23,938
Customer and dealer relationships	10-14 years	34,466	32,260
Patents and drawings	3-12 years	6,621	2,061
Total at cost		74,170	58,259
Less accumulated amortization		(16,945)	(14,902)
Total net		57,225	43,357
Indefinite:			
Trade names and trademarks		5,500	5,500
Total Intangible Assets		\$ 62,725	\$ 48,857

The Company recognized amortization expense of \$1,114,000 and \$875,000 for the three months ending June 30, 2019 and 2018, respectively, and \$1,969,000 and \$1,756,000 for the six months ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, the Company had \$62,725,000 of intangible assets, which represents 7% of total assets.

## 9. Debt

The components of long-term debt are as follows:

(in thousands)	June 30, 2019	December 31, 2018
<b>Current Maturities:</b>		
Finance lease obligations	\$ 131	\$ 119
<b>Long-term debt:</b>		
Bank revolving credit facility	166,000	85,000
Finance lease obligations	232	179
Total Long-term debt	166,232	85,179
<b>Total debt</b>	<b>\$ 166,363</b>	<b>\$ 85,298</b>

As of June 30, 2019, \$3,152,000 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 \$80,848,000 in available borrowings.

## 10. Common Stock and Dividends

Dividends declared and paid on a per share basis were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Dividends declared	\$ 0.12	\$ 0.11	\$ 0.24	\$ 0.22
Dividends paid	\$ 0.12	\$ 0.11	\$ 0.24	\$ 0.22

On July 2, 2019, the Company announced that its Board of Directors had declared a quarterly cash dividend of \$0.12 per share, which was paid on July 29, 2019, to shareholders of record at the close of business on July 16, 2019.

## 11. 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 do not differ.

(In thousands, except per share)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income	\$ 20,667	\$ 18,771	\$ 35,920	\$ 33,354
<b>Average Common Shares:</b>				
Basic (weighted-average outstanding shares)	11,726	11,652	11,712	11,629
Dilutive potential common shares from stock options	72	107	75	120
Diluted (weighted-average outstanding shares)	11,798	11,759	11,787	11,749
Basic earnings per share	\$ 1.76	\$ 1.61	\$ 3.07	\$ 2.87
Diluted earnings per share	\$ 1.75	\$ 1.60	\$ 3.05	\$ 2.84

## 12. Revenue and Segment Information

### Revenues from Contracts with Customers

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

#### Revenue by Product Type

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net Sales</b>				
Wholegoods	\$ 229,069	\$ 209,359	\$ 437,103	\$ 399,724
Parts	49,617	43,247	97,871	87,242
Other	6,500	4,519	12,146	8,246
<b>Consolidated</b>	<b>\$ 285,186</b>	<b>\$ 257,125</b>	<b>\$ 547,120</b>	<b>\$ 495,212</b>

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

#### Revenue by Geographical Location

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net Sales</b>				
United States	\$ 188,652	\$ 183,291	\$ 373,965	\$ 348,468
France	27,619	24,346	53,554	49,273
Canada	17,361	15,418	31,305	29,652
United Kingdom	14,082	12,419	27,880	25,862
Brazil	5,702	4,858	9,975	10,318
Netherlands	10,132	1,877	12,806	3,166
China	6,999	129	8,211	383
Germany	2,452	493	3,341	896
Australia	1,827	3,145	4,323	5,527
Other	10,360	11,149	21,760	21,667
<b>Consolidated</b>	<b>\$ 285,186</b>	<b>\$ 257,125</b>	<b>\$ 547,120</b>	<b>\$ 495,212</b>

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

## Segment Information

The following includes a summary of the unaudited financial information by reporting segment at June 30, 2019:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net Sales</b>				
Industrial	\$ 168,000	\$ 150,031	\$ 326,425	\$ 282,198
Agricultural	55,159	59,071	108,332	117,718
European	62,027	48,023	112,363	95,296
Consolidated	\$ 285,186	\$ 257,125	\$ 547,120	\$ 495,212
<b>Income from Operations</b>				
Industrial	\$ 20,172	\$ 16,165	\$ 36,644	\$ 27,965
Agricultural	4,234	6,186	6,406	11,439
European	4,943	4,435	8,905	8,743
Consolidated	\$ 29,349	\$ 26,786	\$ 51,955	\$ 48,147

(in thousands)	June 30, 2019	December 31, 2018
<b>Goodwill</b>		
Industrial	\$ 61,433	\$ 61,107
Agricultural	6,276	6,230
European	25,425	15,906
Consolidated	\$ 93,134	\$ 83,243
<b>Total Identifiable Assets</b>		
Industrial	\$ 465,860	\$ 421,539
Agricultural	177,673	162,548
European	223,046	137,546
Consolidated	\$ 866,579	\$ 721,633

### 13. Contingent Matters

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.

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.

## 14. Leases

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

### Components of Lease Cost

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019		2019	
Finance lease cost:				
Amortization of right-of-use assets	\$	34	\$	65
Interest on lease liabilities		3		5
Operating lease cost		1,088		2,112
Short-term lease cost		180		232
Variable lease cost		122		227
<b>Total lease cost</b>	<b>\$</b>	<b>1,427</b>	<b>\$</b>	<b>2,641</b>

Rent expense for the three and six months ending June 30, 2018 was immaterial.

Maturities of lease liabilities were as follows:

### Future Minimum Lease Payments

(in thousands)	June 30, 2019		December 31, 2018	
	Operating Leases	Finance Leases	Operating Leases	Capital Leases
2019	\$ 1,965 <sup>(a)</sup>	\$ 77 <sup>(a)</sup>	\$ 3,310	\$ 125
2020	3,009	124	2,453	97
2021	1,743	88	1,308	62
2022	1,117	49	743	24
2023	655	26	419	1
Thereafter	1,205	24	79	—
<b>Total minimum lease payments</b>	<b>\$ 9,694</b>	<b>\$ 388</b>	<b>\$ 8,312</b>	<b>\$ 309</b>
Less imputed interest	(690)	(25)	—	(11)
<b>Total lease liabilities</b>	<b>\$ 9,004</b>	<b>\$ 363</b>	<b>\$ 8,312</b>	<b>\$ 298</b>

(a) Amounts represent remaining six months of payments due for 2019.

### Future Lease Commencements

As of June 30, 2019, we have additional operating leases, that have not yet commenced in the amount of \$88,000. These operating leases will commence in fiscal year 2019.

Supplemental balance sheet information related to leases was as follows:

### Operating Leases

(in thousands)	June 30, 2019
Other non-current assets	\$ 8,950
Accrued liabilities	3,382
Other long-term liabilities	5,622
Total operating lease liabilities	\$ 9,004

### Finance Leases

(in thousands)	June 30, 2019
Property, plant and equipment, gross	\$ 629
Accumulated Depreciation	(297)
Property, plant and equipment, net	\$ 332
Current maturities of long-term debt and finance lease obligations	\$ 131
Long-term debt and finance lease obligations, net of current maturities	232
Total finance lease liabilities	\$ 363

#### Weighted Average Remaining Lease Term

Operating leases	3.58 years
Finance leases	4.10 years

#### Weighted Average Discount Rate

Operating leases	3.33 %
Finance leases	3.36 %

Supplemental Cash Flow information related to leases was as follows:

(in thousands)	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	\$ 7
Operating cash flows from operating leases	2,108
Financing cash flows from finance leases	76

## 15. Retirement Benefit Plans

### *Defined Benefit Plan*

The Company amortizes annual pension income or expense evenly over four quarters. Pension expense was \$23,000 and pension income was \$86,000 for the three months ended June 30, 2019 and June 30, 2018, respectively. Pension expense for the six months ended June 30, 2019 was \$46,000 and pension income for the six months ended June 30, 2018 was \$176,000. The Company is not required to contribute to the pension plans for the 2019 plan year but may do so.

## Supplemental Retirement Plan

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 key management to the plan. As of June 30, 2019, the current retirement benefit (as defined in the plan) for the participants ranges from 10% to 20%.

The net period expense for the three months ended June 30, 2019 and 2018 was \$214,000 and \$287,000 respectively and \$428,000 and \$499,000 for the six months ended June 30, 2019 and 2018, respectively.

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

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

As a Percent of Net Sales	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Industrial	58.9 %	58.3 %	59.7 %	57.0 %
Agricultural	19.3 %	23.0 %	19.8 %	23.8 %
European	21.8 %	18.7 %	20.5 %	19.2 %
Total sales, net	100.0 %	100.0 %	100.0 %	100.0 %

Cost Trends and Profit Margin, as Percentages of Net Sales	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Gross profit	25.6 %	25.8 %	24.9 %	25.6 %
Income from operations	10.3 %	10.4 %	9.5 %	9.7 %
Income before income taxes	9.6 %	9.8 %	8.8 %	9.1 %
Net income	7.2 %	7.3 %	6.6 %	6.7 %

## Overview

*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. Unless the context otherwise requires, the terms the "Company", "we", "our" and "us" means Alamo Group Inc.*

For the first six months of 2019, the Company's net income increased by approximately 7.7% when compared to the same period in 2018. This increase was the result of improved sales growth in the Company's Industrial Division and, to a lesser extent, the acquisition of Dutch Power Company B.V. ("Dutch Power") completed in early March of 2019. Negatively affecting the Company's performance during the first six months of 2019 was the continued soft market conditions in the agricultural market, which impacted our North American agricultural sales. Also, while higher material costs hurt profitability during the first quarter of 2019, steel costs eased during the second quarter as margins improved, although not yet to the level we saw during the first half of 2018.

The Company's Industrial Division experienced a 15.7% increase in sales for the first six months of 2019 compared to the first six months of 2018. Sales across all Industrial product groups, with the exception of mowing equipment which was flat, outperformed during the first six months of 2019 compared to the same period in 2018. Agricultural sales were down in the first six months of 2019 by 8.0% compared to the first six months of 2018 as a result of continued weak demand for our products due to soft agricultural market conditions and declining farm incomes. Also negatively impacting results was a shutdown during the first quarter of 2019 of the Division's largest manufacturing facility for several days to install an upgrade to its paint system and heavy rains and flooding throughout the mid-west part of the U.S. during the second quarter. European sales for the first six months of 2019

were up in U.S. dollars by 17.9% compared to the same period in 2018 mainly due to the acquisition of Dutch Power. Excluding Dutch Power, sales in local currency were up during the second quarter of 2019 compared to the same time in 2018, but were negatively affected by changes due to currency translation. Consolidated income from operations was \$52.0 million in the first six months of 2019 compared to \$48.1 million for the first six months of 2018. The Company's backlog increased 3.9% to \$228.8 million at the end of the second quarter of 2019 versus the backlog of \$220.2 million at the end of the second quarter of 2018. The increase in the Company's backlog was attributable to greater demand for our products, specifically in the Company's Industrial Division and from the acquisition of Dutch Power, partially offset by lower new orders in the Company's Agricultural and European Divisions.

The Company is cautiously optimistic about its outlook for the remainder of 2019, but we continue to face several ongoing challenges. Beginning in 2018, the Company saw increases in raw material, freight, tariff surcharges and other input costs including labor, at above rates seen in recent years though some of these inflationary pressures have begun to ease. We continue to experience longer lead times for certain key components of our products. The Company also continues to be impacted by a tight labor market and difficulties in hiring and retaining skilled workers. Additional tariffs, future changes in tariff regulations and ongoing trade disputes could further impact the business by increasing the cost of items used in the manufacturing of our products and by softening sales of our products to certain of our customers who may be impacted directly or indirectly by increasing tariffs and other negative effects resulting from trade disputes. The Company may also be negatively affected by several other unanticipated factors such as a weakness in the overall economy; significant changes in currency exchange rates; negative economic impacts resulting from geopolitical events such as the unresolved Brexit situation, changes in trade policy, 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" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K").

## **Results of Operations**

### ***Three Months Ended June 30, 2019 vs. Three Months Ended June 30, 2018***

Net sales for the second quarter of 2019 were \$285,186,000, an increase of \$28,061,000 or 10.9% compared to \$257,125,000 for the second quarter of 2018. The increase in sales was attributable to strong demand for our products in the Company's Industrial Division as well as \$14,034,000 of net sales from the acquisition of Dutch Power.

Net Industrial sales increased by \$17,969,000 or 12.0% to \$168,000,000 for the second quarter of 2019 compared to \$150,031,000 during the same period in 2018. The increase was attributable to increased sales across all product groups in the Division with the exception of mowing equipment which was down due to soft market conditions and adverse weather conditions.

Net Agricultural sales were \$55,159,000 in the second quarter of 2019 compared to \$59,071,000 for the same period in 2018, a decrease of \$3,912,000 or 6.6%. The decrease was primarily the result of weak market conditions which limited sales growth in both equipment and replacement parts as farm incomes continued to be challenged. Also, negatively affecting sales were heavy rains and flooding throughout the mid-west part of the U.S.

Net European sales for the second quarter of 2019 were \$62,027,000, an increase of \$14,004,000 or 29.2% compared to \$48,023,000 during the second quarter of 2018. The increase was driven by the acquisition of Dutch Power which added \$14,034,000 of net sales during the quarter. Excluding Dutch Power, sales in the European Division were flat in U.S. dollars. Excluding Dutch Power, sales in local currency were up during the second quarter of 2019 compared to the same time in 2018, but were offset by unfavorable currency translation.

Gross profit for the second quarter of 2019 was \$73,133,000 (25.6% of net sales) compared to \$66,454,000 (25.8% of net sales) during the same period in 2018, an increase of \$6,679,000. The increase in gross profit during the second quarter of 2019 was primarily due to improved sales in the Company's Industrial Division and to a lesser extent the acquisition of Dutch Power, which more than offset the profit decline in the Agricultural and European

Divisions. Gross profit and gross margin percentage for the quarter saw some improvement since the first quarter of 2019 as commodity costs, specifically raw materials such as steel eased.

Selling, general and administrative expenses ("SG&A") were \$43,784,000 (15.4% of net sales) during the second quarter of 2019 compared to \$39,668,000 (15.4% of net sales) during the same period of 2018, an increase of \$4,116,000. The increase primarily came from the acquisition of Dutch Power in the amount of \$2,338,000. Also, higher selling expenses due to increased sales and increased spending on research and development projects added to SG&A expenses during the second quarter of 2019.

Interest expense was \$1,935,000 for the second quarter of 2019 compared to \$1,497,000 during the same period in 2018, an increase of \$438,000. The increase during the second quarter of 2019 came from increased borrowings due to the Dutch Power acquisition.

Other expense was \$295,000 for the second quarter of 2019 compared to \$92,000 during the same period in 2018. The expenses in 2019 and 2018 were primarily the result of changes in currency exchange rates.

Provision for income taxes was \$6,782,000 (24.7% of income before income tax) in the second quarter of 2019 compared to \$6,535,000 (25.8% of income before income tax) during the same period in 2018. The increase was due to higher pre-tax income during the second quarter of 2019.

The Company's net income after tax was \$20,667,000 or \$1.75 per share on a diluted basis for the second quarter of 2019 compared to \$18,771,000 or \$1.60 per share on a diluted basis for the second quarter of 2018. The increase of \$1,896,000 resulted from the factors described above.

#### ***Six Months Ended June 30, 2019 vs. Six Months Ended June 30, 2018***

Net sales for the first six months of 2019 were \$547,120,000, an increase of \$51,908,000 or 10.5% compared to \$495,212,000 for the first six months of 2018. The increase was primarily attributable to increased demand for our products in the Company's Industrial Division. Our recent acquisition of Dutch Power added to the increase in net sales in the amount of \$17,648,000. Negatively affecting sales during the first six months of 2019, were weak agricultural market conditions as well as unfavorable currency translation effects primarily in our European Division.

Net Industrial sales increased during the first six months by \$44,227,000 or 15.7% to \$326,425,000 for 2019 compared to \$282,198,000 during the same period in 2018. The increase came from higher sales of all product lines, with the exception of mowing equipment which was flat compared to the same time in 2018.

Net Agricultural sales were \$108,332,000 during the first six months of 2019 compared to \$117,718,000 for the same period in 2018, a decrease of \$9,386,000 or 8.0%. The decrease in sales for the first six months of 2019 compared to the first six months of 2018 was a result of weak market conditions and lower farm incomes which have been impacted by lower commodity prices as well as tariffs. A first quarter 2019 shutdown in the 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.

Net European sales for the first six months of 2019 were \$112,363,000, an increase of \$17,067,000 or 17.9% compared to \$95,296,000 during the same period of 2018. The increase in 2019 was due to the acquisition of Dutch Power. Excluding Dutch Power, sales in local currency were up during the first six months of 2019 compared to the same time in 2018, but were offset by unfavorable currency translation.

Gross profit for the first six months of 2019 was \$136,441,000 (24.9% of net sales) compared to \$126,711,000 (25.6% of net sales) during the same period in 2018, an increase of \$9,730,000. The increase in gross profit for the first six months of 2019 came from higher equipment sales in the Company's Industrial Division and, to a lesser extent, the acquisition of Dutch Power. Negatively affecting both gross margin and margin percentage for the first six months of 2019 were higher steel, freight and other input costs, some of which began to ease during the second quarter. Productivity improvements, pricing actions, and purchasing initiatives helped offset these negative affects.

SG&A expenses were \$84,486,000 (15.4% of net sales) during the first six months of 2019 compared to \$78,564,000 (15.9% of net sales) during the same period of 2018, an increase of \$5,922,000. The increase primarily came from higher selling expenses due to increased sales along with increased spending on research and development projects. To a lesser extent, our the recent acquisition of Dutch Power added \$2,949,000 in SG&A expenses.

Interest expense was \$3,385,000 for the first six months of 2019 compared to \$2,834,000 during the same period in 2018, an increase of \$551,000. The increase during the first six months of 2019 came from increased borrowings due to the Dutch Power acquisition.

Other income (expense), net was \$684,000 of expense during the first six months of 2019 compared to \$226,000 of expense in the first six months of 2018. The expenses in 2019 and 2018 were primarily the result of changes in exchange rates.

Provision for income taxes was \$12,469,000 (25.8% of income before income taxes) in the first six months of 2019 compared to \$11,942,000 (26.4% of income before income taxes) during the same period in 2018. The increase was due to higher pre-tax income during the first six months of 2019.

The Company's net income after tax was \$35,920,000 or \$3.05 per share on a diluted basis for the first six months of 2019 compared to \$33,354,000 or \$2.84 per share on a diluted basis for the first six months of 2018. The increase of \$2,566,000 resulted from the factors described above.

### **Liquidity and Capital Resources**

In addition to normal operating expenses, the Company has ongoing cash requirements which are necessary to operate the Company's business, including inventory purchases and capital expenditures. The Company's inventory and accounts payable levels typically build in the first half of the year and 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 fall preseason sales programs and out of season sales, particularly in our Agricultural Division. Preseason sales, primarily in the Agricultural Division, help level the Company's production during the off season.

As of June 30, 2019, the Company had working capital of \$418,949,000 which represents an increase of \$66,958,000 from working capital of \$351,991,000 at December 31, 2018. The increase in working capital was primarily due to seasonality and increased demand for our products reflected in the Company's higher sales and backlog and to a lesser extent the acquisition of Dutch Power.

Capital expenditures were \$12,423,000 for the first six months of 2019, compared to \$10,829,000 during the first six months of 2018. The Company expects higher capital expenditures in 2019 in order to increase production capacity, support improvements in operational efficiencies, invest in technology and for the previously announced construction of a new manufacturing facility for its Super Products vacuum truck operation in Wisconsin as well as the expansion of our Tenco facility in Canada. The Company will fund future expenditures from operating cash flows or through our revolving credit facility, described below.

Net cash provided by financing activities was \$76,686,000 and \$58,130,000 during the six month periods ended June 30, 2019 and June 30, 2018, respectively. The majority of the increase in net cash provided by financing activities in 2019 as compared to the prior year, was mainly due to borrowings to finance the acquisition of Dutch Power, partially offset by the repurchase activity related to the Company's common stock.

The Company had \$44,605,000 in cash and cash equivalents held by its foreign subsidiaries as of June 30, 2019. The majority of these funds are at our European and Canadian facilities. As a result of the fundamental changes to the taxation of multinational corporations created by Tax Cuts and Jobs Act, we no longer intend to permanently reinvest all of the 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. During the second quarter of 2018, the Company repatriated excess cash from its European operations of approximately \$24,000,000. The Company will continue 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.

The Company maintains an unsecured revolving credit facility with certain lenders under its Amended and Restated Revolving Credit Agreement ("the Agreement"). The aggregate commitments from lenders under the Agreement is \$250,000,000 and, subject to certain conditions and bank approval, the Company has the option to request an increase in aggregate commitments of up to an additional \$50,000,000. The Agreement requires the Company to maintain various financial covenants including a minimum earnings before interest and tax to interest expense ratio, 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. Effective December 20, 2016, the Company amended its revolving credit facility to extend the termination date, reduce LIBOR interest margin and to modify certain financial and other covenants in order to meet the ongoing needs of the Company's business and to allow for greater flexibility in relation to future acquisitions. The expiration date of the revolving credit facility is December 20, 2021. As of June 30, 2019, \$166,000,000 was outstanding under the Agreement. On June 30, 2019, \$3,152,000 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 \$80,848,000 in available borrowings. As of June 30, 2019, the Company was 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.

### **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 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 that of the Company's significant accounting policies, which are set forth in Note 1 of the Notes to Consolidated Financial Statements in the 2018 Form 10-K, the policies relating to the business combinations, sales discounts, and goodwill and other intangible assets involved a higher degree of judgment and complexity. There have been no material changes to the nature of estimates, assumptions and levels of subjectivity and judgment related to critical accounting estimates disclosed in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2018 Form 10-K.

### **Off-Balance Sheet Arrangements**

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

## Forward-Looking Information

Part I of this Quarterly Report on Form 10-Q and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 2 of this Quarterly 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 orally or in press releases, conferences, reports or otherwise, in the future by or on behalf of the Company.

Statements that are not historical are forward-looking. When used by or on behalf of the Company, the words “estimate,” “anticipate,” “expect,” “believe,” “intend”, “will”, “would”, “should”, “could” and similar expressions generally identify forward-looking statements made by or on behalf of the Company.

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 it serves. Particular risks and uncertainties facing the Company include changes in market conditions; ongoing weakness in the agricultural sector; changes in tariff regulations and the imposition of new tariffs; a strong U.S. dollar; increased competition; trade wars or other negative economic impacts resulting from geopolitical events; decreases in the prices of agricultural commodities, which could affect our customers' income levels; increase in input costs; our inability to increase profit margins through continuing production efficiencies and cost reductions; repercussions from the pending exit by the U.K. from the European Union (EU); acquisition integration issues; budget constraints or income shortfalls which could affect the purchases of our type of equipment by governmental customers; credit availability for both the Company and its customers, adverse weather conditions such as droughts, floods, snowstorms, etc. which can affect buying patterns of the Company’s customers and related contractors; the price and availability of critical raw materials, particularly steel and steel products; energy cost; increased cost of new governmental regulations which effect corporations including related fines and penalties (such as the new European General Data Protection Regulation); the potential effects on the buying habits of our customers due to animal disease outbreaks and other epidemics; the Company’s ability to develop and manufacture new and existing products profitably; market acceptance of new and existing products; the Company’s ability to maintain good relations with its employees; the Company's ability to successfully complete acquisitions and operate acquired businesses or assets; the ability to hire and retain quality skilled employees; and cyber security risks affecting information technology or data security breaches.

In addition, the Company is subject to risks and uncertainties facing the industry in general, including changes in business and political conditions and the economy in general in both domestic and international markets; weather conditions affecting demand; slower growth in the Company’s markets; financial market changes including increases in interest rates and fluctuations in foreign exchange rates; actions of competitors; the inability of the Company’s suppliers, customers, creditors, public utility providers and financial service organizations to deliver or provide their products or services to the Company; seasonal factors in the Company’s industry; litigation; government actions including budget levels, regulations and legislation, primarily relating to the environment, commerce, infrastructure spending, health and safety; and availability of materials.

The Company wishes to caution readers not to place undue reliance on any forward-looking statements 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, as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning the Company and its businesses, including factors that could potentially materially affect the Company’s 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.

### Item 3. Quantitative and Qualitative Disclosures About Market Risks

The Company is exposed to various market risks. Market risks are the potential losses 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 primarily manufactures its products in the U.S., U.K., France, Canada, Brazil, Australia and the Netherlands. The Company sells its products primarily in the functional currency within the markets where the products are produced, but certain sales from the Company's U.K. and Canadian operations are denominated in other foreign 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 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. subsidiaries regularly enter into foreign exchange forward contracts to hedge approximately 90% of its future net foreign currency collections over a period of six months. As of June 30, 2019, the Company had \$1,578,000 outstanding in forward exchange contracts related to accounts receivable. A 15% fluctuation in exchange rates for these currencies would change the fair value of these contracts by approximately \$237,000. However, since these contracts hedge 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 being hedged.

### ***Exposure to Exchange Rates***

The Company translates the assets and liabilities of foreign-owned subsidiaries at rates in effect at the balance sheet date. Revenues and expenses are translated at average rates in effect during the reporting period. Translation adjustments are included in accumulated other comprehensive income within the statement of stockholders' equity. The total foreign currency translation adjustment for the current quarter increased stockholders' equity by \$1,194,000.

The Company's earnings are affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies, predominately in Europe and Canada, as a result of the sales of its products in international markets. Forward currency contracts are used to hedge against the earnings effects of such fluctuations. The result of a uniform 10% strengthening or 10% decrease in the value of the dollar relative to the currencies in which the Company's sales are denominated would result in a change in gross profit of \$4,375,000 for the six month period ending June 30, 2019. 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 include 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.

In March 2019, the Company entered into fixed-to-fixed cross-currency swaps and designated these swaps to hedge a portion of its net investment in a euro functional currency denominated subsidiary against foreign currency fluctuations. These contracts involve the exchange of fixed U.S. dollars with fixed euro interest payments periodically over the life of the contracts and an exchange of the notional amounts at maturity. The fixed-to-fixed cross-currency swaps include €40 million (\$45 million) maturing December 2021.

### ***Interest Rate Risk***

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 current level of borrowings at variable rates and a two percentage point change for the second quarter 2019 average interest rate under these borrowings, the Company's interest expense would have changed by approximately \$830,000. In the event of an adverse change in interest rates, management could take actions to mitigate its exposure. However, due to the uncertainty of the actions that would be taken and their possible effects this analysis assumes no such actions. 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.

## Item 4. Controls and Procedures

### Disclosure Controls and Procedures.

An evaluation was carried out under the supervision and with the participation of Alamo's management, including our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer (Principal Financial Officer) and Vice President, Controller and Treasurer, (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 and Chief Executive Officer, Executive Vice President and Chief Financial Officer (Principal Financial Officer) and Vice President, Controller and Treasurer, (Principal Accounting Officer) concluded that the Company's design and operation of these disclosure controls and procedures were effective at the end of the period covered by this report.

### Changes in internal control over financial reporting

There has been no change in our internal control over financial reporting that occurred during our last fiscal year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. - Legal Proceedings

For a description of legal proceedings, see Note 13 Contingent Matters to our interim condensed consolidated financial statements.

### Item 1A. - Risk Factors

There have not been any material changes from the risk factors previously disclosed in the 2018 Form 10-K for the year ended December 31, 2018.

### Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides a summary of the Company's repurchase activity for its common stock during the three months ended June 30, 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 <sup>(a)</sup>
April 2019	—	—	—	—
May 2019	—	—	—	—
June 2019	15,000	\$97.66	15,000	\$27,045,987

(a) 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 3. - Defaults Upon Senior Securities

None.

### Item 4. - Mine Safety Disclosures

Not Applicable

## Item 5. - Other Information

(a) Reports on Form 8-K

None.

(b) Other Information

None.

## Item 6. - Exhibits

(a) Exhibits

<b>Exhibits</b>	<b>Exhibit Title</b>	<b>Incorporated by Reference From the Following Documents</b>
31.1	— <a href="#">Certification by Ronald A. Robinson under Section 302 of the Sarbanes-Oxley Act of 2002</a>	Filed Herewith
31.2	— <a href="#">Certification by Dan E. Malone under Section 302 of the Sarbanes-Oxley Act of 2002</a>	Filed Herewith
31.3	— <a href="#">Certification by Richard J. Wehrle under Section 302 of the Sarbanes-Oxley Act of 2002</a>	Filed Herewith
32.1	— <a href="#">Certification by Ronald A. Robinson under Section 906 of the Sarbanes-Oxley Act of 2002</a>	Filed Herewith
32.2	— <a href="#">Certification by Dan E. Malone under Section 906 of the Sarbanes-Oxley Act of 2002</a>	Filed Herewith
32.3	— <a href="#">Certification by Richard J. Wehrle under Section 906 of the Sarbanes-Oxley Act of 2002</a>	Filed Herewith
32.4	— <a href="#">Consulting Agreement with Former Executive of the Company - Geoffrey Davies</a>	Filed Herewith
101.INS	— XBRL Instance Document - the instance document does not appear in the Interactive Data Files because its XBRL tags are embedded within the Inline XBRL document	Filed Herewith
101.SCH	— XBRL Taxonomy Extension Schema Document	Filed Herewith
101.CAL	— XBRL Taxonomy Extension Calculation Linkbase Document	Filed Herewith
101.DEF	— XBRL Taxonomy Extension Definition Linkbase Document	Filed Herewith
101.LAB	— XBRL Taxonomy Extension Label Linkbase Document	Filed Herewith
101.PRE	— XBRL Taxonomy Extension Presentation Linkbase Document	Filed Herewith

**Alamo Group Inc.**

SIGNATURES

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

July 31, 2019

Alamo Group Inc.  
(Registrant)

/s/ Ronald A. Robinson

Ronald A. Robinson  
President & Chief 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)

**Exhibit 31.1**

I, Ronald A. Robinson, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 quarterly 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 quarterly 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 Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/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 quarterly report on Form 10-Q 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 quarterly 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 quarterly 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 Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Dan E. Malone

---

Dan E. Malone

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

### Exhibit 31.3

I, Richard J. Wehrle, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 quarterly 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 quarterly 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 Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2019

/s/ Richard J. Wehrle

---

Richard J. Wehrle

Vice President, Controller & Treasurer

(Principal Accounting Officer)

**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 Quarterly Report of Alamo Group Inc. (the "Company") on Form 10-Q for the period ended June 30, 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. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-Q 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 Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2019

/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 Quarterly Report of Alamo Group Inc. (the "Company") on Form 10-Q for the period ended June 30, 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. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-Q 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 Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2019

/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 Quarterly Report of Alamo Group Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Wehrle, Vice President, Controller & Treasurer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-Q 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 Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2019

/s/ Richard J. Wehrle

---

Richard J. Wehrle

Vice President, Controller & Treasurer

(Principal Accounting Officer)



**Confidential**

June 20, 2019

Geoffrey Davies  
Brockhurst Court  
Lee Brockhurst  
Shrewsbury SY4 5QH  
United Kingdom

RE: Consulting Agreement

Dear Geoff,

Per our discussions, I wanted to confirm our understanding regarding your consulting role with Alamo Group following your retirement. As we have discussed you would consult with the Company on a nearly fulltime basis for the first three months following your retirement date of June 30, 2019 and then on a part-time as available and as needed basis through the end of the current calendar year. Any involvement beyond 2019 would be agreed to separately at that time.

During the initial three-month period you would continue to oversee Alamo's European operations as you have in the past and coordinate these actions with Jeff Leonard and Rick Raborn as appropriate to ensure an orderly transfer of the operations to their respective divisions.

For the time you work with Alamo in a consulting capacity you will be compensated at a daily rate of £1,350 for each working day, paid on a monthly basis. The Company will reimburse you for all business related travel and other expenses you incur in the normal course of business. You acknowledge that you will be our independent contractor and not an employee of the Company. Accordingly, you shall be responsible for the payment of any and all income, social and other taxes that may apply to the consulting fees paid to you.

Also, as we discussed, as of your retirement date, you will turn in any Company credit cards, fuel cards, etc. and use your personal credit cards during the period of consulting. With regards to your Company cell phone, I would propose you continue to use this through the end of 2019. At that time, you could then keep the cell phone, but would have to change it to a personal account which you would be responsible for. The same would apply to your Company lap top computer. You could continue to use it as is through the end of the year. At that time, you could keep the laptop, though we would need to delete certain proprietary information and access, and then you would need to change it to your personal computer service provider.

Obviously, during the consultancy period you would be subject to the same Company policies and procedures concerning confidentiality, Code of Conduct, etc. that applied during your tenure with Alamo.

If you have any questions or comments about the above or feel anything I have outlined is not in accordance with our discussions, please let me know.

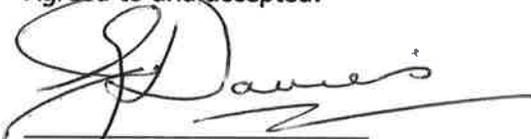
Again, thanks for all your help during this transition. Now, as always you have been great to work with.

Best regards,



Ron Robinson  
President & CEO  
Alamo Group Inc.

Agreed to and accepted:



Geoffrey Davies