
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38089

ASV HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

840 Lily Lane

Grand Rapids, MN

(Address of principal executive offices)

82-1501649

(I.R.S. Employer
Identification No.)

55744

(Zip Code)

Registrant's telephone number, including area code: (218) 327-3434

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" 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

As of October 30, 2017, the registrant had 9,800,000 shares of common stock, \$0.001 par value per share, outstanding.

Table of Contents

	<u>Page</u>
PART I.	
	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Balance Sheets</u>
	<u>Condensed Statements of Income</u>
	<u>Condensed Statements of Cash Flows</u>
	<u>Notes to Unaudited Condensed Financial Statements</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
Item 4.	<u>Controls and Procedures</u>
PART II.	
	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u>
Item 1A.	<u>Risk Factors</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
Item 3.	<u>Defaults upon Senior Securities</u>
Item 4.	<u>Mine Safety Procedures</u>
Item 5.	<u>Other Information</u>
Item 6.	<u>Exhibits</u>
	<u>Signatures</u>

EXPLANATORY NOTE: REFERENCES TO ASV

In this Quarterly Report on Form 10-Q, unless otherwise stated or the context otherwise requires:

- References to the “Company,” “ASV,” “we,” “us” and “our” following the date of Corporate Conversion (May 11, 2017) refer to ASV Holdings, Inc. and its consolidated subsidiaries;
- References to the “Company,” “ASV,” “we,” “us” and “our” prior to the date of Corporate Conversion refer to A.S.V., LLC and its consolidated subsidiaries; and
- References to the “Corporate Conversion” or “corporate conversion” refer to all of the transactions related to the conversion of A.S.V., LLC, a Minnesota limited liability company, into ASV Holdings, Inc., a Delaware corporation, including the conversion of all of the outstanding membership units of A.S.V., LLC into shares of common stock of ASV Holdings, Inc., effected on May 11, 2017.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

ASV Holdings, Inc.
Condensed Balance Sheets
(In thousands, except par value)

	September 30, 2017	December 31, 2016
	Unaudited	Unaudited
ASSETS		
CURRENT ASSETS		
Cash	\$ 8	\$ 572
Cash - restricted	—	535
Trade receivables, net	17,096	13,603
Receivables from affiliates	44	1,413
Inventory	25,123	30,896
Prepaid expenses and other	681	537
Total current assets	<u>42,952</u>	<u>47,556</u>
NON-CURRENT ASSETS		
Property, plant and equipment, net	14,252	15,402
Intangible assets, net	23,914	25,824
Goodwill	30,579	30,579
Deferred financing costs - revolving loan facility	317	371
Deferred tax asset	947	—
Total assets	<u>\$ 112,961</u>	<u>\$ 119,732</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Note payable - current portion	\$ 2,150	\$ 3,000
Trade accounts payable	14,209	11,976
Payables to affiliates	1,123	2,298
Accrued compensation and benefits	1,049	1,073
Accrued warranties	1,879	1,870
Accrued product liability- short term	915	2,125
Accrued other	1,139	1,312
Income taxes payable	31	—
Total current liabilities	<u>22,495</u>	<u>23,654</u>
NON-CURRENT LIABILITIES		
Revolving loan facility	7,439	15,605
Note payable - long term, net	15,685	26,265
Accrued product liability- long term	82	—
Other long-term liabilities	731	773
Total liabilities	<u>46,432</u>	<u>66,297</u>
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 par value, 5,000 authorized, none outstanding at September 30, 2017 and December 31, 2016, respectively	—	—
Common stock, \$0.001 par value, 50,000 authorized, 9,800 and 8,000 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	10	—
Additional paid-in capital	65,367	54,787
Retained earnings (accumulated deficit)	1,152	(1,352)
Total Stockholders' Equity	<u>66,529</u>	<u>53,435</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 112,961</u>	<u>\$ 119,732</u>

The accompanying notes are an integral part of these condensed financial statements.

ASV Holdings, Inc.
Condensed Statements of Income
(In thousands, except par value and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
	Unaudited	Unaudited	Unaudited	Unaudited
Net sales	\$ 30,635	\$ 23,011	\$ 92,885	\$ 78,752
Cost of goods sold	<u>25,798</u>	<u>19,339</u>	<u>78,389</u>	<u>66,241</u>
Gross profit	4,837	3,672	14,496	12,511
Research and development costs	503	464	1,561	1,510
Selling, general and administrative expense	<u>2,857</u>	<u>1,509</u>	<u>8,340</u>	<u>6,218</u>
Operating income	1,477	1,699	4,595	4,783
Other income (expense)				
Interest expense	(698)	(1,259)	(2,463)	(3,816)
Other income (expense)	<u>—</u>	<u>(2)</u>	<u>1</u>	<u>(18)</u>
Total other expense	<u>(698)</u>	<u>(1,261)</u>	<u>(2,462)</u>	<u>(3,834)</u>
Income before taxes	779	438	2,133	949
Income tax expense (benefit)	<u>257</u>	<u>—</u>	<u>(372)</u>	<u>—</u>
Net income	<u>\$ 522</u>	<u>\$ 438</u>	<u>\$ 2,505</u>	<u>\$ 949</u>
Earnings per share:				
Basic net income per share	\$ 0.05	\$ 0.05	\$ 0.28	\$ 0.12
Diluted net income per share	\$ 0.05	\$ 0.05	\$ 0.28	\$ 0.12
Weighted average common shares outstanding:				
Basic weighted average common shares outstanding	9,800	8,000	8,897	8,000
Diluted weighted average common shares outstanding	9,800	8,000	8,897	8,000
Pro forma (C corporation basis):				
Pro forma tax expense	N/A	\$ 158	\$ 768	\$ 342
Pro forma net income	N/A	\$ 280	\$ 1,365	\$ 607
Pro forma earnings per share:				
Basic net income per share	N/A	\$ 0.04	\$ 0.15	\$ 0.08
Diluted net income per share	N/A	\$ 0.04	\$ 0.15	\$ 0.08

The accompanying notes are an integral part of these condensed financial statements.

ASV Holdings, Inc.
Condensed Statements of Cash Flows
(In thousands)

	For the Nine Months Ended September 30,	
	2017	2016
	Unaudited	Unaudited
OPERATING ACTIVITIES		
Net income	\$ 2,505	\$ 949
Adjustments to reconcile to net income to net cash provided by operating activities:		
Depreciation	1,716	1,537
Amortization	1,910	1,910
Share-based compensation	231	—
Deferred income tax (benefit)	(947)	—
Loss on sale of fixed assets	46	20
Amortization of deferred finance cost	163	438
Loss on debt extinguishment	83	—
Bad debt expense	17	44
Inventory reserves	377	96
Changes in operating assets and liabilities		
Trade receivables	(3,509)	(157)
Net trade receivables/payables from affiliates	194	(721)
Inventory	5,258	(3,950)
Prepaid expenses	(144)	(43)
Trade accounts payable	2,233	(985)
Accrued expenses	(1,444)	(1,186)
Tax payable	31	—
Other long-term liabilities	39	(41)
Net cash provided by (used in) operating activities	<u>8,759</u>	<u>(2,089)</u>
INVESTING ACTIVITIES		
Decrease in restricted cash	535	—
Purchase of property and equipment	(474)	(279)
Net cash provided by (used in) investing activities	<u>61</u>	<u>(279)</u>
FINANCING ACTIVITIES		
Principal payments on term debt	(1,826)	(5,500)
Debt issuance costs incurred	(9)	(108)
Members equity contribution	—	5,000
Proceeds from issuance of common stock, net of offering costs	10,405	—
Net payments on debt	(10,405)	—
Net payments on revolving credit facilities	(7,549)	2,978
Net cash provided by (used in) financing activities	<u>(9,384)</u>	<u>2,370</u>
NET CHANGE IN CASH	<u>(564)</u>	<u>2</u>
Cash at beginning of period	<u>572</u>	<u>3</u>
Cash at end of period	<u>\$ 8</u>	<u>\$ 5</u>

The accompanying notes are an integral part of these condensed financial statements.

ASV Holdings, Inc.
Notes to Unaudited Condensed Financial Statements
(In thousands, except par value and per share data)

Note 1. Basis of Presentation

Nature of Operations

ASV Holdings, Inc. (the “Company” or “ASV”) primarily designs, manufactures and markets compact track loaders and skid steer loaders as well as related parts for use primarily in the construction, landscaping, and agricultural industries. The Company’s headquarters and manufacturing facility is located in Grand Rapids, Minnesota. Products are marketed and sold in North America, Australia, New Zealand and Latin America.

Corporate Conversion and Initial Public Offering

On May 11, 2017, pursuant to a Plan of Conversion adopted by the Members and Board of Managers of A.S.V., LLC as of April 25, 2017, the Company converted from a Minnesota limited liability company into a Delaware corporation and changed its name from A.S.V., LLC to ASV Holdings, Inc. In conjunction with this corporate conversion, the Company filed a certificate of incorporation (the “Certificate of Incorporation”) with the Secretary of State of the State of Delaware and the bylaws of the Company (the “Bylaws”) became effective. Both the Certificate of Incorporation and the Bylaws were approved by the Board of Managers and Members of A.S.V., LLC prior to corporate conversion. Pursuant to the Company’s Certificate of Incorporation, the Company is authorized to issue up to 50,000 shares of common stock \$0.001 par value per share and 5,000 shares of preferred stock \$0.001 par value per share. All references in the unaudited interim condensed financial statements to the number of shares and per-share amounts of common stock have been retroactively restated to reflect the corporate conversion.

On May 17, 2017, the Company completed its underwritten initial public offering (“IPO”) of 3,800 shares of the Company’s common stock, including 1,800 shares sold by the Company and 2,000 shares sold by Manitex International, Inc. (“Manitex”), at a price to the public of \$7.00 per share. After underwriting discounts and commissions and offering expenses payable by the Company, the Company received net proceeds of \$10,405 from the offering. The Company did not receive any proceeds from the sale of shares by Manitex.

On May 23, 2017, the underwriters exercised their over-allotment option in full by purchasing an additional 570 shares of the Company’s common stock from A.S.V. Holding, LLC, a selling stockholder in the IPO and subsidiary of Terex Corporation (“Terex”), at the IPO price of \$7.00 per share, less underwriting discounts and commissions. The Company did not receive any proceeds from the sale of the shares by A.S.V. Holding, LLC.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Pursuant to these rules and regulations, the financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial statements and have been consistently applied. These unaudited financial statements should be read in conjunction with the financial statements and related notes included in our prospectus dated May 12, 2017 (the “Prospectus”), as filed with the SEC on May 15, 2017 pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended (the “Securities Act”).

The unaudited financial statements include all adjustments of a normal, recurring nature considered necessary for a fair presentation of our financial position as of September 30, 2017 and the results of operations for the three and nine months ended September 30, 2017 and 2016. Results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ended December 31, 2017.

Critical Accounting Policies and Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require the Company to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. The Company evaluates estimates used in preparation of the accompanying financial statements on a continual basis. There have been no significant changes to the critical accounting policies

described in Note 2, “Summary of Significant Accounting Policies,” to the audited financial statements for the year ended December 31, 2016 included in the Prospectus dated May 12, 2017.

Recent Accounting Pronouncements

Recent accounting pronouncements are described in Note 6, “Recent Accounting Pronouncements.”

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on individual customer review and current economic conditions. The Company reviews its allowance for doubtful accounts at least quarterly. Individual balances exceeding a threshold amount that are over 90 days past due are reviewed individually for collectability. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when the Company determines it is probable the receivable will not be recovered.

The balance of the allowance for doubtful accounts was \$85 and \$63 at September 30, 2017 and December 31, 2016, respectively.

Revenue Recognition

Revenue and related costs are recorded when title and risk of loss passes to dealers and OEM customers. The Company’s typical terms are FOB shipping point and Ex-Works, which results in revenue being recognized and invoicing of dealers and OEM customers upon shipment from the Company’s facilities and when the Company’s products are picked up from the Company’s facilities, respectively.

The Company’s policy requires in all instances certain minimum criteria be met in order to recognize revenue, specifically:

- Persuasive evidence that an arrangement exists;
- The price to the buyer is fixed or determinable;
- Collectability is reasonably assured; and
- No significant obligations remain for future performance.

In addition, the Company’s policies regarding discounts, returns, post shipment obligations, customer acceptance, credits, rebates and protection or similar privileges are as follows:

- Revenue is recognized consistently across all customers.
- Sales discounts are deducted from the revenue immediately as part of the final sales invoice to dealers and OEM customers. Occasional discounts for prompt cash payment are provided to dealers and OEM customers, which are deducted from the cash payment. A reserve is established for future cash discounts based upon historical experience with dealers and OEM customers.
- Sales are final and there is no return period allowed.
- The Company has no post shipment obligations outside of warranty assurance, which is included in the sales price.
- Customer acceptance occurs by confirmation of the sales quote provided, which describes the terms and conditions of the sale.
- Any credits are determined based on investigation of specific customer concerns. Credits that may be issued are recognized in the period in which they are approved.

Accrued Warranties

The Company records accruals for potential warranty claims based on its claim experience. The Company’s products are typically sold with a standard warranty covering defects that arise during a fixed period.

A liability for estimated warranty claims is accrued at the time of sale. The liability is established using historical warranty claim experience for each product sold. Historical claim experience may be adjusted for known design improvements or for the impact of unusual product quality issues. Warranty reserves are reviewed quarterly to ensure critical assumptions are updated for known events that may affect the potential warranty liability.

Litigation Claims

In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then record an estimate of the amount of liability based, in part, on advice of outside legal counsel.

Defined Benefit Plan

The Company sponsors a nonqualified Supplemental Executive Retirement Plan (“SERP”) for a former senior executive. The SERP is unfunded. The Company accounts for this plan pursuant to the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 710, “Compensation – General.” This guidance requires balance sheet recognition of the overfunded or underfunded status of the defined benefit plan. Actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting guidance must be recognized in the Statement of Operations. The defined benefit obligation for this plan as of September 30, 2017 is \$795, of which, \$64 and \$731 is reflected in “Accrued Other” and “Other Long-Term Liabilities,” respectively, on the balance sheet. The balance at December 31, 2016 was \$837, of which, \$64 and \$773 was reflected in the “Accrued Other” and “Other Long-Term Liabilities,” respectively. The Company expects to make annual benefit payments of \$64 per year over the next five years.

Research and Development Costs

Research and development costs are expensed as incurred. Such costs are incurred in the development of new products or significant improvements to existing products.

Income Taxes

The Company’s provision for income taxes consists of federal and state taxes, as applicable, in amounts necessary to align the Company’s year-to-date tax provision with the effective rate that it expects to achieve for the full year. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary. For the nine months ended September 30, 2017, the Company recorded an income tax benefit of \$(372), which consists of a federal and state income tax provision of \$575 offset by a discrete income tax benefit of \$(947) related primarily to the recognition of a deferred tax asset related to a change in tax status with the conversion from a Minnesota limited liability company to a Delaware corporation on May 11, 2017. For the three months ended September 30, 2017, the Company recorded an income tax provision of \$257, which consists of a federal and state income tax provision.

Prior to May 11, 2017, the Company was taxed as partnership. As such, the Company was not a tax paying entity and not subject to federal and state income tax purposes. The income or loss of the Company was passed through to its members and their share was reported on their respective tax returns.

At September 30, 2017, the Company did not have any uncertain tax positions. The Company records interest and penalties related to uncertain tax positions in the provision for income taxes in the accompanying Statement of Income.

Concentrations of Business and Credit Risk

Caterpillar Inc., an OEM customer, and CEG Distributions PTY Ltd., the Company’s Australian master distributor, accounted for 37% and 43% of the Company’s Net Sales for the three months ended September 30, 2017 and 2016, respectively, as well as 63% of the Company’s Accounts Receivable at September 30, 2017. Caterpillar Inc. and CEG Distributions PTY Ltd. accounted for 32% and 34% of the Company’s Net Sales for the nine months ended September 30, 2017 and 2016, respectively, as well as 64% of the Company’s Accounts Receivable at December 31, 2016.

Sales by major customer consisted of the following for the three and nine months ended September 30, 2017 and 2016:

	<u>Three months ended September 30,</u>		<u>Three months ended September 30,</u>	
	<u>2017</u>		<u>2016</u>	
	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>
Caterpillar	19%	\$ 5,884	26%	\$ 6,057
CEG Distributions PTY Ltd.	18%	5,515	17%	4,001
Other	63%	19,236	57%	12,953
Total	<u>100%</u>	<u>\$ 30,635</u>	<u>100%</u>	<u>\$ 23,011</u>

	<u>Nine months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2017</u>		<u>2016</u>	
	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>
Caterpillar	19%	\$ 17,420	23%	\$ 18,031
CEG Distributions PTY Ltd.	13%	12,225	11%	8,822
Other	68%	63,240	66%	51,899
Total	<u>100%</u>	<u>\$ 92,885</u>	<u>100%</u>	<u>\$ 78,752</u>

Any disruptions to these two customer relationships could have adverse effects on the Company's financial results. The Company manages dealer and OEM concentration risk by evaluating in advance the financial condition and creditworthiness of its dealers and OEM customers. The Company establishes an allowance for doubtful accounts receivable, if needed, based upon expected collectability. Any reserves established for doubtful accounts is determined on a case-by-case basis when it is believed the payment of specific amounts owed to us is unlikely to occur. Although the Company has encountered isolated credit concerns related to its dealer base, management is not aware of any significant credit risks related to the Company's dealer base and generally does not require collateral or other security to support account receivables, other than UCC related sales. The Company has secured a credit insurance policy for certain accounts with a policy limit of liability of not more than \$8,600.

Revenue by geographic area consisted of the following for the three and nine months ended September 30, 2017 and 2016:

	<u>For the Three Months Ended September 30,</u>				<u>For the Nine Months Ended September 30,</u>			
	<u>2017</u>		<u>2016</u>		<u>2017</u>		<u>2016</u>	
	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>
United States	66%	\$ 20,112	73%	\$ 16,836	70%	\$ 65,171	79%	\$ 62,116
Australia	25%	7,875	18%	4,079	20%	18,452	12%	9,483
Other	9%	2,648	9%	2,096	10%	9,262	9%	7,153
Total	<u>100%</u>	<u>\$ 30,635</u>	<u>100%</u>	<u>\$ 23,011</u>	<u>100%</u>	<u>\$ 92,885</u>	<u>100%</u>	<u>\$ 78,752</u>

Note 3. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value. The company records excess and obsolete inventory reserves. The estimated reserve is based on specific identification of excess or obsolete inventories.

Inventory consisted of the following as of September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Raw materials and supplies	\$ 14,242	\$ 18,920
Work in process	37	165
Finished equipment and replacement parts	11,302	12,105
	25,581	31,190
Less: Reserves for excess and obsolete	(458)	(294)
	<u>\$ 25,123</u>	<u>\$ 30,896</u>

Note 4. Goodwill and Other Intangible Assets

Intangible Assets

Intangible assets include patented and unpatented technology, trade names, customer relationships and other specifically identifiable assets and are amortized on a straight-line basis over their respective estimated useful lives, which range from ten to twenty-five years. Intangible assets are reviewed for impairment when facts and circumstances indicate a potential impairment has occurred.

There are three fundamental methods applied to value intangible assets outlined in FASB ASC 820, "Fair Value Measurement." These methods include the Cost Approach, the Market Approach, and the Income Approach. Each of these valuation approaches were considered in the Company's estimation of value.

Trade names and trademarks, patented and unpatented technology: Valued using the Relief from Royalty method, a form of both the Market Approach and the Income Approach. Because the Company has established trade names and trademarks and has developed patented and unpatented technology, the Company estimated that the benefit of ownership as the relief from the royalty expense that would need to be incurred in absence of ownership.

Customer relationships: Because there is a specific earnings stream that can be associated with customer relationships, the Company determined the fair value of these relationships based on the excess earnings method, a form of the Income Approach.

Technology: The Company holds a number of U.S. patents covering its undercarriage technology. The key patent related to the Company's Posi-Track undercarriage and suspension expires in 2023. The average estimated useful life for the Company's patents is ten years, but useful life is determined in part by any legal, regulatory or contractual provisions that limit useful life. The Company has and will continue to dedicate technical resources toward the further development of our products and processes in order to maintain its competitive position.

Intangible assets, net comprised the following as of September 30, 2017:

	Weighted Average Life (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and unpatented technology	10	\$ 8,000	\$ (2,226)	\$ 5,774
Tradename and trademarks	25	7,000	(779)	6,221
Customer relationships	11	16,000	(4,081)	11,919
	<u>12</u>	<u>\$ 31,000</u>	<u>\$ (7,086)</u>	<u>\$ 23,914</u>

Intangible assets, net comprised the following as of December 31, 2016:

	Weighted Average Life (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and unpatented technology	10	\$ 8,000	\$ (1,627)	\$ 6,373
Tradename and trademarks	25	7,000	(568)	6,432
Customer relationships	11	16,000	(2,981)	13,019
	<u>12</u>	<u>\$ 31,000</u>	<u>\$ (5,176)</u>	<u>\$ 25,824</u>

Amortization of other intangible assets for the nine months ended September 30, 2017 and 2016 was \$1,910 and \$1,910, respectively.

Goodwill

Goodwill, representing the difference between the total purchase price and the fair value of assets (tangible and intangible) and liabilities at the date of acquisition, is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. The Company selected September 30 as the date for the required annual impairment test.

Note 5. Related Party Transactions

Effective December 19, 2014, the Company entered into a Distribution and Cross Marketing Agreement with Terex and Manitex (the "Terex Cross Marketing Agreement") that set forth the terms under which the Company would manufacture and sell ASV products, certain services Terex would provide in assisting in the sales and marketing of ASV products and the costs to be paid by the Company in exchange for such services. The Terex Cross Marketing Agreement defines dealers and customers to which, and territories for which, Terex would have the exclusive right on behalf of the Company to market and sell Terex-branded ASV products. The Terex Cross Marketing Agreement defines the compensation to Terex for its machine sales selling expense, part sales selling expense and general and administrative costs associated with such sales. In addition, for the provision of marketing services by Terex, the Company would pay an annual fee of \$250, subject to annual escalation of 3% plus 0.2% of net incremental sales. Unless terminated, the term of the Terex Cross Marketing Agreement is five years, and the parties may agree to renew for additional one year terms. The Company expensed \$296 and \$170 for the three months ended September 30, 2017 and 2016, respectively, and \$888 and \$1,150 for the nine months ended September 30, 2017 and 2016, respectively, under the Terex Cross Marketing Agreement.

Effective December 19, 2014, the Company entered into a Services Agreement with Terex (the "Terex Services Agreement") that set forth the terms under which Terex would provide certain services to the Company and the Company will retain access to certain services provided by Terex and the compensation related thereto. The scope of the Terex Services Agreement covers amongst other items, temporary transition services arising from the transfer of majority ownership to Manitex, third party logistics services for parts fulfillment, warranty and field service and information technology ("IT") services for both transitional and ongoing services. Unless terminated, the term of the Terex Services Agreement is specific to each service provided, and the parties may agree to renew for additional one year terms. The Company expensed \$320 and \$311 for services provided for the three months ended September 30, 2017 and 2016, respectively, and \$1,010 and \$960 for the nine months ended September 30, 2017 and 2016, respectively, under the Terex Services Agreement.

Effective March 27, 2017, the Company entered into a Winddown and Termination of Distribution and Cross Marketing Agreement and Services Agreement with Terex and Manitex (the "Winddown Agreement"). Pursuant to the Winddown Agreement, Terex will continue to provide certain services to the Company following the completion of the IPO under the Terex Cross Marketing Agreement and the Terex Services Agreement, including parts sales, shipment and purchases and parts planning, customer parts phone support, and administrative services, including IT support and accounting input information for parts cost and pricing. Pursuant to the Winddown Agreement, these services will continue on a transitional basis. Terex no longer markets ASV machines under the Terex Cross Marketing Agreement and the Company is responsible for marketing all ASV machines to all distribution channels, but Terex will continue to market ASV parts under the Terex Cross Marketing Agreement during transition period. Pursuant to the Winddown Agreement, the Company will be permitted to produce and sell Terex-branded ASV products to existing Terex dealers and continue to use applicable Terex trademarks during the transition period and for one year after termination of the Winddown Agreement. The Company has the right to terminate any service related to parts sales and distribution upon six months' notice to Terex, and the Company also has the right to terminate all services upon six months' notice to Terex. After one year from the date of the Winddown Agreement, Terex will also have the right to terminate services upon six months' notice. In no event will the services continue beyond

December 19, 2019. The Winddown Agreement does not immediately terminate the Terex Cross Marketing Agreement or the Terex Services Agreement, each of which will remain in effect until terminated in accordance with the Winddown Agreement. By notice dated October 5, 2017, the Company provided notice to Terex and Manitex of the termination, effective as of April 5, 2018, of all services provided by Terex thereunder. Such notice also indicated that, also effective as of April 5, 2018, the Terex Cross Marketing Agreement and Terex Services Agreement shall also be deemed terminated.

Included in the Company's Condensed Statements of Income are sales to Terex of \$50 and \$200 for the three months ended September 30, 2017 and 2016, respectively, and \$229 and \$1,471 for the nine months ended September 30, 2017 and 2016, respectively. Also included are sales to Manitex of \$1 and \$1 for the three months ended September 30, 2017 and 2016, respectively, and \$24 and \$1,147 for the nine months ended September 30, 2017 and 2016, respectively. The Company recorded purchases from Terex of \$1,127 and \$2,175 for the three months ended September 30, 2017 and 2016 respectively, and \$4,832 and \$6,090 for the nine months ended September 30, 2017 and 2016, respectively. The Company also recorded charges for insurance and employee benefit costs from Manitex of \$567 and \$616 for the three months ended September 30, 2017 and 2016, respectively, and \$2,153 and \$2,326 for the nine months ended September 30, 2017 and 2016, respectively.

Receivables from affiliates include \$44 due from Terex and \$0 due from Manitex (total \$44) at September 30, 2017, and \$501 due from Terex and \$912 due from Manitex (total \$1,413) at December 31, 2016.

Payables from affiliates includes \$1,120 due to Terex and \$3 due to Manitex (total \$1,123) at September 30, 2017, and \$2,275 due to Terex and \$23 due to Manitex (total \$2,298) at December 31, 2016.

Note 6. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update ("ASU") 2015-03, "Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs related to borrowings be presented in the balance sheet as a direct deduction from the carrying amount of the borrowing, consistent with debt discounts. The ASU does not affect the amount or timing of expenses for debt issuance costs. In August 2015, the FASB issued ASU No. 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements" ("ASU 2015-15"), which amends, ASC 835-30, "Interest – Imputation of Interest". ASU 2015-15 clarifies the presentation and subsequent measurement of debt issuance costs associated with lines of credit. These costs may be presented as an asset and amortized ratably over the term of the line of credit arrangement, regardless of whether there are outstanding borrowings on the arrangement. The Company adopted ASU 2015-03 and ASU 2015-15 as of January 1, 2016 on a retrospective basis, by recasting all prior periods shown to reflect the effect of adoption. Unamortized costs related to securing our revolving line of credit will continue to be presented in Non-Current Assets on the accompanying Balance Sheets.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory" ("ASU 2015-11"). ASU 2015-11 simplifies the subsequent measurement of inventory by using only the lower of cost or net realizable value. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for reporting periods beginning after December 15, 2017, for emerging growth companies, and interim periods within those fiscal years with early adoption permitted. ASU 2015-11 should be applied prospectively. The Company has adopted this guidance during the period ended March 31, 2017 on a prospective basis. The adoption of this guidance did not have a significant impact on the operating results for the period ended September 30, 2017.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which includes multiple amendments intended to simplify aspects of share-based payment accounting. Amendments to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, and forfeitures will be applied using a modified retrospective transition method through a cumulative-effect adjustment to equity as of the beginning of the period of adoption. Amendments to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement will be applied retrospectively, and amendments requiring the recognition of excess tax benefits and tax deficiencies in the income statement are to be applied prospectively. ASU 2016-09 will be effective for annual reporting periods beginning after December 15, 2017, for emerging growth companies, with early adoption permitted. The Company adopted the guidance for the period ended March 31, 2017. The adoption of this guidance did not have an impact on the operating results for the period ended September 30, 2017.

Recent Accounting Pronouncements – Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," ("ASU 2014-09"). ASU 2014-09 provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under GAAP. In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08"), which clarifies how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. In April 2016, the FASB issued ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which clarifies guidance related to identifying the performance obligations and licensing implementation guidance contained in the new revenue recognition standard. In May 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which addresses narrow-scope improvements to the guidance on collectability, noncash consideration and completed contracts at transition as well as providing a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. In December 2016, the FASB issued ASU No. 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers" ("ASU 2016-20"). ASU 2016-20 is intended to clarify and suggest improvements to the application of current standards under Topic 606 and other Topics amended by ASU 2014-09. ASU 2014-09, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 are effective for reporting periods beginning after December 15, 2018, for emerging growth companies, with early adoption permitted for reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of the provisions of this standard on the Company's financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," ("ASU 2016-01"). The amendments in ASU 2016-01, among other things, require equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; require public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes; require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables); and eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate fair value that is required to be disclosed for financial instruments measured at amortized cost. The effective date will be the first quarter of fiscal year 2019, for emerging growth companies. The Company is evaluating the impact that adoption of this new standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize on the balance sheet the assets and liabilities associated with the rights and obligations created by those leases. The guidance for lessors is largely unchanged from current U.S. GAAP. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The effective date will be the first quarter of fiscal year 2020, for emerging growth companies, with early adoption permitted. The Company is evaluating the impact that adoption of this new standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments (Topic 230): Statement of Cash Flows" ("ASU 2016-15"), which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. ASU 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. ASU 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2018, for emerging growth companies. The Company is currently evaluating the impact that this standard will have its financial statements.

In December 2016, the FASB issued No. ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2016-18"), which requires that amounts described as restricted cash or cash equivalents must be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will be effective in fiscal year 2020, for emerging growth companies, and must be applied retrospectively to all periods presented. The Company is currently evaluating the impact that this standard will have its financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which simplifies the measurement of goodwill impairment by eliminating the requirement of performing a hypothetical purchase price allocation. Instead, impairment will be measured using the difference between the carrying amount and fair value of the reporting unit. The amended guidance also eliminates the requirement for any reporting unit with a zero or a negative carrying amount to perform a qualitative assessment and will require disclosure of the amount of goodwill allocated to each reporting

unit with a zero or a negative carrying amount of net assets. This standard will be effective beginning in the first quarter of fiscal year 2022, for emerging growth companies. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The standard is to be applied prospectively. The Company is evaluating the impact that adoption of this new standard will have on its financial statements.

Except as noted above, the guidance issued by the FASB during the current period is not expected to have a material effect on the Company's financial statements.

Note 7. Litigation and Contingencies

The Company is involved in various legal proceedings, including product liability, general liability, workers' compensation liability, and employment litigation, which have arisen in the normal course of operations. The Company is insured for product liability, general liability, workers' compensation, employer's liability, property damage and other insurable risk required by law or contract, with retained liability or deductibles. The Company has recorded and maintains an estimated liability in the amount of management's estimate of the Company's aggregate exposure for such retained liabilities and deductibles. For such retained liabilities and deductibles, the Company determines its exposure based on probable loss estimations, which requires such losses to be both probable and the amount or range of probable loss to be estimable. The Company believes it has made appropriate and adequate reserves and accruals for its current contingencies. On May 11, 2017, the Company obtained insurance coverage for product liability exposures, certain exposures related to general, workers' compensation and automobile liability, catastrophic losses as well as those risks required to be insured by law or contract. The Company's workers' compensation policies have a \$250 per claim deductible with a \$1,000 aggregate deductible. The Company also maintains an occurrence based product liability policy with a \$500 per claim self-insured retention.

The product liability case *Knezek v. Terex Corp, et. al.*, went to trial and on November 10, 2016, the jury awarded the plaintiff damages payable by the Company in the amount of \$109. The verdict was subject to appeal and on January 12, 2017 a settlement agreement of \$225 was reached, which was paid in full during the period ended March 31, 2017.

The product liability case *Jones v. Terex Corp, et. al.*, an agreement of \$1,600 was reached in March 2017. The Company agreed to pay \$200 within 14 days of full execution of settlement agreement, followed thereafter by monthly payments in the amount of \$82 per month for 17 months. Settlement for \$53 was reached with co-plaintiff, Kerch, in June 2017.

Note 8. Supplemental Cash Flow Information

Interest and income taxes paid during the nine months ended September 30, 2017 and 2016 are as follows:

	For the Nine Months Ended	
	September 30,	
	2017	2016
Interest paid in cash	<u>\$ 2,255</u>	<u>\$ 3,399</u>
Income tax payments in cash	<u>\$ 545</u>	<u>\$ —</u>

Note 9. Debt

Loan Facilities

On December 23, 2016, the Company completed a new unitranche credit agreement with PNC Bank, National Association ("PNC"), and White Oak Global Advisors, LLC ("White Oak") to provide a \$65,000, 5-year credit facility (the "Credit Agreement"). This new facility replaced the Company's previous revolving credit and term loan facilities with JPMorgan Chase Bank, N.A., and Garrison Loan Agency Services LLC. The new facility consists of a \$35,000 revolving credit facility (which is subject to availability based primarily on eligible accounts receivable and eligible inventory), a Term Loan A facility of \$8,500 and a Term Loan B facility of \$21,500. A total of \$46,700 was drawn by the Company at closing of the Credit Agreement.

Revolving Loan Facility with PNC

On December 23, 2016, the Company entered into a \$35,000 revolving loan facility with PNC as the administrative agent, which loan facility includes two sub-facilities: (i) a \$2,000 letter of credit sub-facility, and (ii) a \$3,500 swing loan sub-facility, each of which is fully reserved against availability under the revolving loan facility. The facility matures on December 23, 2021.

The \$35,000 revolving loan facility is a secured financing facility under which borrowing availability is limited to existing collateral as defined in the agreement. The maximum amount available is limited to (i) the sum of (a) up to 85% of Eligible Receivables, plus (b) 90% of Eligible Insured Foreign Receivables, plus (c) the lesser of (I) 95% of Eligible CAT Receivables, or \$8,600 plus (ii) the lesser of (A) the sum of (I) up to 65% of the value of the Eligible Inventory (other than Eligible Inventory consisting of finished goods machines and service parts that are current), plus (II) 80% of the value of Eligible inventory consisting of finished goods machines, plus (III) 75% of the value of Eligible Inventory consisting of service parts that are current) or, (B) up to 90% of the appraised net orderly liquidation value of Eligible Inventory. Inventory collateral is capped at \$15,000 less outstanding letters of credit and any reasonable reserves as established by the bank. At September 30, 2017, the maximum the Company could borrow based on available collateral was capped at \$18,735.

At September 30, 2017, the Company had drawn \$7,439 under the \$35,000 revolving loan facility. The Company can opt to pay interest on the revolving credit facility at either a domestic rate plus a spread, or a LIBOR rate plus a spread. The spread for domestic rate will range from 1% to 1.5% and LIBOR spread from 2% to 2.5% depending on the average undrawn availability (as defined in the loan agreement). Funds borrowed under the LIBOR options can be borrowed for periods of one, two, or three months. The weighted average interest rate for the period ending September 30, 2017 was 3.6%. Additionally, the bank assesses a 0.375% unused line fee that is payable monthly.

Term Loan A with PNC

On December 23, 2016, the Company entered into an \$8,500 term loan ("Term Loan A") facility with PNC as the administrative agent.

At September 30, 2017, the Company had no outstanding balance. The Company was required to use 40% of the net proceeds from the IPO to pay down amounts outstanding under its term loans. In addition to the amount required of \$4,160, the Company repaid the remaining Term Loan A balance of \$4,128 and recorded an \$83 loss on debt extinguishment charge.

Term Loan B with White Oak

On December 23, 2016, the Company entered into a \$21,500 term loan ("Term Loan B") facility with White Oak as the administrative agent.

At September 30, 2017, the Company had an outstanding balance of \$18,388, less \$553 debt issuance costs, for net debt of \$17,835. The interest rate is fixed at a LIBOR rate plus 10% until delivery of the same reporting documents referenced above. After delivery of the reporting documents, the Company will pay interest at the LIBOR rate plus a spread of either 9% or 10% depending on the leverage ratio, provided that at no time will the LIBOR rate be less than 1%. The interest rate for the period ending September 30, 2017 was 10.3%.

The Company is obligated to make quarterly principal payments of \$538 commencing on March 31, 2017. If the term loan is prepaid in full or in part prior to the maturity date, the Company will be required to pay a prepayment penalty. If paid prior to December 23, 2017 the prepayment penalty will be equal to 2.0% of the prepayment. The prepayment penalty percentage reduces each year towards the loan maturity date. Any unpaid principal is due on maturity, which is December 23, 2021. Interest is payable monthly beginning on December 31, 2016.

Covenants

The Company's indebtedness is collateralized by substantially all of the Company's assets. The facilities contain customary limitations including, but not limited to, limitations on additional indebtedness, acquisitions, and payment of dividends. The Company is also required to comply with certain financial covenants as defined in the Credit Agreement. The revolving credit facility and the term loans require the Company to maintain a Minimum Fixed Charge Coverage ratio of not less than 1.20 to 1.0. Additionally, the term loans require the Company not exceed a Leverage Ratio of 5.00 to 1.00 which shall step down to 2.85 to 1.00 by March 31, 2021

and also limits capital expenditures to \$1,300 in any fiscal year. The Company was in compliance with all covenants for the period ended September 30, 2017.

Note 10. Equity

2017 Equity Incentive Plan

On May 11, 2017, the Company adopted the ASV Holdings, Inc. 2017 Equity Incentive Plan (the “2017 Plan”). The maximum number of shares of common stock reserved for issuance under the 2017 Plan is 1,250 shares. The total number of shares reserved for issuance however, can be adjusted to reflect certain corporate transactions or changes in the Company’s capital structure. The Company’s employees and members of the board of directors who are not the Company’s employees or employees of the Company’s affiliates are eligible to participate in the 2017 Plan. The 2017 Plan is administered by the compensation committee of the Company’s board of directors. The 2017 Plan provides that the committee has the authority to, among other things, select plan participants, determine the type and amount of rewards, determine the award terms, fix all other conditions of any awards, interpret the plan and any plan awards. Under the 2017 Plan, the committee can grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units. The 2017 Plan requires that the exercise price for stock options and stock appreciation rights be not less than fair market value of the Company’s common stock on date of grant.

The Company awarded a total of 104 restricted stock units to employees and directors under the 2017 Plan on June 2, 2017. The restricted stock units are subject to the same conditions as the restricted stock awards except the restricted stock units will not have voting rights and the common stock will not be issued until the vesting criteria are satisfied.

The following table contains information regarding restricted stock units:

	<u>September 30, 2017</u>
Outstanding on January 1, 2017	-
Units granted during the period	104
Vested and issued	-
Forfeited	-
Outstanding on September 30, 2017	104

On June 2, 2017, the Company granted an aggregate of 53 restricted stock units to employees pursuant to the 2017 Plan. Restricted stock units of 9, 24 and 20 vest in 2017, 2018 and 2019, respectively.

On June 2, 2017, the Company granted 51 restricted stock units to officers pursuant to the 2017 Plan. Restricted stock units of 17, 17 and 17 vest on June 2, 2018, 2019 and 2020, respectively.

The value of the restricted stock is being charged to compensation expense over the vesting period. Compensation expense includes expense related to restricted stock units of \$96 and \$0 for the three months ended September 30, 2017 and 2016, respectively, and \$231 and \$0 for the nine months ended September 30, 2017 and 2016, respectively. Additional compensation expense related to restricted stock units will be \$110, \$285, \$212 and \$58 for the remainder of 2017, 2018, 2019 and 2020, respectively.

Note 11. Subsequent Events

On October 5, 2017, the Company entered into a Second Amendment to the Credit Agreement (the “Second Credit Agreement Amendment”). The principal modifications to the Credit Agreement resulting from the Second Credit Agreement Amendment are (i) a revision to one of the components of the “Permitted Indebtedness” definition permitting the Company to enter into certain additional loan agreements and (ii) a revision to the provisions in the Credit Agreement permitting the Company to incur certain additional capital expenditures and to enter into certain additional leases.

On October 5, 2017, the Company entered into a lease agreement for a facility in Grand Rapids, Minnesota where the Company intends to relocate its parts distribution facility.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes to those statements included in this Quarterly Report on Form 10-Q. This discussion

and analysis may contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth under the caption "Risk Factors," in our prospectus dated May 12, 2017 (the "Prospectus"), filed with the Securities and Exchange Commission ("SEC") on May 15, 2017 pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended (the "Securities Act") and elsewhere in the Quarterly Report on Form 10-Q.

Cautionary Statement Regarding Non-GAAP Measures

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contains references to "EBITDA". EBITDA is defined for the purposes of this Quarterly Report on Form 10-Q as net income or loss before interest, income taxes, depreciation and amortization. Management believes that EBITDA is a useful supplemental measure of our operating performance and provides meaningful measures of overall corporate performance exclusive of our capital structure and the method and timing of expenditures associated with building and placing our products. EBITDA is also presented because management believes that it is frequently used by investment analysts, investors and other interested parties as a measure of financial performance.

However, EBITDA is not a recognized earnings measure under generally accepted accounting principles of the United States ("U.S. GAAP") and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that should not be construed as an alternative to net income or loss or other income statement data (which are determined in accordance with U.S. GAAP) as an indicator of our performance or as a measure of liquidity and cash flows. Management's method of calculating EBITDA may differ materially from the method used by other companies and accordingly, may not be comparable to similarly titled measures used by other companies.

Overview

ASV Holdings, Inc. (formerly A.S.V., LLC) ("ASV" the "Company," "we," "our" and/or "us") designs and manufactures a broad range of high quality compact track loader ("CTL") and skid steer loader ("SSL") equipment, marketed through a distribution network in North America, Australia and New Zealand under the ASV and Terex brands. We also serve as a private label original equipment manufacturer ("OEM") for several manufacturers. Our products are used principally in the construction, agricultural and forestry industries. As a full-service manufacturer, we provide pre- and post-sale dealer support, after-sale technical support and replacement parts supplied from our dedicated logistics center. We also supply a limited version of our assembled undercarriage sets that exclude the suspension to Caterpillar for three versions of Caterpillar's multi-terrain CTL machines marketed under the CAT brand under a supply contract with Caterpillar.

Background:

A.S.V., Inc. was founded in 1983 and launched its first CTL machine in 1990. It launched as a publicly-traded company on NASDAQ in 1994 and operated as a public company until it was acquired by Terex Corporation ("Terex") on March 3, 2008. On December 19, 2014, Manitex International, Inc ("Manitex") purchased 51% of ASV from Terex pursuant to a joint venture arrangement with Terex (the "Joint Venture"). On December 23, 2014, A.S.V., Inc. was converted to a Minnesota limited liability company and its name was changed to A.S.V., LLC. The terms of the Joint Venture and objectives of ASV management included the following:

- We agreed to operate as a private label original equipment manufacturer of ASV products under the Terex brand name, and Terex agreed to market the ASV products through the Terex distribution network.
- We were permitted to re-launch the ASV brand and establish an independent ASV North American dealer network managed directly by dedicated ASV regional account sales managers. Our independent dealers would be located in areas where Terex had no presence and would therefore be complementary to the Terex network. Terex would provide marketing and product line management resources to support the ASV brand.
- We agreed to directly manage our master distributor and overseas dealers in Australia and New Zealand, and national accounts such as Caterpillar.
- Terex agreed to support ASV's efforts to penetrate large rental equipment dealers by utilizing the wider Terex group dealer relationships.
- We would continue to convert our ASV products to the Environmental Protection Agency's ("EPA") Tier 4 Final emissions standard, which are a set of emissions requirements established by the EPA to reduce emissions of particulate matter, oxides of nitrogen and air toxics from certain types of engines.

Since the inception of the Joint Venture in December 2014, we have achieved the following:

- Beginning in the second quarter of 2015, we re-launched the ASV brand with a new logo and newly designed product range of four CTLs and four SSL machines. As of September 30, 2017, we are marketing 12 CTL and SSL products under the ASV brand.
- We have established our own sales organization, with a National Sales Manager for North America, seven ASV sales account managers and 124 North American ASV dealers and rental accounts with 189 locations in 41 U.S. states and five Canadian provinces as of September 30, 2017.
- We have grown the ASV distribution network while seeing a decline in activity from dealers in the Terex network. During 2016, 71% of our machine sales were made through our distribution network while 29% of our machine sales were made through Terex dealers. For the three and nine months ended September 30, 2017, machine sales sold through our distribution network were 98% and 96%, respectively.

On May 11, 2017, in connection with the Company's initial public offering ("IPO"), we converted from a Minnesota limited liability company into a Delaware corporation and changed our name from A.S.V., LLC to ASV Holdings, Inc., which we refer to herein as the "LLC Conversion". In conjunction with the LLC Conversion,

- all of our outstanding units converted into shares of our common stock, based on the relative ownership interests of our pre-IPO equity holders as set forth in the A.S.V., LLC limited liability company agreement;
- we adopted and filed a certificate of incorporation and certificate of conversion with the Secretary of State of the State of Delaware; and
- we adopted and filed a plan of conversion and articles of conversion with the Secretary of State of the State of Minnesota. For more information on the LLC Conversion, see the discussion under "Certain Relationships and Related Party Transactions—LLC Conversion" in our Prospectus dated May 12, 2017.

Business Outlook

A number of economic indicators that we believe are relevant to our industry and products have been trending favorably in the first nine months of 2017 and are forecasted to continue in a positive direction. A primary driver of demand for our CTL and SSL products is the United States housing market, where the level of new housing starts continues to be below pre-2007 levels. Since 2009, according to the U.S. Census Bureau, new housing starts have incrementally increased to a seasonally adjusted annual rate of 1.2 million units in August 2017 from approximately 0.5 million in October 2009. This August 2017 rate is 1.4% above the August 2016 rate.

Construction spending in the United States is also experiencing growth. The U.S. Census Bureau reported on October 2, 2017 that total construction spending during August 2017 was estimated at a seasonally adjusted annual rate of \$1.2 trillion, 2.5% above the August 2016 estimate.

The economies of the markets to which we sell our products have for the past few years operated with interest rates at historically low levels. Interest rate changes affect overall economic growth, which affects demand for residential and nonresidential structures which in turn affects sales of our products that serve these activities. Interest rate changes also affect the ability of dealers to finance machine purchases, can change the optimal time to keep machines in a fleet and can impact the ability of our suppliers to finance the production of parts and components necessary to manufacture and support our products. In the United States, during 2016 and early 2017, the Federal Reserve began increasing interest rates from their historically low levels. Increases in interest rates could negatively impact our sales and create supply chain inefficiencies.

Factors Affecting Revenues and Gross Profit

We derive most of our revenue from purchase orders from dealers and distributors. The demand for our products depends upon the general economic conditions of the markets in which we compete, residential housing starts, general construction activity and upon dealer and end-user replacement or repair cycles. Adverse economic conditions may cause dealers or end-users to forego or postpone new purchases in favor of repairing existing machinery. In addition to the United States, we sell to dealers in Canada, Australia and New Zealand. All of our sales are denominated in U.S. dollars. The strengthening of the U.S. dollar against these other currencies may have a negative impact on sales volume and sales prices to dealers outside of the United States.

Factors that affect gross profit include product mix, production levels and cost of raw materials. Margins tend to increase when sales are skewed towards larger, tracked machines and replacement parts. As a consequence, gross profit margins can vary from period to period. Replacement parts generally command higher margins than product sales.

Results of Operations

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

For the three months ended September 30, 2017, the Company had net income of \$0.5 million compared to a net income of \$0.4 million for the three months ended September 30, 2016.

For the three months ended September 30, 2017, net income of \$0.5 million consisted of revenue of \$30.6 million, cost of sales of \$25.8 million, research and development costs of \$0.5 million, selling, general and administrative (“SG&A”) expenses of \$2.9 million, interest expense of \$0.7 million, and an income tax expense of \$0.3 million.

For the three months ended September 30, 2016, the net income of \$0.4 million consisted of revenue of \$23.0 million, cost of sales of \$19.3 million, research and development costs of \$0.5 million, SG&A expenses of \$1.5 million, and interest expense of \$1.3 million.

Net Sales: For the three months ended September 30, 2017, net sales were \$30.6 million, an increase of approximately \$7.6 million or 33.0% from net sales of \$23.0 million for the same period in 2016. The increase in net sales is attributable to increased machine sales of \$7.4 million and an increase in aftermarket parts and other sales of \$1.1 million, offset by a decrease in sales of undercarriages to Caterpillar of \$0.9 million. Sales of machines through Terex distribution channels were 1.8% of total revenues from sales of machines during the three months ended September 30, 2017, compared to 16.6% during the three months ended September 30, 2016. Growth in revenues from sales of machines through the ASV North American distribution channels was 89% compared to the three months ended September 30, 2016. This change in distribution mix was in line with expectations and we expect it to continue.

Increased machine volume and an improved machine mix of larger higher revenue models in the three months ended September 30, 2017, resulted in an increase in machine revenues of 60% or \$7.4 million from the same period in 2016. This was due to increased sales of ASV branded machines, reduced volume of Terex branded equipment, down 14.8% to 1.8% of total machines period over period, and lower sales of OEM machines. Although there were limited price increases on select models sold outside of North America, there was no material impact due to price increases for the three months ended September 30, 2017.

Sales of ASV brand machines increased 89% period over period, more than offsetting the total decline in sales of Terex branded product. For the three months ended September 30, 2017, sales of machines through ASV-managed distribution network increased to 98.2% of machine sales, compared to 83.4% in the prior year. Our continued focus is on increasing the independent ASV dealer network. Twenty-One North America dealer and independent rental locations were added in the third quarter of 2017.

Parts and other sales for the three months ended September 30, 2017 increased \$0.2 million compared to the same period in 2016. This comprised an increase of aftermarket parts sales of \$1.0 million, offset by a \$0.9 million decrease in Caterpillar undercarriage shipments for the period. This decrease in Caterpillar undercarriage shipments was a result of a lower demand allocation in the period.

Gross Profit: For the three months ended September 30, 2017, our gross profit was \$4.8 million or 15.7% of net sales compared to \$3.7 million or 16.1% of net sales for the same period in 2016. Gross profit as a percent of net sales decreased primarily as a result of a favorable purchase price variance on rubber tracks and wheels beginning in July of 2016, attributable to decreases in the synthetic and natural rubber indexes.

Research and Development: Research and development expense was \$0.5 million or 1.6% of net sales for the three months ended September 30, 2017, compared to \$0.5 million or 2.2% of net sales for the same period in 2016.

Selling, general and administrative expense: SG&A expense for the three months ended September 30, 2017 was \$2.9 million or 9.5% of net sales, compared to \$1.5 million, or 6.5% of net sales, for the comparable period in 2016, an increase of approximately \$1.4 million or 93.3%, respectively. The main contributing factors to the increase were (i) a \$0.1 million increase from costs associated with stock compensation, (ii) a \$0.4 million increase resulting from costs associated with operating as a public company, (iii) a \$0.5 million favorable adjustment to product liability expense in 2016, and (iv) a \$0.2 million net increase in selling and administrative costs relating to adding a dedicated ASV sales team, advertising, and marketing of the ASV brand and performance compensation and commissions.

Operating Income: For the three months ended September 30, 2017, our operating income was \$1.5 million or 4.9% of net sales, compared to \$1.7 million or 7.4% of net sales for the same period in 2016. Operating income decreased due to the explanations above.

Interest expense: Interest expense, including amortization of debt issuance costs, for the three months ended September 30, 2017, was \$0.7 million compared to \$1.3 million for the same period in 2016, principally due to lower borrowings on our debt facilities, pay down of debt from IPO proceeds and improved rates, a result of refinancing our debt in December of 2016.

Tax: For the three months ended September 30, 2017, the Company recorded an income tax provision of \$0.3 million compared to zero tax for the three months ended September 30, 2016. The income tax provision consists of federal and state taxes.

Net income: For the three months ended September 30, 2017, our net income was \$0.5 million compared to a net income of \$0.4 million for the same period in 2016, an increase of \$0.1 million and is attributable to the items discussed above.

EBITDA:

EBITDA totaled \$2.7 million or 8.7% of net sales for the three months ended September 30, 2017 compared to \$2.9 million or 12.7% of net sales for the same period in 2016. The decrease in EBITDA for the three months ended September 30, 2017 compared to the three months ended September 30, 2016 resulted from reduced interest charges of \$0.6 million, offset by increased net income of \$0.1 million and increased tax expense of \$0.3 million.

EBITDA totaled \$8.2 million or 8.9% of net sales for the nine months ended September 30, 2017 compared to \$8.2 million or 10.4% of net sales for the same period in 2016. The offsetting changes in EBITDA for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 were due to increased net income of \$1.5 million and increased depreciation and amortization of \$0.2 million, offset by reduced interest charges of \$1.3 million and a tax benefit of \$0.4 million.

The table below sets forth a reconciliation of Net Income to EBITDA (in thousands of dollars) :

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 522	\$ 438	\$ 2,505	\$ 949
Interest Expense	698	1,259	2,463	3,816
Depreciation & Amortization	1,192	1,219	3,626	3,447
Income Tax (Benefit) Expense	257	-	(372)	-
EBITDA (1)	\$ 2,669	\$ 2,916	\$ 8,222	\$ 8,212
% of Sales	8.7%	12.7%	8.9%	10.4%

- (1) EBITDA is defined as income or loss before interest, income taxes, depreciation and amortization. EBITDA is not a recognized measure under U.S. GAAP and does not have a standardized meaning prescribed by U.S. GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other companies. The table above reconciles net income to EBITDA. See “— Cautionary Statements Regarding Non-GAAP Measures” for further information regarding EBITDA.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

For the nine months ended September 30, 2017, the Company had a net income of \$2.5 million compared to a net income of \$0.9 million for the same period ended September 30, 2016.

For the nine months ended September 30, 2017, net income of \$2.5 million consisted of revenue of \$92.9 million, cost of sales of \$78.4 million, research and development costs of \$1.6 million, SG&A expenses of \$8.3 million, interest expense of \$2.5 million and an income tax benefit of \$0.4 million.

For the nine months ended September 30, 2016, the net income of \$0.9 million consisted of revenue of \$78.8 million, cost of sales of \$66.2 million, research and development costs of \$1.5 million, SG&A expenses of \$6.2 million, and interest expense of \$3.8 million.

Net Sales: For the nine months ended September 30, 2017, net sales were \$92.9 million, an increase of approximately \$14.1 million or 17.9% from net sales of \$78.8 million for the same period in 2016. The increase in net sales is attributable to increased machine sales of \$14.0 million, increased sales of aftermarket parts and other of \$0.9 million, offset by decreased sales of undercarriages to Caterpillar of \$0.8 million. Sales of machines through Terex distribution channels were 3.9% of total revenues from sales of machines during the nine months ended September 30, 2017, compared to 37.8% during the nine months ended September 30, 2016. Growth in

revenues from sales of machines through the ASV North American distribution channels was 98% compared to the nine months ended September 30, 2016.

Increased machine volume and an improved machine mix of larger higher revenue machines in the nine months ended September 30, 2017, resulted in an increase in machine revenues of 30% or \$14.0 million from the same period in 2016. This was due to reduced volume of Terex branded equipment, down 33.9% period over period, and lower sales of OEM machines. Although there were limited price increases on select models sold outside of North America, there was no material impact due to price increases for the nine months ended September 30, 2017.

Sales of ASV-branded machines increased 98% period over period, offsetting 100% of the decline in sales of Terex-branded products. For the nine months ended September 30, 2017, sales of machines through ASV-managed distribution network increased to 96.1% of machine sales, compared to 62.2% in the same period in 2016. Our continued focus is on increasing the independent ASV dealer network. Fifty-Six North America dealer and independent rental locations were added during the first nine months of 2017.

Parts and other sales for the nine months ended September 30, 2017 increased \$0.1 million compared to the same period in 2016. This was comprised of increased sales of aftermarket parts and other of \$0.9 million, offset by decreased sales of undercarriages to Caterpillar of \$0.8 million.

Gross Profit: For the nine months ended September 30, 2017, our gross profit was \$14.5 million or 15.6% of net sales compared to \$12.5 million or 15.9% of net sales for the same period in 2016. Gross profit as a percent of net sales decreased primarily as a result of a favorable warranty rate adjustment applied in 2016 which has carried forward to 2017, favorable purchase price variance on rubber tracks and wheels beginning in July of 2016 attributable to decreases in the synthetic and natural rubber indexes, combined with the establishment of an inventory reserve on aftermarket parts and a decrease in freight in ending inventory correlating to the 13% reduction of inventory in the period. This was offset in part by favorable machine volume and model mix.

Research and Development: Research and development expense was \$1.6 million or 1.7% of net sales for the nine months ended September 30, 2017, compared to \$1.5 million or 1.9% of net sales for the same period in 2016. The increase of \$0.1 million is attributable to expenditures related to the launch of new product designs for the ASV brand in connection with the implementation of Tier 4 emissions standards during the period.

Selling, general and administrative expense: SG&A expense for the nine months ended September 30, 2017 was \$8.3 million or 8.9% of net sales, compared to \$6.2 million, or 7.9% of net sales, for the comparable period in 2016, an increase of approximately \$2.1 million or 33.9%, respectively. Excluding costs relating to the Joint Venture of \$0.2 million of machine selling expenses paid to Terex that were incurred in the nine months ended September 30, 2016, the net year-over-year increase in SG&A expense was \$1.9 million. The main contributing factors to the increase were (i) a \$0.1 million increase from costs associated with the 2017 ConExpo trade show, (ii) an approximately \$0.2 million favorable adjustment to the accrual for product liability expenses (partially offset by \$0.1 million in associated legal expenses), due to the settlement of a product liability claim lower than the accrued cost, (iii) a \$0.3 million increase from costs associated with stock compensation and transaction related compensation costs, (iv) a \$0.6 million increase in public company costs and (v) a \$0.7 million increase in selling and administrative costs relating to adding a dedicated ASV sales team, advertising, and marketing of the ASV brand and performance compensation and commissions.

Operating Income: For the nine months ended September 30, 2017, our operating income was \$4.6 million or 5.0% of net sales, compared to \$4.8 million or 6.1% of net sales for the same period in 2016. Operating income as a percent of net sales decreased due to the explanations above.

Interest expense: Interest expense, including amortization of debt issuance costs, for the nine months ended September 30, 2017, was \$2.5 million compared to \$3.8 million for the same period in 2016, principally due to lower borrowings on our debt facilities, pay down of debt from IPO proceeds and improved rates, a result of refinancing our debt in December of 2016, offset in part by a \$0.1 million debt extinguishment charge related to the pay-off of term loan A from IPO proceeds.

Tax: For the nine months ended September 30, 2017 the Company recorded an income tax benefit of \$0.4 million compared to zero tax for the nine months ended September 30, 2016. The income tax benefit was generated as a result of establishing a deferred tax asset of \$0.9 million on conversion of the Company from a Minnesota limited liability company to a Delaware corporation immediately prior to the IPO in May 2017 that was offset by a tax charge on income at an effective tax rate of 26.98% or \$0.6 million. The Company's effective tax rate is lower than the statutory rate of 35% primarily related to this discrete item.

Net income: For the nine months ended September 30, 2017, our net income was \$2.5 million compared to a net income of \$0.9 million for the same period in 2016, an increase of \$1.6 million and is attributable to the items discussed above.

Liquidity and Capital Resources

Since December 2014, we have funded our business activities by utilizing a revolving credit facility, a term loan for financing, cash generated from operations and an equity contribution by Manitex and Terex in the first quarter of 2016. On December 23, 2016, the Company entered into a new unitranche credit agreement with PNC Bank, National Association (“PNC”) and White Oak Global Advisors, LLC (“White Oak”) to provide a \$65.0 million, 5-year credit facility (the “Credit Agreement”). This new facility replaced the Company’s previous revolving credit and term loan facilities with JPMorgan Chase Bank, N.A., and Garrison Loan Agency Services LLC. The credit facility consists of \$65.0 million in senior secured financing, with PNC providing a \$35.0 million senior revolving credit facility (which is subject to availability based primarily on eligible accounts receivable and eligible inventory) and a senior secured Term Loan A in the amount of \$8.5 million, and White Oak providing a senior secured Term Loan B in the amount of \$21.5 million. A total of \$46.7 million was drawn by the Company at the closing of the Credit Agreement. For more information, see Note 9, “Debt” to the unaudited condensed financial statements included elsewhere in the Quarterly Report on Form 10-Q.

We use our capital resources to:

- fund operating costs;
- fund capital requirements, including capital expenditures;
- make debt and interest payments; and
- invest in new ventures.

We need cash to meet our working capital needs as the business grows, to acquire capital equipment, and to fund acquisitions and debt repayment. We intend to use cash flows from operations and existing availability under the current revolving credit facility to fund anticipated levels of operations for the next twelve months. As our availability under our credit lines is limited, it is important that we manage our working capital. We may need to raise additional capital through debt or equity financings to support our growth strategy, which may include additional acquisitions. There is no assurance that such financing will be available or, if available, on acceptable terms.

During the three months ended June 30, 2017, we applied the net proceeds of \$10.4 million from the Company’s IPO to reduce our term debt balances by \$9.8 million and our revolving credit line by \$0.6 million.

Cash Flows

Nine Months Ended September 30, 2017

Operating activities generated \$8.8 million of cash for the nine months ended September 30, 2017, comprised of a net income of \$2.5 million, non-cash items that totaled \$3.6 million and changes in assets and liabilities, which generated \$2.7 million. The principal non-cash items are depreciation and amortization of \$3.6 million, share-based compensation of \$0.2 million, deferred income tax benefit \$(0.9), amortization of deferred finance cost of \$0.2 million, debt extinguishment of \$0.1 million and an increase in inventory reserves of \$0.4 million.

The changes in assets and liabilities generated \$2.7 million. The changes in assets and liabilities had the following impact on cash flows: Accounts receivable consumed \$3.5 million, trade receivables/payables from affiliates generated \$0.2 million, inventory generated \$5.3 million, prepaid expenses consumed \$0.1 million, trade accounts payable generated \$2.2 million, and accrued expenses consumed \$1.4 million. The increase in accounts receivable is principally due to increased sales. Days sales outstanding at September 30, 2017 were 54 days, compared to 63 days at December 31, 2016. The decrease in inventory relates primarily to the consumption of material on hand at the end of the period of December 31, 2016 that was used for product manufactured for international shipments in the first quarter of 2017, along with enhancements to our material planning to more closely align with our production plan. This has resulted in reduced component inventory which in turn has significantly improved our days in inventory metric. The \$1.4 million reduction in accrued expenses related principally to \$1.2 million for product liability and \$0.2 million for reduced legal accrual. The fluctuation in the remaining assets and liabilities are within a range that would normally be expected to occur.

Investing activities for the nine months ended September 30, 2017 generated \$0.1 million of cash. We consumed \$0.5 million of cash to purchase machinery and equipment, principally related to tooling for Tier IV, information technology systems upgrades and building improvements. We generated \$0.5 million of cash collateral held in escrow under our credit facility.

Financing activities consumed \$9.4 million in cash for the nine months ended September 30, 2017. We used \$1.8 million of cash for principal payments on debt, consumed \$0.009 million on debt issuance costs, and repaid \$7.6 million on our existing revolving credit facility.

Nine Months Ended September 30, 2016

Operating activities consumed \$2.1 million of cash for the nine months ended September 30, 2016 comprised of a net income of \$0.9 million, non-cash items that totaled \$4.0 million and changes in assets and liabilities, which consumed \$7.1 million. The principal non-cash items are depreciation and amortization of \$3.4 million, amortization of deferred finance cost of \$0.4 million, loss on sale of fixed assets of \$0.02 million and an increase in allowance for doubtful accounts of \$0.04 million and an increase in inventory reserves of \$0.1 million.

The changes in assets and liabilities consumed \$7.1 million. The changes in assets and liabilities had the following impact on cash flows: trade receivables/payables from affiliates consumed \$0.7 million, inventory consumed \$4.0 million, accounts payable consumed \$1.0 million, and accrued expenses consumed \$1.2 million.

Investing activities for the nine months ended September 30, 2016 consumed \$0.3 million of cash representing the purchase of machinery and equipment.

Financing activities generated \$2.4 million in cash for the nine months ended September 30, 2016. Cash was generated by an additional member's equity contribution of \$5.0 million and advances on the revolving credit facility of \$3.0 million. Other financing activities consumed \$5.6 million, which related to term debt principal repayments of \$5.5 million and \$0.1 million of debt issuance costs.

Critical Accounting Policies and Estimates

Our financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. There have been no significant changes to our critical accounting policies that are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Significant Accounting Policies" in our Prospectus dated May 12, 2017.

Off-Balance Sheet Arrangements

At September 30, 2017 we had \$0.2 million of standby letters of credit outstanding. PNC Bank has issued a \$0.2 million standby letter of credit in favor of an insurance carrier to secure obligations which may arise in connection with future deductible payments that may be incurred under our workers' compensation insurance policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to certain market risks that exist as part of our ongoing business operations.

Interest Rate Risk

We are exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the PNC prime rate and LIBOR. At September 30, 2017, we had approximately \$25.8 million of variable rate debt with a weighted average interest rate of approximately 8.39%. An increase of 1% in our average floating interest rates at September 30, 2017 would increase interest expense by approximately \$0.3 million.

Commodities Risk

We purchase a majority of our components as partially and fully finished assemblies, rather than raw materials for conversion. However, steel is a major part of the chassis, cabs and wheel rims of our product and as such availability and pricing from our suppliers is subject to the global steel market. Extreme movements in the cost and availability of steel and other materials and components may affect our financial performance. Changes in input costs did not have a significant effect on our operating performance in 2016 or the nine months ended September 30, 2017. During 2016 and during the nine months ended September 30, 2017, raw materials and component were generally available to meet our production schedules and had no significant impact on our revenues.

In the absence of labor strikes or other unusual circumstances, the materials and components used in our products are normally available from multiple suppliers. However, some of the components may not be easily interchanged with components from alternative suppliers and have been designed into our products. We evaluate current and potential suppliers on a regular basis on their ability to meet our requirements and standards. We actively manage our material supply sourcing, and may employ various methods to limit risk associated with commodity cost fluctuations and availability. The inability of suppliers to deliver materials and components

promptly could result in production delays and increased costs to manufacture our products. To mitigate the impact of these risks we continue to search for acceptable alternative supply sources and less expensive supply options on a regular basis.

Item 4. Controls and Procedures.

Management's Evaluation of our Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

As of September 30, 2017, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our principal executive officer and principal financial officer have concluded based upon the evaluation described above that, as of September 30, 2017, our disclosure controls and procedures were effective at the reasonable assurance level.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in various legal proceedings, including the proceeding before the National Labor Relations Board described in "Risk Factors—Risks Related to Our Business" in our Prospectus dated May 12, 2017. We are also involved in products liability and workers' compensation matters which have arisen in the normal course of our business operations. On May 11, 2017, the Company obtained insurance coverage for product liability exposures, certain exposures related to general, workers' compensation and automobile liability, catastrophic losses as well as those risks required to be insured by law or contract. The Company's workers' compensation policies have a \$0.25 million per claim deductible with a \$1.0 million aggregate deductible. The Company also maintains an occurrence based product liability policy with a \$0.5 million per claim self-insured retention.

Item 1A. Risk Factors.

As of the date of this filing, there have been no material changes from the risk factors disclosed in the Company's Prospectus dated May 12, 2017.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

See the Exhibit Index set forth below for a list of exhibits included with this Quarterly Report on Form 10-Q.

Exhibit Number	Description
10.1	<u>Separation Agreement, dated as of May 11, 2017, by and among ASV Holdings, Inc. (as successor-in-interest to A.S.V., LLC), Terex Corporation and Manitex International, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 18, 2017).</u>
10.2	<u>Employee Matters Agreement, dated as of May 11, 2017, by and between ASV Holdings, Inc. (as successor-in-interest to A.S.V., LLC) and Manitex International, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 18, 2017).</u>
10.3	<u>Registration Rights Agreement, dated as of May 17, 2017, by and among ASV Holdings, Inc., A.S.V. Holding, LLC and Manitex International, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 18, 2017).</u>
31.1*	<u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

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.

ASV Holdings, Inc.

Date: November 2, 2017

By: _____
Andrew M. Rooke
Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2017

By: _____
Melissa K. How
CFO and Secretary
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew M. Rooke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ASV Holdings, 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
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2017

By: _____ /s/ Andrew M. Rooke

**Andrew M. Rooke
Chief Executive Officer**

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

In connection with the Quarterly Report of ASV Holdings, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2017

By: _____ /s/ Melissa K. How
Melissa K. How
Chief Financial Officer