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

Form 10-Q

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

For the quarterly period ended June 30, 2023
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 001-34365

1.6

COMMERCIAL VEHICLE GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**41-1990662** **(I.R.S. Employer Identification No.)**
7800 Walton Parkway **New Albany, Ohio** **(Address of principal executive offices)**	**43054** **(Zip Code)**

(614) 289-5360
(Registrant's telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CVGI	The NASDAQ Global Select Market

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

The number of shares outstanding of the Registrant's common stock, par value $.01 per share, at August 7, 2023 was 33,744,600 shares.

COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q

PART I. FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Unaudited) (In thousands, except per share amounts)			
Revenues	$ 262,194	$ 250,849	$ 524,903	$ 495,223
Cost of revenues	223,793	228,970	451,293	447,961
Gross profit	38,401	21,879	73,610	47,262
Selling, general and administrative expenses	22,457	15,652	43,022	32,651
Operating income	15,944	6,227	30,588	14,611
Other (income) expense	307	(167)	105	874
Interest expense	2,804	2,118	5,694	4,079
Loss on extinguishment of debt	—	921	—	921
Income before provision for income taxes	12,833	3,355	24,789	8,737
Provision for income taxes	2,693	870	5,949	2,270
Net income	$ 10,140	$ 2,485	$ 18,840	$ 6,467
Earnings per Common Share:				
Basic	$ 0.31	$ 0.08	$ 0.57	$ 0.20
Diluted	$ 0.30	$ 0.08	$ 0.57	$ 0.20
Weighted average shares outstanding:				
Basic	33,051	32,237	32,960	32,152
Diluted	33,429	33,039	33,312	33,009

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

COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(Unaudited) (In thousands)			
Net income	$ 10,140	$ 2,485	$ 18,840	$ 6,467
Other comprehensive income (loss):				
Foreign currency exchange translation adjustments	(1,051)	(5,523)	1,506	(5,196)
Minimum pension liability, net of tax	(147)	1,476	(7)	1,447
Derivative instrument, net of tax	1,298	(641)	2,641	2,173
Other comprehensive income (loss)	100	(4,688)	4,140	(1,576)
Comprehensive income (loss)	$ 10,240	$ (2,203)	$ 22,980	$ 4,891

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

COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2023	December 31, 2022
	(Unaudited)	
	(In thousands, except per share amounts)	
ASSETS		
Current Assets:		
Cash	$ 42,441	$ 31,825
Accounts receivable, net of allowances of $322 and $306, respectively	173,461	152,626
Inventories	131,695	142,542
Other current assets	22,180	12,582
Total current assets	369,777	339,575
Property, plant and equipment, net	70,371	67,805
Intangible assets, net	12,924	14,620
Deferred income taxes	11,004	12,275
Other assets, net	36,414	35,993
Total assets	$ 500,490	$ 470,268
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 106,310	$ 122,091
Accrued liabilities and other	54,680	42,809
Current portion of long-term debt and short-term debt	17,260	10,938
Total current liabilities	178,250	175,838
Long-term debt	143,943	141,499
Pension and other post-retirement benefits	8,780	8,428
Other long-term liabilities	25,757	24,463
Total liabilities	356,730	350,228
Stockholders’ equity:		
Preferred stock, $0.01 par value (5,000,000 shares authorized; no shares issued and outstanding)	$ —	$ —
Common stock, $0.01 par value (60,000,000 shares authorized; 33,092,992 and 32,826,852 shares issued and outstanding respectively)	330	328
Treasury stock, at cost: 2,012,416 and 1,899,996 shares, respectively	(15,302)	(14,514)
Additional paid-in capital	262,897	261,371
Retained deficit	(76,755)	(95,595)
Accumulated other comprehensive loss	(27,410)	(31,550)
Total stockholders’ equity	143,760	120,040
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 500,490	$ 470,268

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

COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	(Unaudited) (In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 18,840	$ 6,467
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	8,673	9,006
Noncash amortization of debt financing costs	151	199
Pension cash reversion	2,942	—
Share-based compensation expense	1,526	2,818
Deferred income taxes	201	(1,454)
Non-cash loss (income) on derivative contracts	(689)	34
Loss on extinguishment of debt	—	921
Settlement of derivative contract	—	3,900
Change in other operating items:		
Accounts receivable	(20,501)	(48,157)
Inventories	11,408	(11,802)
Prepaid expenses	(2,292)	(2,743)
Accounts payable	(15,672)	26,191
Other operating activities, net	6,935	10,113
Net cash provided by (used in) operating activities	11,522	(4,507)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(9,179)	(8,616)
Net cash used in investing activities	(9,179)	(8,616)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under term loan facility	—	30,625
Repayment of term loan facility	(4,375)	(1,875)
Borrowings under revolving credit facility	20,000	65,200
Repayment of revolving credit facility	(11,000)	(83,600)
Surrender of shares to pay withholding taxes	(788)	(912)
Debt issuance and amendment costs	—	(648)
Other financing activities	4,056	(131)
Net cash provided by financing activities	7,893	8,659
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH	380	(1,994)
NET INCREASE (DECREASE) IN CASH	10,616	(6,458)
CASH:		
Beginning of period	31,825	34,958
End of period	$ 42,441	$ 28,500

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

COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Treasury Stock	Additional Paid In Capital	Retained Deficit	Accumulated Other Comp. Loss	Total CVG Stockholders' Equity
	Shares	Amount					
	(Unaudited) (In thousands, except per share amounts)						
Balance - December 31, 2021	32,034,592	$ 321	$ (13,172)	$ 255,566	$ (73,624)	$ (42,438)	$ 126,653
Share-based compensation expense	122,618	1	(464)	1,117	—	—	654
Total comprehensive income	—	—	—	—	3,982	3,112	7,094
Balance - March 31, 2022	32,157,210	$ 322	$ (13,636)	$ 256,683	$ (69,642)	$ (39,326)	$ 134,401
Share-based compensation expense	290,558	3	(448)	1,701	—	—	1,256
Total comprehensive income (loss)	—	—	—	—	2,485	(4,688)	(2,203)
Balance - June 30, 2022	32,447,768	$ 325	$ (14,084)	$ 258,384	$ (67,157)	$ (44,014)	$ 133,454
Balance - December 31, 2022	32,826,852	$ 328	$ (14,514)	$ 261,371	$ (95,595)	$ (31,550)	$ 120,040
Share-based compensation expense	164,616	2	(764)	1,771	—	—	1,009
Total comprehensive income	—	—	—	—	8,700	4,040	12,740
Balance - March 31, 2023	32,991,468	$ 330	$ (15,278)	$ 263,142	$ (86,895)	$ (27,510)	$ 133,789
Share-based compensation expense	101,524	—	(24)	(245)	—	—	(269)
Total comprehensive income	—	—	—	—	10,140	100	10,240
Balance - June 30, 2023	33,092,992	$ 330	$ (15,302)	$ 262,897	$ (76,755)	$ (27,410)	$ 143,760

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

COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(Amounts in thousands, except for share and per share amounts and where specifically disclosed)

1. Description of Business and Basis of Presentation

Commercial Vehicle Group, Inc. and its subsidiaries, is a global provider of systems, assemblies and components to the global commercial vehicle market, the electric vehicle market, and the industrial automation markets. References herein to the "Company", "CVG", "we", "our", or "us" refer to Commercial Vehicle Group, Inc. and its subsidiaries.

We have manufacturing operations in the United States, Mexico, China, United Kingdom, Czech Republic, Ukraine, Thailand, India, Australia and Morocco. Our products are primarily sold in North America, Europe, and the Asia-Pacific region.

We primarily manufacture customized products to meet the requirements of our customers. We believe our products are used by a majority of the North American Commercial Truck manufacturers, many construction vehicle original equipment manufacturers ("OEMs"), parts and service dealers, distributors, as well as top e-commerce retailers.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America and the rules and regulations of the Securities and Exchange Commission and include the accounts of the Company and its subsidiaries. Except as disclosed within these condensed notes to unaudited quarterly consolidated financial statements, the adjustments made were of a normal, recurring nature. Certain information and footnote disclosures normally included in our annual consolidated financial statements have been condensed or omitted.

The preparation of financial statements in conformity with GAAP in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

These condensed notes to unaudited quarterly consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K"), which includes a complete set of footnote disclosures, including the Company's significant accounting policies.

2. Recently Issued Accounting Pronouncements

New accounting pronouncements that have been issued but not yet effective are currently being evaluated and at this time are not expected to have a material impact on our financial position or results of operations.

3. Revenue Recognition

We had outstanding customer accounts receivable, net of allowances, of $173.5 million as of June 30, 2023 and $152.6 million as of December 31, 2022. We generally do not have other assets or liabilities associated with customer arrangements.

Revenue Disaggregation - The following is the composition, by product category, of our revenues:

	Three Months Ended June 30, 2023				
	Vehicle Solutions	Electrical Systems	Aftermarket and Accessories	Industrial Automation	Total
Seats	$ 70,895	$ —	$ 18,714	$ —	$ 89,609
Electrical wire harnesses, panels and assemblies	—	63,625	3,983	7,567	75,175
Trim	48,528	—	1,473	—	50,001
Industrial Automation	—	—	—	1,443	1,443
Cab structures	31,815	—	567	—	32,382
Mirrors, wipers and controls	1,492	—	12,092	—	13,584
Total	$ 152,730	$ 63,625	$ 36,829	$ 9,010	$ 262,194

	Three Months Ended June 30, 2022				
	Vehicle Solutions	Electrical Systems	Aftermarket and Accessories	Industrial Automation	Total
Seats	$ 65,304	$ —	$ 20,884	$ —	$ 86,188
Electrical wire harnesses, panels and assemblies	—	47,345	1,813	5,397	54,555
Trim	47,469	—	—	—	47,469
Industrial Automation	—	—	—	23,150	23,150
Cab structures	28,787	—	—	—	28,787
Mirrors, wipers and controls	1,225	—	9,475	—	10,700
Total	$ 142,785	$ 47,345	$ 32,172	$ 28,547	$ 250,849

	Six Months Ended June 30, 2023				
	Vehicle Solutions	Electrical Systems	Aftermarket and Accessories	Industrial Automation	Total
Seats	$ 147,886	$ —	$ 37,878	$ —	$ 185,764
Electrical wire harnesses, panels and assemblies	—	118,373	7,769	9,845	135,987
Trim	94,951	—	4,346	—	99,297
Industrial Automation	—	—	—	8,912	8,912
Cab structures	65,718	—	1,565	—	67,283
Mirrors, wipers and controls	4,760	—	22,900	—	27,660
Total	$ 313,315	$ 118,373	$ 74,458	$ 18,757	$ 524,903

	Six Months Ended June 30, 2022				
	Vehicle Solutions	Electrical Systems	Aftermarket and Accessories	Industrial Automation	Total
Seats	$ 135,112	$ —	$ 36,671	$ —	$ 171,783
Electrical wire harnesses, panels and assemblies	—	87,222	5,135	7,193	99,550
Trim	92,227	—	1,296	—	93,523
Industrial Automation	—	—	—	55,480	55,480
Cab structures	54,377	—	—	—	54,377
Mirrors, wipers and controls	1,225	—	19,285	—	20,510
Total	$ 282,941	$ 87,222	$ 62,387	$ 62,673	$ 495,223

4. Debt

Debt consisted of the following:

	June 30, 2023	December 31, 2022
Term loan facility	$ 148,125	$ 152,500
Revolving credit facility	9,000	—
China credit facility	4,135	—
Unamortized issuance costs	(57)	(63)
	$ 161,203	$ 152,437
Less: current portion of long-term debt and short-term debt	(17,260)	(10,938)
Total long-term debt, net of current portion	$ 143,943	$ 141,499

Credit Agreement

On April 30, 2021, the Company and certain of its subsidiaries entered into a credit agreement (the “Credit Agreement”) between, among others, Bank of America, N.A. as administrative agent (the “Administrative Agent”) and other lenders party thereto (the “Lenders”) pursuant to which the Lenders made available a $150 million Term Loan Facility (the “Term Loan Facility”) and a $125 million Revolving Credit Facility (the “Revolving Credit Facility” and together with the Term Loan Facility, the “Credit Facilities”). Subject to the terms of the Credit Agreement, the Revolving Credit Facility includes a $10 million swing line sublimit and a $10 million letter of credit sublimit. The Credit Agreement provides for an incremental term facility agreement and/or an increase of the Revolving Credit Facility (together, the “Incremental Facilities”), in a maximum aggregate amount of (a) up to the date of receipt of financial statements for the fiscal quarter ending June 30, 2022, $75 million, and (b) thereafter, (i) $75 million less the aggregate principal amount of Incremental Facilities incurred before such date, plus (ii) an unlimited amount if the pro forma consolidated total leverage ratio (assuming the Incremental Facilities are fully drawn) is less than 2.50:1.0.

On May 12, 2022, the Company and certain of its subsidiaries entered into a second amendment (the “Amendment”) to its Credit Agreement pursuant to which the Lenders upsized the existing Term Loan Facility to $175 million in aggregate principal amount and increased the Revolving Credit Facility commitments by $25 million to an aggregate of $150 million in revolving credit facility commitments. The Revolving Credit Facility includes a $10 million swing line sublimit and a $10 million letter of credit sublimit. The amended Credit Agreement provides for an incremental term facility agreement and/or an increase of the Revolving Credit Facility (together, the “Incremental Facilities”), in a maximum aggregate amount of (a) up to the date of receipt of financial statements for the fiscal quarter ending June 30, 2022, $75 million, and (b) thereafter, (i) $75 million less the aggregate principal amount of Incremental Facilities incurred before such date, plus (ii) an unlimited amount if the pro forma consolidated total leverage ratio (assuming the Incremental Facilities are fully drawn) is less than 2.50:1.0. Further, separate from the Company’s annual $35 million capital spending cap, a one-time $45 million capital project basket was included in the Amendment. All other key provisions, including the $75 million accordion, acquisition holiday, and other baskets remain unchanged. The Credit Facilities mature on May 12, 2027 (the “Maturity Date”).

The Amendment resulted in a loss on extinguishment of debt of $0.9 million, including $0.6 million non-cash write off relating to deferred financing costs and unamortized discount of the Term Loan Facility and $0.3 million of other fees associated with the Amendment, recorded in our Consolidated Statements of Operations for the twelve months ended December 31, 2022.

At June 30, 2023, we had $9.0 million of borrowings under the Revolving Credit Facility, outstanding letters of credit of $1.2 million and availability of $139.8 million. Combined with availability under our newly established foreign credit facility (described below) of approximately $8.3 million, total consolidated availability was $148.1 million at June 30, 2023. The unamortized deferred financing fees associated with the Revolving Credit Facility of $1.1 million and $1.3 million as of June 30, 2023 and December 31, 2022, respectively, are being amortized over the remaining life of the Credit Agreement. At December 31, 2022, we had no borrowings under the Revolving Credit Facility and we had outstanding letters of credit of $1.2 million.

Interest rates and fees

Amounts outstanding under the Credit Facilities and the commitment fee payable in connection with the Credit Facilities accrue interest at a per annum rate equal to (at the Company's option) the base rate or the Term Secured Overnight Financing Rate ("SOFR"), including a credit spread adjustment, plus a rate which will vary according to the Consolidated Total Leverage Ratio as set forth in the most recent compliance certificate received by the Administrative Agent, as set out in the following table:

Pricing Tier	Consolidated Total Leverage Ratio	Commitment Fee	Letter of Credit Fee	Term SOFR Loans	Base Rate Loans
I	> 3.50 to 1.00	0.35%	2.75%	2.75%	1.75%
II	< 3.50 to 1.00 but > 2.75 to 1.00	0.30%	2.50%	2.50%	1.50%
III	< 2.75 to 1.00 but > 2.00 to 1.00	0.25%	2.25%	2.25%	1.25%
IV	< 2.00 to 1.00 but > 1.50 to 1.00	0.20%	2.00%	2.00%	1.00%
V	< 1.50 to 1.00	0.15%	1.75%	1.75%	0.75%

Guarantee and Security

All obligations under the Credit Agreement and related documents are unconditionally guaranteed by each of the Company's existing and future direct and indirect wholly owned material domestic subsidiaries, subject to certain exceptions (the "Guarantors"). All obligations of the Company under the Credit Agreement and the guarantees of those obligations are secured by a first priority pledge of substantially all of the assets of the Company and of the Guarantors, subject to certain exceptions. The property pledged by the Company and the Guarantors includes a first priority pledge of all of the equity interests owned by the Company and the Guarantors in their respective domestic subsidiaries and a first priority pledge of the equity interests owned by the Company and the Guarantors in certain foreign subsidiaries, in each case, subject to certain exceptions.

Covenants and other terms

The Credit Agreement contains customary restrictive covenants, including, without limitation, limitations on the ability of the Company and its subsidiaries to incur additional debt and guarantees; grant certain liens on assets; pay dividends or make certain other distributions; make certain investments or acquisitions; dispose of certain assets; make payments on certain indebtedness; merge, combine with any other person or liquidate; amend organizational documents; make material changes in accounting treatment or reporting practices; enter into certain restrictive agreements; enter into certain hedging agreements; engage in transactions with affiliates; enter into certain employee benefit plans; make acquisitions; and other matters customarily included in senior secured loan agreements.

The Credit Agreement also contains customary reporting and other affirmative covenants, as well as customary events of default, including, without limitation, nonpayment of obligations under the Credit Facilities when due; material inaccuracy of representations and warranties; violation of covenants in the Credit Agreement and certain other documents executed in connection therewith; breach or default of agreements related to material debt; revocation or attempted revocation of guarantees; denial of the validity or enforceability of the loan documents or failure of the loan documents to be in full force and effect; certain material judgments; certain events of bankruptcy or insolvency; certain Employee Retirement Income Securities Act events; and a change in control of the Company. Certain of the defaults are subject to exceptions, materiality qualifiers, grace periods and baskets customary for credit facilities of this type.

The Credit Agreement includes (a) a minimum consolidated fixed charge coverage ratio of 1.20:1.0, and (b) a maximum consolidated total leverage ratio of 3.75:1.0 (which was subject to step-down to 3.50:1.0 at the end of the fiscal quarter ending March 31, 2023; and to 3.25:1.0 at the end of the fiscal quarter ending June 30, 2023; and will be subject to step-downs to 3.00:1.0 for each fiscal quarter on and after the fiscal quarter ending September 30, 2023).

We were in compliance with these covenants as of June 30, 2023.

Repayment and prepayment

The Credit Agreement requires the Company to make quarterly amortization payments to the Term Loan Facility at an annualized rate of the loans under the Term Loan Facility for every year as follows: 5.0%, 7.5%, 10.0%, 12.5% and 15.0%. The Credit Agreement also requires all outstanding amounts under the Credit Facilities to be repaid in full on the Maturity Date. See Note 15, Commitments and Contingencies, for the future minimum principal payments due on long-term debt for the next five years.

The Credit Agreement requires mandatory prepayments from the receipt of proceeds of dispositions or debt issuance, subject to certain exceptions and the Company's ability to re-invest and use proceeds towards acquisitions permitted by the Credit Agreement.

Voluntary prepayments of amounts outstanding under the Credit Facilities are permitted at any time, without premium or penalty.

Foreign Facility

In the quarter ended March 31, 2023, we established a credit facility in China with availability of approximately $12.4 million (denominated in the local currency) consisting of a line of credit which is subject to annual renewal (the "China Credit Facility"). We utilize the China Credit Facility to meet local working capital demands, fund letters of credit and bank guarantees, and support other short-term cash requirements in our China operations. We had $4.1 million and $0.0 million outstanding under the China Credit Facility as of June 30, 2023 and December 31, 2022, respectively, which are included in current portion of long-term debt and short-term debt on the Condensed Consolidated Balance Sheets. At June 30, 2023, we had $8.3 million availability under the China Credit Facility.

Cash Paid for Interest

For the six months ended June 30, 2023 and 2022, cash payments for interest were $6.6 million and $3.5 million, respectively.

5. Intangible Assets

Our definite-lived intangible assets were comprised of the following:

		June 30, 2023			December 31, 2022		
	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks/tradenames	22 years	$ 11,468	$ (5,562)	$ 5,906	$ 11,487	$ (5,377)	$ 6,110
Customer relationships	15 years	14,205	(9,633)	4,572	14,161	(9,109)	5,052
Technical know-how	5 years	9,790	(7,424)	2,366	9,790	(6,445)	3,345
Covenant not to compete	5 years	330	(250)	80	330	(217)	113
		$ 35,793	$ (22,869)	$ 12,924	$ 35,768	$ (21,148)	$ 14,620

The aggregate intangible asset amortization expense was $0.9 million for the three months ended June 30, 2023 and 2022. The aggregate intangible asset amortization expense was $1.7 million for the six months ended June 30, 2023 and 2022.

6. Fair Value Measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 - Significant unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability.

Our financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities, pension assets and liabilities. The carrying value of these instruments approximates fair value as a result of the short duration of such instruments or due to the variability of the interest cost associated with such instruments.

Recurring Measurements

Foreign Currency Forward Exchange Contracts. Our derivative assets and liabilities represent foreign exchange contracts that are measured at fair value using observable market inputs such as forward rates, interest rates, our own credit risk and counterparty credit risk. Based on the utilization of these inputs, the derivative assets and liabilities are classified as Level 2. To manage our risk for transactions denominated in Mexican Pesos and Czech Crown, we have entered into forward exchange contracts that are designated as cash flow hedge instruments, which are recorded in the Condensed Consolidated Balance Sheets at fair value. The gains and losses as a result of the changes in fair value of the hedge contract for transactions denominated in Mexican Pesos are deferred in accumulated other comprehensive loss and recognized in cost of revenues in the period the related hedge transactions are settled. As of June 30, 2023, hedge contracts for transactions denominated in Czech Crown were not designated as a hedging instruments; therefore, they are marked-to-market and the fair value of agreements is recorded in the Condensed Consolidated Balance Sheets with the offsetting gains and losses recognized in other (income) expense and recognized in cost of revenues in the period the related hedge transactions are settled in the Condensed Consolidated Statements of Operations.

Interest Rate Swaps. To manage our exposure to variable interest rates, we have entered into interest rate swaps to exchange, at a specified interval, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount. The interest rate swaps are intended to mitigate the impact of rising interest rates on the Company and covers approximately 50% of outstanding debt under the Term Loan Facility. Any changes in fair value are included in earnings or deferred through Accumulated other comprehensive loss, depending on the nature and effectiveness of the offset. Any ineffectiveness in a cash flow hedging relationship is recognized immediately in earnings in the consolidated statements of operations.

The fair values of our derivative assets and liabilities measured on a recurring basis are categorized as follows:

	June 30, 2023				December 31, 2022			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Foreign exchange contracts	$ 3,599	$ —	$ 3,599	$ —	$ —	$ —	$ —	$ —
Interest rate swap agreement	$ 2,396	$ —	$ 2,396	$ —	$ 1,849	$ —	$ 1,849	$ —
Liabilities:								
Foreign exchange contracts	$ —	$ —	$ —	$ —	$ 356	$ —	$ 356	$ —

The following table summarizes the notional amount of our open foreign exchange contracts:

	June 30, 2023		December 31, 2022	
	U.S. $ Equivalent	U.S. $ Equivalent Fair Value	U.S. $ Equivalent	U.S. $ Equivalent Fair Value
Commitments to buy or sell currencies	$ 26,674	$ 30,293	$ 55,220	$ 53,847

The following table summarizes the fair value and presentation of derivatives in the Condensed Consolidated Balance Sheets:

	Derivative Asset		
		Fair Value	
	Balance Sheet Location	June 30, 2023	December 31, 2022
Foreign exchange contracts	Other current assets	$ 3,599	$ —
Interest rate swap agreement	Other assets, net	$ 2,396	$ 1,849

	Derivative Liability		
		Fair Value	
	Balance Sheet Location	June 30, 2023	December 31, 2022
Foreign exchange contracts	Accrued liabilities and other	$ —	$ 356

	Derivative Equity		
		Fair Value	
	Balance Sheet Location	June 30, 2023	December 31, 2022
Derivative instruments	Accumulated other comprehensive income	$ 7,414	$ 3,777

The following table summarizes the effect of derivative instruments on the Condensed Consolidated Statements of Operations:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022	2023	2022
	Location of Gain (Loss) on Derivatives Recognized in Income (Loss)	Amount of Gain (Loss) on Derivatives Recognized in Income (Loss)		Amount of Gain (Loss) on Derivatives Recognized in Income (Loss)	
Foreign exchange contracts	Cost of revenues	$ 1,242	$ 844	$ 1,693	$ 1,300
Interest rate swap agreement	Interest and other expense	$ 553	$ (84)	$ 1,007	$ (277)
Foreign exchange contracts	Other (income) expense	$ (157)	$ 637	$ 312	$ (34)

We consider the impact of our credit risk on the fair value of the contracts, as well as our ability to honor obligations under the contract.

Other Fair Value Measurements

The fair value of long-term debt obligations is based on a fair value model utilizing observable inputs. Based on these inputs, our long-term debt fair value as disclosed is classified as Level 2. The carrying amounts and fair values of our long-term debt obligations are as follows:

	June 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan and security agreement [1]	$ 148,068	$ 143,070	$ 152,437	$ 143,477
Revolving credit facility	$ 9,000	$ 9,000	$ —	$ —

1. Presented in the Condensed Consolidated Balance Sheets as the current portion of long-term debt of $13.1 million and long-term debt of $143.9 million as of June 30, 2023 and current portion of long-term debt of $10.9 million and long-term debt of $141.5 million as of December 31, 2022.

7. Leases

The components of lease expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease cost	$ 2,373	$ 2,550	$ 4,721	$ 5,128
Finance lease cost	41	71	88	147
Short-term lease cost	1,994	913	3,925	2,438
Total lease expense	$ 4,408	$ 3,534	$ 8,734	$ 7,713

Supplemental balance sheet information related to leases is as follows:

	Balance Sheet Location	June 30, 2023	December 31, 2022
Operating Leases			
Right-of-use assets, net	Other assets, net	$ 28,889	$ 26,372
Current liabilities	Accrued liabilities and other	8,723	7,421
Non-current liabilities	Other long-term liabilities	20,712	19,422
Total operating lease liabilities		$ 29,435	$ 26,843
Finance Leases			
Right-of-use assets, net	Other assets, net	$ 275	$ 270
Current liabilities	Accrued liabilities and other	130	131
Non-current liabilities	Other long-term liabilities	155	139
Total finance lease liabilities		$ 285	$ 270

For the six months ended June 30, 2023 and 2022, cash payments on operating leases were $4.7 million and $5.0 million, respectively.

Anticipated future lease costs, which are based in part on certain assumptions to approximate annual rental commitments under non-cancelable leases, are as follows:

	Operating	Financing	Total
Remainder of 2023	$ 5,719	$ 77	$ 5,796
2024	7,782	118	7,900
2025	7,612	78	7,690
2026	5,271	30	5,301
2027	2,356	7	2,363
Thereafter	10,514	—	10,514
Total lease payments	$ 39,254	$ 310	$ 39,564
Less: Imputed interest	(9,819)	(25)	(9,844)
Present value of lease liabilities	$ 29,435	$ 285	$ 29,720

8. Income Taxes

We recorded a $2.7 million tax provision, or 21% effective tax rate for the three months ended June 30, 2023, and $5.9 million tax provision, or 24% effective tax rate for the six months ended June 30, 2023, compared to a $0.9 million and $2.3 million tax provision for the three and six months ended June 30, 2022, respectively, or approximately 26% effective tax rate for each period. Income tax expense is based on an estimated annual effective tax rate, which requires management to make its best estimate of annual pretax income or loss. During the year, management regularly updates forecasted annual pretax results for the various countries in which the Company operates based on changes in factors such as prices, shipments, product mix, material inflation and manufacturing operations. To the extent that actual 2023 pretax results for U.S. and foreign income or loss vary from estimates, the actual income tax expense recognized in 2023 could be different from the forecasted amount used to estimate the income tax expense for the three and six months ended June 30, 2023.

For the six months ended June 30, 2023 and 2022, cash paid for taxes, net of refunds received, were $5.9 million and $3.1 million, respectively.

9. Pension and Other Post-Retirement Benefit Plans

The components of net periodic (benefit) cost related to pension and other post-retirement benefit plans is as follows:

	Non-U.S. Pension Plan	
	Three Months Ended June 30,	
	2023	2022
Interest cost	$ 358	$ 200
Expected return on plan assets	(307)	(258)
Amortization of prior service cost	13	13
Recognized actuarial loss	192	153
Net cost	$ 256	$ 108

	Non-U.S. Pension Plan	
	Six months ended June 30,	
	2023	2022
Interest cost	$ 705	$ 415
Expected return on plan assets	(602)	(533)
Amortization of prior service cost	25	26
Recognized actuarial loss	377	317
Net cost	$ 505	$ 225

Net periodic (benefit) cost components, not inclusive of service costs, are recognized in other (income) expense within the Condensed Consolidated Statements of Operations.

10. Performance Awards

The following table summarizes performance awards granted in the form of cash awards under the equity incentive plans:

	Amount
Adjusted Award Value at December 31, 2022	$ 2,188
New grants	2,180
Forfeitures	(1,139)
Adjustments	804
Payments	(1,159)
Adjusted Award Value at June 30, 2023	$ 2,874

Unrecognized compensation expense was $5.2 million and $2.4 million as of June 30, 2023 and 2022, respectively.

11. Share-Based Compensation

The company's outstanding share-based compensation is comprised solely of restricted stock awards and performance stock awards to be settled in stock.

As of June 30, 2023, there was approximately $4.1 million of unrecognized compensation expense related to non-vested share-based compensation arrangements granted under our equity incentive plans. This expense is subject to future adjustments and forfeitures and will be recognized on a straight-line basis over the remaining period listed above for each grant.

A summary of the status of our restricted stock awards as of June 30, 2023 and changes during the six months ended June 30, 2023, are presented below:

	2023	
	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Nonvested - December 31, 2022	383	$ 7.68
Granted	646	7.50
Vested	(378)	7.06
Forfeited	(3)	7.61
Nonvested - June 30, 2023	648	$ 7.86

As of June 30, 2023, a total of 2.5 million shares were available for future grants from the shares authorized for award under our 2020 EIP, including cumulative forfeitures.

12. Stockholders' Equity

Common Stock — Our authorized capital stock consists of 60,000,000 shares of common stock with a par value of $0.01 per share; of which, 33,092,992 and 32,826,852 shares were issued and outstanding as of June 30, 2023 and December 31, 2022, respectively.

Preferred Stock — Our authorized capital stock also consists of 5,000,000 shares of preferred stock with a par value of $0.01 per share, with no preferred shares outstanding as of June 30, 2023 and December 31, 2022.

Earnings (Loss) Per Share - Basic earnings (loss) per share is determined by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share presented is determined by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period as determined by the treasury stock method. Potential common shares are included in the diluted earnings per share calculation when dilutive.

Diluted earnings per share for the three and six months ended June 30, 2023 and 2022 includes the effect of potential common shares issuable when dilutive, and is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	$ 10,140	$ 2,485	$ 18,840	$ 6,467
Weighted average number of common shares outstanding (in '000s)	33,051	32,237	32,960	32,152
Dilutive effect of restricted stock grants after application of the Treasury Stock Method (in '000s)	378	802	352	857
Dilutive shares outstanding	33,429	33,039	33,312	33,009
Basic earnings per share	$ 0.31	$ 0.08	$ 0.57	$ 0.20
Diluted earnings per share	$ 0.30	$ 0.08	$ 0.57	$ 0.20

There were no outstanding restricted shares awarded that were excluded from the calculation of diluted earnings per share for the three months ended June 30, 2023 and 19 thousand outstanding restricted shares awarded that were excluded from the calculation of diluted earnings per share for the three months ended June 30, 2022. There were 11 thousand outstanding restricted shares awarded that were excluded from the calculation of diluted earnings per share for the six months ended June 30, 2023 and 21 thousand outstanding restricted shares awarded that were excluded from the calculation of diluted earnings per share for the six months ended June 30, 2022.

13. Other Comprehensive Income (Loss)

The after-tax changes in accumulated other comprehensive income (loss), are as follows:

	Foreign currency translation adjustment	Pension and post-retirement benefits plans	Derivative instruments	Accumulated other comprehensive income (loss)
Balance - December 31, 2022	$ (24,811)	$ (11,512)	$ 4,773	$ (31,550)
Net current period change	1,506	(7)	—	1,499
Derivative instruments	—	—	2,641	2,641
Balance - June 30, 2023	$ (23,305)	$ (11,519)	$ 7,414	$ (27,410)

	Foreign currency translation adjustment	Pension and post-retirement benefit plans	Derivative instruments	Accumulated other comprehensive income (loss)
Balance - December 31, 2021	$ (20,445)	$ (22,750)	$ 757	$ (42,438)
Net current period change	(5,196)	1,447	—	(3,749)
Derivative instruments	—	—	2,173	2,173
Balance - June 30, 2022	$ (25,641)	$ (21,303)	$ 2,930	$ (44,014)

The related tax effects allocated to each component of other comprehensive income (loss) are as follows:

	Three Months Ended June 30, 2023			Six Months Ended June 30, 2023		
	Before Tax Amount	Tax Expense	After Tax Amount	Before Tax Amount	Tax Expense	After Tax Amount
Cumulative translation adjustment	$ (1,051)	$ —	$ (1,051)	$ 1,506	$ —	$ 1,506
Amortization of actuarial gain (loss)	(145)	(2)	(147)	(8)	1	(7)
Derivative instruments	1,871	(573)	1,298	3,686	(1,045)	2,641
Total other comprehensive income (loss)	$ 675	$ (575)	$ 100	$ 5,184	$ (1,044)	$ 4,140

	Three Months Ended June 30, 2022			Six Months Ended June 30, 2022		
	Before Tax Amount	Tax Expense	After Tax Amount	Before Tax Amount	Tax Expense	After Tax Amount
Cumulative translation adjustment	$ (5,523)	$ —	$ (5,523)	$ (5,196)	$ —	$ (5,196)
Amortization of actuarial gain	1,384	92	1,476	1,385	62	1,447
Derivative instruments	(786)	145	(641)	2,966	(793)	2,173
Total other comprehensive income (loss)	$ (4,925)	$ 237	$ (4,688)	$ (845)	$ (731)	$ (1,576)

14. Cost Reduction and Manufacturing Capacity Rationalization

The Company's restructuring program includes aligning cost structure to support margin expansion. The program includes workforce reductions and footprint optimization across segments.

The changes in accrued restructuring balances are as follows:

	Vehicle Solutions	Electrical Systems	Aftermarket & Accessories	Industrial Automation	Corporate/Other	Total
December 31, 2022	$ (5)	$ —	$ —	$ 458	$ —	$ 453
New charges	83	8	—	622	—	713
Payments and other adjustments	(78)	(8)	—	(369)	—	(455)
March 31, 2023	$ —	$ —	$ —	$ 711	$ —	$ 711
New charges	340	—	—	378	—	718
Payments and other adjustments	(340)	—	—	(391)	—	(731)
June 30, 2023	$ —	$ —	$ —	$ 698	$ —	$ 698

	Vehicle Solutions	Electrical Systems	Aftermarket & Accessories	Industrial Automation	Corporate/Other	Total
December 31, 2021	$ 230	$ —	$ —	$ 417	$ (161)	$ 486
New charges	204	—	435	350	—	989
Payments and other adjustments	(309)	—	(435)	(770)	422	(1,092)
March 31, 2022	$ 125	$ —	$ —	$ (3)	$ 261	$ 383
New charges	—	571	560	314	306	1,751
Payments and other adjustments	(91)	(571)	(560)	(311)	(444)	(1,977)
June 30, 2022	$ 34	$ —	$ —	$ —	$ 123	$ 157

Of the $0.7 million costs incurred in the three months ended June 30, 2023, $0.3 million primarily related to headcount reductions and $0.4 million related to facility exit and other costs. Substantially all costs incurred were recorded in cost of revenues.

Of the $1.4 million costs incurred in the six months ended June 30, 2023, $0.5 million primarily related to headcount reductions and $0.9 million related to facility exit and other costs. Substantially all costs incurred were recorded in cost of revenues.

15. Commitments and Contingencies

Leases - As disclosed in Note 7, Leases, we lease office, warehouse and manufacturing space and equipment under non-cancelable operating lease agreements that generally require us to pay maintenance, insurance, taxes and other expenses in addition to annual rental fees. As of June 30, 2023, our equipment leases did not provide for any material guarantee of a specified portion of residual values.

Guarantees - Costs associated with guarantees are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of available facts; where no amount within a range of estimates is more likely, the minimum is accrued. As of June 30, 2023 and 2022, we had no such guarantees.

Litigation - We are subject to various legal proceedings and claims arising in the ordinary course of business, including but not limited to product liability claims, customer and supplier disputes, service provider disputes, examinations by taxing authorities, employment disputes, workers' compensation claims, unfair labor practice charges, OSHA investigations, intellectual property disputes and environmental claims arising out of the conduct of our businesses.

Management believes that the Company maintains adequate insurance and that we have established reserves for issues that are probable and estimable in amounts that are adequate to cover reasonable adverse judgments not covered by insurance. Based upon the information available to management and discussions with legal counsel, it is the opinion of management that the ultimate outcome of the various legal actions and claims that are incidental to our business are not expected to have a material adverse impact on the consolidated financial position, results of operations, equity or cash flows; however, such matters are subject to many uncertainties and the outcomes of individual matters are not predictable with any degree of assurance.

Warranty - We are subject to warranty claims for products that fail to perform as expected due to design or manufacturing deficiencies. Depending on the terms under which we supply products to our customers, a customer may hold us responsible for some or all of the repair or replacement costs of defective products when the product supplied did not perform as represented. Our policy is to record provisions for estimated future customer warranty costs based on historical trends and for specific claims. These amounts, as they relate to the periods ended June 30, 2023 and December 31, 2022, are included within accrued liabilities and other in the accompanying Condensed Consolidated Balance Sheets.

On July 24, 2023, one of CVG's customers issued a voluntary safety recall related to certain wiper system components supplied by CVG. To the extent a loss occurs that is attributed to CVG, CVG believes that it has reasonable levels of insurance coverage to mitigate recall exposure risk. It is reasonably possible that CVG will incur additional losses and fees above the amount accrued for warranty claims but we cannot estimate a range of such reasonably possible losses or fees related to these claims at this time. There are no assurances, however, that settlements reached and/or adverse judgments received, if any, will not exceed amounts accrued.

The following presents a summary of the warranty provision for the six months ended June 30, 2023:

Balance - December 31, 2022	$	1,433
Provision for warranty claims		666
Deduction for payments made and other adjustments		(522)
Balance - June 30, 2023	$	1,577

Debt Payments - As disclosed in Note 4, Debt, the Credit Agreement requires the Company to repay a fixed amount of principal on a quarterly basis and make voluntary prepayments that coincide with certain events.

The following table provides future minimum principal payments due on long-term debt for the next five years. The existing long-term debt agreement matures in 2027; no payments are due thereafter:

		Total
Remainder of 2023	$	6,563
2024	$	15,313
2025	$	19,688
2026	$	24,063
2027	$	91,498
Thereafter	$	—

16. Segment Reporting

Operating segments are defined as components of an enterprise that are evaluated regularly by the Company's chief operating decision maker ("CODM"), which is our Interim President and Chief Executive Officer. Each of these segments consists of a number of manufacturing facilities. Certain of our facilities manufacture and sell products through multiple segments. Our segments are more specifically described below.

The Vehicle Solutions segment designs, manufactures and sells the following products:

- Commercial vehicle seats for the global commercial vehicle markets including heavy duty trucks, medium duty trucks, last mile delivery trucks and vans, construction and agriculture equipment in North America, Europe and Asia-Pacific. This segment includes a portion of the company's activities in the electric vehicle market.
- Plastic components ("Trim") primarily for the North America commercial vehicle market and power sports markets; and Cab structures for the North American medium-duty/heavy-duty ("MD/HD") truck market.

The Electrical Systems segment designs, manufactures and sells the following products:

- Cable and harness assemblies for both high and low voltage applications, control boxes, dashboard assemblies and design and engineering for these applications.

- The end markets for these products are construction, agricultural, warehouse, automotive (both internal combustion and electric vehicles), truck, mining, rail and the military/ defense industries in North America, Europe and Asia-Pacific.

The Aftermarket & Accessories segment designs, manufactures and sells the following products:
- Seats and components sold into the commercial vehicle channels that provide repair and refurbishing. These channels include Original Equipment Service ("OES") centers and retail distributors, and are spread across North America, Europe and Asia-Pacific.
- Commercial vehicle accessories including wipers, mirrors, and sensors. These products are sold both as Original Equipment and as repair products.
- Office seats primarily sold into the commercial and home office furniture distribution channels in Europe and Asia-Pacific.

The Industrial Automation segment designs, manufactures and sells the following products:
- Warehouse automation subsystems including control panels, electro-mechanical assemblies, cable assemblies, and power and communication solutions.
- The end markets for these products primarily include e-commerce, warehouse integration, transportation and the military/defense industry.

Corporate expenses consist of certain overhead and shared costs that are not directly attributable to the operations of a segment. For purposes of business segment performance measurement, some of these costs that are for the benefit of the operations are allocated based on a combination of methodologies. The costs that are not allocated to a segment are considered stewardship costs and remain at corporate in our segment reporting.

The following tables present financial information for the Company's reportable segments for the periods indicated:

	Three Months Ended June 30, 2023					
	Vehicle Solutions	Electrical Systems	Aftermarket and Accessories	Industrial Automation	Corporate/Other	Total
Revenues	$ 152,730	$ 63,625	$ 36,829	$ 9,010	$ —	$ 262,194
Gross profit	20,904	10,345	7,788	(636)	—	38,401
Selling, general & administrative expenses	6,769	2,686	2,262	1,425	9,315	22,457
Operating income (loss)	$ 14,135	$ 7,659	$ 5,526	$ (2,061)	$ (9,315)	$ 15,944

	Three Months Ended June 30, 2022					
	Vehicle Solutions	Electrical Systems	Aftermarket and Accessories	Industrial Automation	Corporate/Other	Total
Revenues	$ 142,785	$ 47,345	$ 32,172	$ 28,547	$ —	$ 250,849
Gross profit	8,912	7,245	2,867	2,855	—	21,879
Selling, general & administrative expenses	7,403	1,303	1,735	1,547	3,664	15,652
Operating income (loss)	$ 1,509	$ 5,942	$ 1,132	$ 1,308	$ (3,664)	$ 6,227

	Six Months Ended June 30, 2023					
	Vehicle Solutions	Electrical Systems	Aftermarket and Accessories	Industrial Automation	Corporate/Other	Total
Revenues	$ 313,315	$ 118,373	$ 74,458	$ 18,757	$ —	$ 524,903
Gross profit	40,374	18,643	15,015	(422)	—	73,610
Selling, general & administrative expenses	12,847	4,914	3,913	2,501	18,847	43,022
Operating income (loss)	$ 27,527	$ 13,729	$ 11,102	$ (2,923)	$ (18,847)	$ 30,588

	Six Months Ended June 30, 2022					
	Vehicle Solutions	Electrical Systems	Aftermarket and Accessories	Industrial Automation	Corporate/Other	Total
Revenues	$ 282,941	$ 87,222	$ 62,387	$ 62,673	$ —	$ 495,223
Gross profit	21,817	10,647	6,952	7,846	—	47,262
Selling, general & administrative expenses	13,990	2,942	3,199	2,871	9,649	32,651
Operating income (loss)	$ 7,827	$ 7,705	$ 3,753	$ 4,975	$ (9,649)	$ 14,611

17. Other Financial Information

Items reported in inventories consisted of the following:

	June 30, 2023	December 31, 2022
Raw materials	$ 98,668	$ 108,417
Work in process	15,377	17,757
Finished goods	17,650	16,368
Inventories	$ 131,695	$ 142,542

Items reported in property, plant, and equipment, net consisted of the following:

	June 30, 2023	December 31, 2022
Land and buildings	$ 33,391	$ 32,267
Machinery and equipment	217,120	212,352
Construction in progress	6,406	7,317
Property, plant, and equipment, gross	256,917	251,936
Less accumulated depreciation	(186,546)	(184,131)
Property, plant and equipment, net	$ 70,371	$ 67,805

Items reported in accrued expenses and other liabilities consisted of the following:

	June 30, 2023	December 31, 2022
Compensation and benefits	$ 24,435	$ 13,370
Operating lease liabilities	8,723	7,421
Taxes payable	8,123	5,092
Accrued freight	2,856	4,225
Warranty costs	1,577	1,433
Other	8,966	11,268
Accrued liabilities and other	$ 54,680	$ 42,809

ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis below described material changes in financial condition and results of operations as reflected in our condensed consolidated financial statements for the three and six months ended June 30, 2023 and 2022. This discussion and analysis should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2022 Form 10-K.

Business Overview

CVG is a global provider of systems, assemblies and components to the global commercial vehicle market, the electric vehicle market, and the industrial automation markets. We deliver real solutions to complex design, engineering and manufacturing problems while creating positive change for our customers, industries, and communities we serve.

We have manufacturing operations in the United States, Mexico, China, United Kingdom, Czech Republic, Ukraine, Thailand, India, Australia and Morocco. Our products are primarily sold in North America, Europe, and the Asia-Pacific region.

We primarily manufacture customized products to meet the requirements of our customers. We believe our products are used by a majority of the North American Commercial Truck markets, many construction vehicle OEMs parts and service dealers distributors, as well as top e-commerce retailers.

Key Developments

During the quarter ended March 31, 2023, CVG established two new plant locations: one in Tangier, Morocco, and another in Aldama, Mexico. Both locations are expected to begin production in the third quarter of 2023. These plants are a cornerstone in CVG's strategy of globally expanding its electrification systems business.

Consolidated Results of Operations

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The table below sets forth certain consolidated operating data for the three months ended June 30 (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 262,194	$ 250,849	$ 11,345	4.5%
Gross profit	38,401	21,879	16,522	75.5
Selling, general and administrative expenses	22,457	15,652	6,805	43.5
Interest expense	2,804	2,118	686	32.4
Loss on extinguishment of debt	—	921	(921)	(100.0)
Provision for income taxes	2,693	870	1,823	209.5
Net income	10,140	2,485	7,655	308.0

Revenues. The increase in consolidated revenues resulted from:

- a $31.9 million, or 18.5%, increase in OEM;
- a $19.5 million, or 68.4%, decrease in industrial automation sales;
- a $1.3 million, or 2.7%, decrease in aftermarket and OES sales; and
- a $0.3 million, or 161.7% increase in other revenues.

Second quarter 2023 revenues were favorably impacted by foreign currency exchange translation of $0.7 million, which is reflected in the change in revenues above. The increase in revenues was primarily driven by increased pricing and volume from new Electrical Systems business, partially offset by lower volumes in the Industrial Automation segment.

Gross Profit. Included in gross profit is cost of revenues, which consists primarily of raw materials and purchased components for our products, wages and benefits for our employees and overhead expenses such as manufacturing supplies, facility rent and utilities costs related to our operations. The $16.5 million increase in gross profit is primarily attributable to price increases with customers and cost reduction initiatives. Cost of revenues decreased $5.2 million, or 2.3%, as a result of a decrease in raw material and purchased component costs of $8.2 million, or 5.5%, offset by an increase in labor and overhead expenses of $3.0 million, or 3.9%. As a percentage of revenues, gross profit margin was 14.6% for the three months ended June 30, 2023 compared to 8.7% for the three months ended June 30, 2022. The three months ended June 30, 2023 results include charges of $0.7 million associated with the restructuring program.

Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A") consist primarily of wages and benefits and other expenses such as marketing, travel, legal, audit, rent and utility costs which are not directly associated with the manufacturing of our products. SG&A expenses increased $6.8 million compared to the three months ended June 30, 2022, primarily as a result of increased employee benefit costs and salaries including an increase in incentive compensation expenses. As a percentage of revenues, SG&A expense was 8.6% for the three months ended June 30, 2023 compared to 6.2% for the three months ended June 30, 2022.

Interest Expense. Interest associated with our debt was $2.8 million and $2.1 million for the three months ended June 30, 2023 and 2022, respectively. The increase in interest expense primarily related to higher interest rates on variable rate debt, offset by lower average debt balances during the respective comparative periods.

Loss on extinguishment of debt. On May 12, 2022, the Company refinanced its long-term debt, which resulted in a loss of $0.9 million, including a $0.6 million non-cash write off relating to deferred financing costs of the Term loan facility due 2026 and $0.3 million of other fees associated with the new debt.

Provision for Income Taxes. An income tax provision of $2.7 million and $0.9 million were recorded for the three months ended June 30, 2023 and 2022, respectively. The period over period change in income tax was primarily attributable to a $9.5 million increase in domestic pre-tax income versus the prior year period.

Net Income. Net income was $10.1 million for the three months ended June 30, 2023 compared to $2.5 million for the three months ended June 30, 2022. The increase in net income is attributable to the factors noted above.

Segment Results

Vehicle Solutions Segment Results

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The table below sets forth certain Vehicle Solutions Segment operating data for the three months ended June 30 (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 152,730	$ 142,785	$ 9,945	7.0%
Gross profit	20,904	8,912	11,992	134.6
Selling, general & administrative expenses	6,769	7,403	(634)	(8.6)
Operating income	14,135	1,509	12,626	836.7

Revenues. The increase in Vehicle Solutions Segment revenues primarily resulted from increased pricing.

Gross Profit. The increase in gross profit was primarily attributable to price increases with customers and cost reduction initiatives. Included in gross profit is cost of revenues, which decreased $2.0 million, or 1.5%, as a result of a decrease in raw material and purchased component costs of $5.1 million, or 5.6%, offset by an increase in labor and overhead expenses of $3.1 million, or 7.1%.

As a percentage of revenues, gross profit margin was 13.7% for the three months ended June 30, 2023 compared to 6.2% for the three months ended June 30, 2022, driven by lower startup costs, improved manufacturing efficiencies, increased pricing to offset material cost inflation and freight costs. The three months ended June 30, 2023 results include charges of $0.3 million associated with the restructuring program.

Selling, General and Administrative Expenses. SG&A expenses decreased $0.6 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due nonrecurring legal expenses related to a customer dispute in the prior year period.

Electrical Systems Segment Results

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The table below sets forth certain Electrical Systems Segment operating data for the three months ended June 30 (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 63,625	$ 47,345	$ 16,280	34.4%
Gross profit	10,345	7,245	3,100	42.8
Selling, general & administrative expenses	2,686	1,303	1,383	106.1
Operating income (loss)	7,659	5,942	1,717	28.9

Revenues. The increase in Electrical Systems Segment revenues primarily resulted from increased sales volume and pricing.

Gross Profit. The increase in gross profit is primarily attributable to increase in sales volume and pricing. Included in gross profit is cost of revenues, which increased $13.2 million, or 32.9%, as a result of an increase in raw material and purchased component costs of $9.7 million, or 45.3%, and an increase in labor and overhead expenses of $3.5 million, or 18.7%.

As a percentage of revenues, gross profit margin was 16.3% for the three months ended June 30, 2023 compared to 15.3% for the three months ended June 30, 2022, driven by sales volume, increased pricing and manufacturing efficiencies.

Selling, General and Administrative Expenses. SG&A expenses increased $1.4 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, driven by increased incentive compensation expense.

Aftermarket & Accessories Segment Results

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The table below sets forth certain Aftermarket & Accessories Segment operating data for the three months ended June 30 (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 36,829	$ 32,172	$ 4,657	14.5%
Gross profit	7,788	2,867	4,921	171.6
Selling, general & administrative expenses	2,262	1,735	527	30.4
Operating income	5,526	1,132	4,394	388.2

Revenues. The increase in Aftermarket & Accessories Segment revenues primarily resulted from increased pricing.

Gross Profit. The increase in gross profit is primarily attributable to increased pricing and cost reduction. Included in gross profit is cost of revenues, which decreased $0.3 million, or 0.9%, as a result of an increase in raw material and purchased component costs of $0.1 million, or 0.4%, offset by a decrease in labor and overhead expenses of $0.4 million, or 3.2%.

As a percentage of revenues, gross profit margin was 21.1% for the three months ended June 30, 2023 compared to 8.9% for the three months ended June 30, 2022. This was primarily due to increased pricing offsetting moderating cost inflation.

Selling, General and Administrative Expenses. SG&A expenses increased $0.5 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022.

Industrial Automation Segment Results

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The table below sets forth certain Industrial Automation Segment operating data for the three months ended June 30 (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 9,010	$ 28,547	$ (19,537)	(68.4)%
Gross profit	(636)	2,855	(3,491)	(122.3)
Selling, general & administrative expenses	1,425	1,547	(122)	(7.9)
Operating income (loss)	(2,061)	1,308	(3,369)	NM[1]

1. Not meaningful

Revenues. The decrease in Industrial Automation Segment revenues primarily resulted from lower sales volume due to decreased customer demand.

Gross Profit. The decrease in gross profit is primarily attributable to lower sales volume and an inventory charge of $1.6 million. Included in gross profit is cost of revenues, which decreased $16.0 million, or 62.5%, as a result of a decrease in raw material and purchased component costs of $12.9 million, or 63.2%, and a decrease in labor and overhead expenses of $3.1 million, or 59.5%.

As a percentage of revenues, gross profit loss was 7.1% for the three months ended June 30, 2023 compared to gross profit margin of 10.0% for the three months ended June 30, 2022. The decrease in gross profit margin is primarily due to volume reduction, inventory adjustments and restructuring expenses. The three months ended June 30, 2023 results include charges of $0.4 million associated with the restructuring program.

Selling, General and Administrative Expenses. SG&A expenses decreased $0.1 million for the three months ended June 30, 2023 compared to the three months ended June 30, 2022.

Consolidated Results of Operations

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The table below sets forth certain consolidated operating data for the six months ended June 30, (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 524,903	$ 495,223	$ 29,680	6.0%
Gross profit	73,610	47,262	26,348	55.7
Selling, general and administrative expenses	43,022	32,651	10,371	31.8
Other (income) expense	105	874	(769)	(88.0)
Interest expense	5,694	4,079	1,615	39.6
Loss on extinguishment of debt	—	921	(921)	(100.0)
Provision for income taxes	5,949	2,270	3,679	162.1
Net income	18,840	6,467	12,373	191.3

Revenues. The increase in consolidated revenues resulted from:

- a $74.4 million, or 22.1%, increase in OEM;
- a $43.9 million, or 70.1%, decrease in industrial automation sales;
- a $1.8 million, or 1.9%, decrease in aftermarket and OES sales; and
- a $0.9 million, or 27.6% increase in other revenues.

Six months ended 2023 revenues were unfavorably impacted by foreign currency exchange translation of $2.7 million, which is reflected in the change in revenues above. The increase in revenues is primarily driven by increased pricing to offset material cost increases and increased sales volume, offset by sales volume decreases in the Industrial Automation segment.

Gross Profit. The $26.3 million increase in gross profit is primarily attributable to price increases with customers and cost reduction initiatives. Cost of revenues increased $3.3 million, or 0.7%, as a result of a decrease in raw material and purchased component costs of $5.8 million, or 1.9%, offset by an increase in labor and overhead expenses of $9.1 million, or 6.0%. As a percentage of revenues, gross profit margin was 14.0% for the six months ended June 30, 2023 compared to 9.5% for the six months ended June 30, 2022. The six months ended June 30, 2023 results include charges of $1.4 million associated with the restructuring program.

Selling, General and Administrative Expenses. SG&A expenses increased $10.4 million compared to the six months ended June 30, 2022, primarily as a result of increased employee benefit costs and salaries including an increase in incentive compensation expenses. As a percentage of revenues, SG&A expense was 8.2% for the six months ended June 30, 2023 compared to 6.6% for the six months ended June 30, 2022.

Other (Income) Expense. Other expenses decreased $0.8 million in the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 due primarily to a favorable change in foreign currency of $0.6 million.

Interest Expense. Interest associated with our debt was $5.7 million and $4.1 million for the six months ended June 30, 2023 and 2022, respectively. The increase in interest expense primarily related to higher interest rates on variable rate debt, offset by lower average debt balances during the respective comparative periods.

Loss on extinguishment of debt. On May 12, 2022, the Company refinanced its long-term debt, which resulted in a loss of $0.9 million, including a $0.6 million non-cash write off relating to deferred financing costs of the Term loan facility due 2026 and $0.3 million of other associated fees.

Provision for Income Taxes. An income tax provision of $5.9 million and $2.3 million were recorded for the six months ended June 30, 2023 and 2022, respectively. The period over period change in income tax was primarily attributable to the $16.1 million increase in domestic pre-tax income versus the prior year period.

Net Income. Net income was $18.8 million for the six months ended June 30, 2023 compared to $6.5 million for the six months ended June 30, 2022. The increase in net income is attributable to the factors noted above.

Segment Results

Vehicle Solutions Segment Results

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The table below sets forth certain Vehicle Solutions Segment operating data for the six months ended June 30, (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 313,315	$ 282,941	$ 30,374	10.7%
Gross profit	40,374	21,817	18,557	85.1
Selling, general & administrative expenses	12,847	13,990	(1,143)	(8.2)
Operating income	27,527	7,827	19,700	251.7

Revenues. The increase in Vehicle Solutions Segment revenues primarily resulted from increased sales volume and increased pricing to offset material cost increases.

Gross Profit. The increase in gross profit was primarily attributable to price increases with customers and cost reduction initiatives. Included in gross profit is cost of revenues, which increased $11.8 million, or 4.5%, as a result of an increase in raw material and purchased component costs of $5.0 million, or 2.8%, and an increase in labor and overhead expenses of $6.8 million, or 8.0%.

As a percentage of revenues, gross profit margin was 12.9% for the six months ended June 30, 2023 compared to 7.7% for the six months ended June 30, 2022, driven by lower startup costs, improved manufacturing efficiencies, increased pricing to offset material cost inflation and freight costs. The six months ended June 30, 2023 results include charges of $0.4 million associated with the restructuring program.

Selling, General and Administrative Expenses. SG&A expenses decreased $1.1 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily due to nonrecurring legal expenses related to a customer dispute in the prior year period.

Electrical Systems Segment Results

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The table below sets forth certain Electrical Systems Segment operating data for the six months ended June 30, (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 118,373	$ 87,222	$ 31,151	35.7%
Gross profit	18,643	10,647	7,996	75.1
Selling, general & administrative expenses	4,914	2,942	1,972	67.0
Operating income	13,729	7,705	6,024	78.2

Revenues. The increase in Electrical Systems Segment revenues resulted from sales volume, increased pricing to offset material cost pass-through.

Gross Profit. The increase in gross profit is primarily attributable to the increase in sales volume and increased pricing to offset material cost pass-through. Included in gross profit is cost of revenues, which increased $23.2 million, or 30.2%, as a result of an increase in raw material and purchased component costs of $14.9 million, or 35.8%, and an increase in labor and overhead expenses of $8.3 million, or 23.6%.

As a percentage of revenues, gross profit margin was 15.7% for the six months ended June 30, 2023 compared to 12.2% for the six months ended June 30, 2022, driven by sales volume, increased pricing and manufacturing efficiencies.

Selling, General and Administrative Expenses. SG&A expenses increased $2.0 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, driven by increased incentive compensation expense.

Aftermarket & Accessories Segment Results

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The table below sets forth certain Aftermarket & Accessories Segment operating data for the six months ended June 30, (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 74,458	$ 62,387	$ 12,071	19.3%
Gross profit	15,015	6,952	8,063	116.0
Selling, general & administrative expenses	3,913	3,199	714	22.3
Operating income	11,102	3,753	7,349	195.8

Revenues. The increase in Aftermarket & Accessories Segment revenues primarily resulted from increased sales volume and increased pricing to offset material cost pass-through.

Gross Profit. The increase in gross profit is primarily attributable to the increased pricing to offset material cost inflation and freight costs. Included in gross profit is cost of revenues, which increased $4.0 million, or 7.2%, as a result of an increase in raw material and purchased component costs of $3.0 million, or 8.7%, and an increase in labor and overhead expenses of $1.0 million, or 4.8%.

As a percentage of revenues, gross profit margin was 20.2% for the six months ended June 30, 2023 compared to 11.1% for the six months ended June 30, 2022. This was primarily due to increased pricing offsetting moderating cost inflation.

Selling, General and Administrative Expenses. SG&A expenses increased $0.7 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, consistent with the prior year amount on a percent of sales basis.

Industrial Automation Segment Results

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The table below sets forth certain Industrial Automation Segment operating data for the six months ended June 30, (dollars are in thousands):

	2023	2022	$ Change	% Change
Revenues	$ 18,757	$ 62,673	$ (43,916)	(70.1)%
Gross profit	(422)	7,846	(8,268)	NM[1]
Selling, general & administrative expenses	2,501	2,871	(370)	(12.9)
Operating income (loss)	(2,923)	4,975	(7,898)	NM[1]

1. Not meaningful

Revenues. The decrease in Industrial Automation Segment revenues primarily resulted from lower sales volume due to decreased customer demand.

Gross Profit. The decrease in gross profit is primarily attributable to lower sales volume and an inventory charge of $1.6 million. Included in gross profit is cost of revenues, which decreased $35.6 million, or 65.0%, as a result of a decrease in raw material and purchased component costs of $28.7 million, or 66.7%, and a decrease in labor and overhead expenses of $6.9 million, or 59.0%.

As a percentage of revenues, gross profit loss was 2.2% for the six months ended June 30, 2023 compared to gross profit margin of 12.5% for the six months ended June 30, 2022 due to volume reduction, inventory adjustments and restructuring expenses. The six months ended June 30, 2023 results include charges of $1.0 million associated with the restructuring program.

Selling, General and Administrative Expenses. SG&A expenses decreased $0.4 million for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily driven by overhead reduction.

Liquidity and Capital Resources

As of June 30, 2023, the Company had total liquidity of $190.5 million, including $42.4 million of cash and $148.1 million of availability from its U.S. and China credit facilities.

Our primary sources of liquidity as of June 30, 2023 were operating income, cash reserves and availability under our credit facilities. We believe that these sources of liquidity will provide adequate funds for our working capital needs, capital expenditures and debt service throughout the next twelve months. However, no assurance can be given that this will be the case.

As of June 30, 2023, cash of $42.4 million was held by foreign subsidiaries. The Company had a $0.6 million deferred tax liability as of June 30, 2023 for the expected future income tax implications of repatriating cash from the foreign subsidiaries for which no indefinite reinvestment assertion has been made.

Covenants and Liquidity

On May 12, 2022, the Company entered into an amendment to increase its existing senior secured credit facilities to $325 million from $275 million consisting of a $175 million Term Loan A and a $150 million Revolving Credit Facility. The amendment provides the Company with additional capital flexibility to execute upon its transformation and growth initiatives. As part of the amended terms of the agreement, the maturity date of the Senior Secured Credit Facilities has been extended by twelve months to May 12, 2027, the interest rate decreased by 50 bps at various leverage ratios based on SOFR, and the maximum consolidated total leverage ratio increased from 3.25x to 3.75x until December 31, 2022 with a quarterly step down of 25 bps to 3.00x leverage by September 30, 2023 and the maximum consolidated total leverage ratio will remain at this level thereafter. Further, separate from the Company's annual $35 million capital spending cap, a one-time $45 million capital project basket was included in the amendment. All other key provisions, including the $75 million accordion, acquisition holiday, and other baskets remain unchanged.

Our ability to comply with the covenants in the Credit Agreement, as discussed in Note 4, Debt, may be affected by economic or business conditions beyond our control. Based on our current forecast, we believe that we will be able to maintain compliance with the financial maintenance covenants and the fixed charge coverage ratio covenant and other covenants in the Credit Agreement for the next twelve months; however, no assurances can be given that we will be able to comply. We base our forecasts on historical experience, industry forecasts and other assumptions that we believe are reasonable under the circumstances. If actual results are substantially different than our current forecast, we may not be able to comply with our financial covenants.

Sources and Uses of Cash

	June 30, 2023		June 30, 2022	
	(In thousands)			
Net cash provided by (used in) operating activities	$	11,522	$	(4,507)
Net cash used in investing activities		(9,179)		(8,616)
Net cash provided by financing activities		7,893		8,659
Effect of currency exchange rate changes on cash		380		(1,994)
Net increase (decrease) in cash	$	10,616	$	(6,458)

Operating activities. For the six months ended June 30, 2023, net cash provided by operating activities was $11.5 million compared to net cash used in operating activities of $4.5 million for the six months ended June 30, 2022. Net cash provided by operating activities is primarily attributable to a smaller increase in working capital for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

Investing activities. For the six months ended June 30, 2023, net cash used in investing activities was mainly due to capital expenditures and was $9.2 million compared to $8.6 million for the six months ended June 30, 2022. In 2023, we expect capital expenditures to be in the range of $25 million to $30 million.

Financing activities. For the six months ended June 30, 2023, net cash provided by financing activities was $7.9 million compared $8.7 million for the six months ended June 30, 2022.

Debt and Credit Facilities

The debt and credit facilities descriptions in Note 4, Debt are incorporated in this section by reference.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). For a comprehensive discussion of our significant accounting policies, see "Note 1. Significant Accounting Policies", to our consolidated financial statements in Item 8 in our 2022 Form 10-K.

Critical accounting estimates are those that are most important to the portrayal of our financial condition and results. These estimates require management's most difficult, subjective, or complex judgments, often as a result of the need to estimate matters that are inherently uncertain. We review the development, selection, and disclosure of our critical accounting estimates with the Audit Committee of our board of directors. For information about critical accounting estimates, see Critical Accounting Estimates in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Form 10-K. At June 30, 2023, there have been no material changes to our critical accounting estimates from those disclosed in our 2022 Form 10-K.

Forward-Looking Statements

This Quarter Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. For this purpose, any statements contained herein that are not statements of historical fact, including without limitation, certain statements under “Item 2 - Management’s Discussion and Analysis of Financial Condition and Results of Operations” and located elsewhere herein regarding industry outlook, the Company’s expectations for future periods with respect to its plans to improve financial results, the future of the Company’s end markets, changes in the Class 8 and Class 5-7 North America truck build rates, performance of the global construction equipment business, the Company’s prospects in the wire harness, warehouse automation and electric vehicle markets, the Company’s initiatives to address customer needs, organic growth, the Company’s strategic plans and plans to focus on certain segments, competition faced by the Company, volatility in and disruption to the global economic environment, including inflation and labor shortages, financial covenant compliance, anticipated effects of acquisitions, production of new products, plans for capital expenditures and our results of operations or financial position and liquidity, may be deemed to be forward-looking statements. Without limiting the foregoing, the words “believe”, “anticipate”, “plan”, “expect”, “intend”, “will”, “should”, “could”, “would”, “project”, “continue”, “likely”, and similar expressions, as they relate to us, are intended to identify forward-looking statements. The important factors discussed in “Item 1A - Risk Factors”, among others, could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. Such forward-looking statements represent management’s current expectations and are inherently uncertain. Investors are warned that actual results may differ from management’s expectations. Additionally, various economic and competitive factors could cause actual results to differ materially from those discussed in such forward-looking statements, including, but not limited to, factors which are outside our control.

Any forward-looking statement that we make in this report speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information relating to quantitative and qualitative disclosures about market risk, see the discussion under "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2022 Form 10-K. As of June 30, 2023, there have been no material changes in our exposure to market risk from those disclosed in our 2022 Form 10-K.

ITEM 4 – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. Our senior management is responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms.

We evaluated, the effectiveness of our disclosure controls and procedures as of June 30, 2023. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2023 to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There were no changes during the quarter ended June 30, 2023 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

ITEM 1 Legal Proceedings

We are subject to various legal proceedings and claims arising in the ordinary course of business, including, but not limited to, product liability claims, customer and supplier disputes, service provider disputes, examinations by taxing authorities, employment disputes, workers' compensation claims, unfair labor practice charges, OSHA investigations, intellectual property disputes and environmental claims arising out of the conduct of our businesses. Based upon the information available to management and discussions with legal counsel, it is the opinion of management that the ultimate outcome of the various legal actions and claims that are incidental to our business are not expected to have a material adverse impact on the consolidated financial position, results of operations, stockholders' equity or cash flows; however, such matters are subject to many uncertainties and the outcomes of individual matters are not predictable with any degree of assurance.

ITEM 1A Risk Factors

You should carefully consider the information in this Form 10-Q, the risk factors discussed in "Risk Factors" and other risks discussed in our 2022 Form 10-K and our filings with the SEC since December 31, 2022. These risks could materially and adversely affect our results of operations, financial condition, liquidity and cash flows. Our business also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

We did not sell any equity securities during the six months ended June 30, 2023 that were not registered under the Securities Act of 1933, as amended. We did not repurchase any equity securities during the six months ended June 30, 2023.

ITEM 3 Defaults Upon Senior Securities

Not applicable.

ITEM 4 Mine Safety Disclosures

Not applicable.

ITEM 5 Other Information

None

ITEM 6 Exhibits

31.1	302 Certification by Robert C. Griffin, Interim President and Chief Executive Officer.
31.2	302 Certification by Andy Cheung, Executive Vice President and Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data Files

SIGNATURE

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.

COMMERCIAL VEHICLE GROUP, INC.

Date:	August 8, 2023	By	*/s/ Andy Cheung*
			Chung Kin Cheung ("Andy Cheung") Chief Financial Officer (Principal Financial Officer)
Date:	August 8, 2023	By	*/s/ Angela M. O'Leary*
			Angela M. O'Leary Chief Accounting Officer (Principal Accounting Officer)

EXHIBIT 31.1

302 CERTIFICATION

I, Robert C. Griffin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commercial Vehicle Group, Inc. and Subsidiaries;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers 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 we 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and audit committee of the registrant's board of directors (or persons performing the equivalent function):

   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.

August 8, 2023

/s/ *Robert C. Griffin*

Robert C. Griffin
Interim President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

302 CERTIFICATION

I, Andy Cheung, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commercial Vehicle Group, Inc. and Subsidiaries;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officers 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 we 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and audit committee of the registrant’s board of directors (or persons performing the equivalent function):

    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.

August 8, 2023

/s/ Andy Cheung

Chung Kin Cheung ("Andy Cheung")
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Commercial Vehicle Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert C. Griffin, Interim President and Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 8, 2023

/s/ *Robert C. Griffin*

Robert C. Griffin
Interim President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Commercial Vehicle Group, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Andy Cheung, Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

August 8, 2023

/s/ Andy Cheung

Chung Kin Cheung ("Andy Cheung")
Chief Financial Officer
(Principal Financial Officer)