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Spartan Motors Posts Improved Earnings, Record Sales First-Quarter Results Fueled by Emergency Vehicles, SMI Chassis

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CHARLOTTE, Mich., April 27 /PRNewswire/ -- Driven by stronger sales of its chassis and emergency vehicles, Spartan Motors, Inc. (NASDAQ:SPAR) posted higher earnings on record sales for the first quarter ended March 31, 2000.

The Charlotte, Mich.-based manufacturer of custom chassis, emergency vehicles and buses said that net earnings grew 36 percent to \$2.0 million, or \$0.16 per diluted share, for the first quarter, compared to net earnings of \$1.4 million, or \$0.12 per diluted share, during the same period in 1999.

Spartan reported that sales grew to a record \$84.6 million in the first quarter 2000, compared with net sales of \$75.6 million during the same period in 1999. The growth was led by improved sales of Spartan chassis and increases at its Emergency Vehicle Team (EVTeam) companies, which make fire trucks and ambulances.

"Our first-quarter results and the contributions made by two of our business segments are another step in the right direction," said John Szykiel, president and chief operating officer of Spartan Motors. "Sales of our RV chassis within the chassis segment remained strong during the quarter, although we are beginning to see some signs of leveling off. Our EVTeam enjoyed one of its best quarters to date and continues to grow in both sales and profits."

Spartan Chassis continued to build on the sales momentum of fire trucks and recreational vehicles during the first quarter. Fire truck chassis posted a solid quarter, and that product line continues to pick up market share. While the RV industry continues to enjoy record sales, Szykiel said that volatility in the financial markets could translate into lower sales during the second quarter.

"What compounds this uncertainty is that the second quarter is a time when RV dealers typically reduce their inventory in anticipation of model changeover," Szykiel said. "This year, the tightening may be greater as we deal with the combined effects of consumer uncertainty and the normal slowdown before changeover."

"Yet, we do not expect lower RV sales than 1999, just less dramatic growth, and we anticipate better year-over-year profitability. We have several new RV products coming online in mid-year, which should positively impact the third and fourth quarters. On a broader scale, our decision to pursue the path of diverse but complementary product offerings at Spartan allows us to spread the opportunity -- and the risk -- to ensure more predictability in our results."

Spartan's EVTeam posted record sales during the 2000 first quarter. Emergency vehicle sales at Quality Manufacturing and Road Rescue were extremely strong, with both posting their best-ever revenues in the month of March as they continue to grow faster than the market.

Spartan said its EVTeam is experiencing strong order flow, led by Quality's recent \$15 million order from the Atlanta Fire Department, its largest order to date. The custom fleet will be built on Spartan chassis. Road Rescue had a solid first quarter and is poised for a strong year in 2000. Szykiel said the growth is being driven by new products such as the LE Series, as well as a market shift toward the high-end ambulance style produced by Road Rescue.

"The outlook for our EVTeam is good," Szykiel said. "Operationally, all three of our companies have continued their improvements. Given the increased backlog at Quality and Road Rescue, combined with strong bid activity at Luverne, we expect to see continued growth for our emergency vehicles."

Carpenter Industries also continued to improve its operating performance during the first quarter. The school bus manufacturer received an order for 100 school buses from the city of Cleveland, with an option to purchase an additional 100 buses.

Consolidated Operating Results

Spartan Motors reported that operating income improved 50 basis points over the year-ago period from 4.8 percent to 5.3 percent.

Total operating expenses as a percentage of sales decreased from 9.5 percent to 7.6 percent in the current quarter.

Gross margin declined to 12.9 percent during the first quarter, from 14.3 percent during the same period in 1999.

"We have begun to see a shift in our RV product mix toward the Summit chassis which, at the entry level, brings lower margins," said Richard Schalter, chief financial officer of Spartan Motors. "This shift, combined with the introduction of new products at our EVTeam companies, lowered our gross margins for the quarter."

Spartan Motors improved its cash flow from operations during the first quarter, generating \$2.7 million compared with \$2.2 million during the first quarter of 1999. The Company also reduced its long-term debt by \$2.9 million, or 10.6 percent from year-end 1999 to stand at \$24.6 million at the close of the first quarter.

"Our improvements in cash flow and our ability to pay down debt reflect our focus on reducing inventory and narrowing our days in receivables," Schalter said. "We continue to push financial measurement and accountability through all departments and business units at Spartan, and we are beginning to see some of the fruits of this effort."

"We expect to see further reductions in inventory as we eliminate a large buffer stock of transmissions, a result of the fact that transmissions are no longer on allocation from Allison."

Spartan also reported that it has repurchased 749,000 shares of its common stock as part of a buyback plan approved by the board of directors in November 1999. The board authorized the Company to repurchase up to 2 million shares, or 16 percent of Spartan's stock, in open market transactions, reflecting its confidence in the future of Spartan Motors.

Spartan Motors, Inc. (<https://theshyftgroup.com/>) is a leading developer and manufacturer of custom chassis for fire trucks, recreational vehicles, transit buses, school buses, and other specialty vehicles. The Company also owns fire and rescue vehicle manufacturers Luverne Fire Apparatus, Quality Manufacturing and Road Rescue, Inc. and a majority interest in school bus body manufacturer Carpenter Industries, Inc.

The statements contained in this news release include certain predictions and projections that may be considered forward-looking statements by the securities laws. These statements involve a number of risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, and actual results may differ materially.

Spartan Motors, Inc. and Subsidiaries Consolidated Income Statements First Quarters of 2000 and 1999

	March 31, 2000		March 31, 1999	
	\$-000	%	\$-000	%
Sales	84,625		75,626	
Cost of Sales	73,695		64,787	
Gross Profit	10,930	12.9	10,839	14.3
Operating Expenses:				
Research and Development	1,755	2.1	1,743	2.3
Selling	2,323	2.7	2,365	3.1
General and Administration	2,367	2.8	3,096	4.1
Total Operating Expenses	6,445	7.6	7,204	9.5
Operating Income	4,485	5.3	3,635	4.8
Other Income (Expense):				
Interest Expense	(773)	(0.9)	(758)	(1.0)
Interest and Other Income	(134)	(0.2)	116	0.2
Total Other Income (Expense)	(907)	(1.1)	(642)	(0.8)

Earnings before Equity Investment and Taxes	3,578	4.2	2,993	4.0
Taxes	1,609	1.9	1,547	2.0
Net Earnings	1,969	2.3	1,446	2.0
Net Earnings per Share	0.16		0.12	
Weighted Average Shares	12,157		12,536	

Source: Spartan Motors, Inc.

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