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Spartan Motors Posts Record Sales in 1999 Profits Affected by Fourth-Quarter Writedown and Losses at Carpenter Unit

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CHARLOTTE, Mich., Feb. 17 /PRNewswire/ -- Spartan Motors, Inc. ([NASDAQ:SPAR](#)) today announced its results for fiscal 1999, highlighted by continued breakout performance in its core chassis business. The Company also reported significant progress on its share repurchase plan, implemented in the fourth quarter based on the board's belief that Spartan's stock is undervalued.

The Charlotte, Mich.-based manufacturer of custom chassis, emergency vehicles and buses reported sales grew 19.9 percent to a record \$306.2 million for the year ended Dec. 31, 1999, compared with \$255.3 million in 1998. The Company attributed the double-digit increase to strong sales of its recreational vehicle (RV) and fire truck chassis, which finished the year up 29.2 percent.

Despite its strong top-line performance, Spartan Motors posted a net loss of \$1.39 million, or \$0.11 per share, in 1999, compared with net income of \$3.49 million, or \$0.28 per share, in 1998. The Company said the results reflect the previously announced fourth quarter writedown of \$4.0 million or \$0.32 per share after tax, due to the bankruptcy of one of its customers, Metrotrans Corp., and losses during 1999 totaling \$8.3 million, or \$0.66 per share, at Spartan's Carpenter Industries school bus unit.

"We continue to achieve our top-line goals, but our success was masked in 1999 by Carpenter and the impact of the Metrotrans writedown," said John Szykiel, president and chief operating officer of Spartan Motors. "Our losses at Carpenter, while significant, are expected to narrow in the first quarter of 2000, and we look for this trend to continue. In addition, our core chassis business has never been stronger, fueled by increased sales of our motorhome and emergency vehicle chassis. We look forward to building on 1999's sales momentum in the coming year, and coupling it with a solid return to profitability."

Spartan also reported that it has repurchased over 400,000 shares of its stock in open market transaction at an average price of \$4.19 through February 14, 2000. The buyback plan, which authorizes the repurchase of up to 2 million shares or 16 percent of Spartan's stock, was initiated by the board of directors in November 1999 and reflects the board's confidence in the future of the Company.

Spartan Motors said its chassis business, exclusive of the Metrotrans writedown, contributed \$0.83 per share to earnings in fiscal 1999, a 38 percent increase over its \$0.60 per share contribution in 1998. The increase highlights continued sales and gross margin expansion in Spartan's largest product line, RV chassis, as well as sustained growth in its fire truck chassis business. Spartan posted a decrease in its transit bus chassis sales, due primarily to the bankruptcy of Metrotrans. Metrotrans represented less than 3 percent of Spartan's total sales over the past three years.

RV chassis sales grew \$40.5 million, or 29.7 percent, in 1999 as Spartan Motors capitalized on increased consumer demand, a booming Class A motorhome market, and increased market share penetration. Sales of Spartan's Mountain Master and Summit Series chassis led the growth in this segment in 1999. In addition, the Company's introduction of new chassis for the entry-level Class A RV market are taking hold and filling the industry's need for more performance-oriented products on the entry-level diesel-pusher platform.

"Our Summit entry-level RV chassis had a great debut in 1999 and its success is continuing through the first quarter of 2000, where it is tracking more than double our forecast," Szykiel said. "The Summit Series addresses an important and expansive niche of the RV market and demonstrates Spartan's commitment to product development and leading edge innovation -- in the RV market as well as all the markets we serve."

Spartan Motors reported that its Emergency Vehicle Team (or EVTeam), which consists of fire truck makers Luverne Fire Apparatus and Quality Manufacturing and ambulance manufacturer Road Rescue, contributed \$0.04 per share to earnings in 1999, compared with \$0.01 per share in 1998. The increase reflects higher sales at all three of its EVTeam companies.

"We are pleased with the increased profitability in our EVTeam, but recognize we need to continue to sharpen our focus on these businesses to ensure their profitability grows," Szykiel said. "One area where we are making inroads is in reducing manufacturing costs as we begin to maximize the benefits of our joint purchasing alliance with Federal Signal and leverage our product development and engineering costs across the EVTeam companies."

Spartan reported that its Carpenter Industries operation posted a loss in the fourth quarter 1999 and for the year, as expected. Carpenter's operating loss of \$8.3 million in 1999 was substantially lower than its \$20 million operating loss in 1998.

"We underestimated the timetable needed to regain customer confidence in Carpenter's products," Szykiel said. "Since Carpenter's introduction of the new Chancellor front and rear-engine body, the market's confidence level has improved dramatically. This is exhibited through the increased backlog at the end of January 2000, which is more than double that of a year-ago January.

Commenting on Spartan's financial position at year end, Chief Financial Officer Rich Schalter said: "Increased emphasis on financial controls and measurement yielded several positive outcomes for Spartan in 1999, including a 40 percent improvement in inventory turns and a 10 percent reduction in accounts receivables despite a nearly 20 percent increase in sales. Our focus -- and compensation structure -- have been redirected toward return on capital, and we expect to continue to reap benefits from this in the quarters to come."

Schalter added: "Spartan's net sales have increased 75% over the last three years, but profits have been volatile due to a combination of internal factors like Carpenter and external issues such as the bankruptcy of customer Metrotrans. In 2000, we are committed to managing our downside risk to avoid bumps in the road and ensure our strong sales growth flows to the bottom line."

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
Year End and Fourth Quarter 1999 and 1998

	YEAR ENDED		FOURTH QTR ENDED	
	Dec. 31, 1999	Dec. 31, 1998	Dec. 31, 1999	Dec. 31, 1998
	\$-000	\$-000	\$-000	\$-000
Sales	306,156	255,338	71,784	71,045
Cost of Sales	267,542	217,978	64,917	59,651
Gross Profit	38,614	37,360	6,867	11,394
Operating Expenses:				
Research and Development	7,008	5,517	1,841	1,487
Selling	9,712	8,370	2,503	2,293
General and Administration	17,816	10,778	7,842	3,565
Total Operating Expenses	34,536	24,665	12,186	7,345
Operating Income	4,078	12,695	(5,319)	4,049
Other Income (Expense):				
Interest Expense	(2,738)	(1,215)	(685)	(445)
Interest and Other Income	344	300	69	(419)
Total Other Income (Expense)	(2,394)	(915)	(616)	(864)

Earnings before Equity Investment and Taxes	1,684	11,780	(5,935)	3,185
Income (Loss) on Equity Investment in Affiliate	-	(4,059)	-	(955)
Earnings before Taxes	1,684	7,721	(5,935)	2,230
Taxes	3,075	4,236	(1,168)	1,287
Net Earnings	(1,391)	3,485	(4,767)	943
Net Earnings per Share	(0.11)	0.28	(0.38)	0.08
Weighted Average Shares	12,483	12,507	12,404	12,537

Source: Spartan Motors, Inc.

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