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SPARTANMOTORS.COM

Spartan Motors Reports Second Quarter Results

July 23, 2009

CHARLOTTE, Mich., July 23, 2009 /PRNewswire-FirstCall via COMTEX/ -- Spartan Motors, Inc. (Nasdaq: SPAR) reported strong second quarter operating results despite difficult macro-economic and market conditions, underscoring the long-term strength and success of the company's agile and diverse business model. Spartan's second quarter performance was highlighted by increased sales of emergency rescue products, increased sales of service, parts and assemblies and improved gross margins compared to the same quarter of 2008.

For the second quarter ended June 30, 2009, Spartan reported:

- Net earnings of \$0.16 per diluted share
- Net sales of \$124.3 million
- Gross margin of 20.3% of sales
- Return on invested capital of 12.1%

- Consolidated backlog of \$160.7 million

"This was a good quarter, particularly in light of the short-term challenges facing our markets," said John Szykiel, president and CEO of Spartan Motors. "Likewise, we're equally pleased with the consistent performance through the first six months of the year and believe our proven ability to flex the business and align costs with current business trends bode well for the future."

Second Quarter Results

Spartan reported second quarter net earnings of \$5.4 million, or \$0.16 per diluted share, on net sales of \$124.3 million, compared with net earnings of \$10.4 million, or \$0.32 per diluted share, on net sales of \$196.5 million in the same quarter of 2008. The reduction in revenue was due to lower sales to the defense and recreational vehicle industries, partially offset by increased sales of emergency-rescue products and service, parts and assemblies.

Spartan reported consolidated gross margin of 20.3 percent of sales in the second quarter of 2009, up from 17.2 percent in the same period in 2008. Spartan attributed the 18.0 percent year-over-year gross margin increase to improved product mix from increased sales of service, parts and assemblies (SPA), as well as lower commodity costs. This marks the fifth straight quarter of year-over-year improvements in gross margin.

"Emergency-rescue product sales are strong and the EVTeam was profitable again this quarter, an indication of emergency-rescue and its potential as our largest, most stable market," said Szykiel. "Likewise, consolidated gross profit as a percentage of sales continues to increase year-over-year, a significant accomplishment in the face of a difficult RV market and decreased orders in the defense market.

"Our diversification across multiple end markets remains a key strength and opportunity, particularly in the defense industry, as have the proven expertise and production capacity to handle additional defense vehicle subcontracts. We are also actively pursuing additional orders as well as new development projects for defense vehicles."

Through the first six months of 2009, Spartan reported net sales of \$239.8 million compared to net sales of \$460.6 million for the first six months of 2008. The company reported net earnings per diluted share of \$0.35 per share for the

first six months of 2009, compared with net earnings per diluted share of \$0.77 in the same period of 2008.

Spartan Chassis

Sales at Spartan Chassis, the company's largest subsidiary and operating unit, decreased 42.3 percent year-over-year to \$104.4 million for the current quarter. Spartan Chassis represented 84.0 percent of Spartan Motors' total consolidated sales in the 2009 second quarter. Spartan Chassis' net quarterly earnings declined 45.7 percent year-over-year, in line with the decline in sales.

Sales of fire truck chassis in the current quarter increased 50.7 percent compared to the same period in 2008, and backlog for fire truck chassis as of the close of the quarter was \$84.8 million, a 11.7 percent year-over-year increase. Driving the growth were customer purchase decisions ahead of the 2010 engine emission standards change to engines, municipal spending budget cycles and continued brand preferences for Spartan Chassis by customers and fire departments.

"For fire truck chassis, as well as for all of emergency-rescue products, we continue to hold a positive outlook and expect consistent results through the second half of 2009 and into 2010," said Szykiel.

Spartan Chassis' sales to the Class A diesel motorhome market declined 92.3 percent year-over-year in the quarter, while backlog for RV chassis decreased 46.2 percent year-over-year to \$6.7 million as of June 30, 2009.

"The current outlook for motorhomes remains tough, though we have seen a slight increase in demand for motorhome chassis in recent months and have increased our production accordingly," said Szykiel. "Spartan continues to position itself for the eventual recovery in the RV industry through product development and innovations to gain market share. More than a half million people continue to enjoy their RVs each day, an indication of how ingrained the RV lifestyle has become in our culture."

Other Products sales, which includes specialty chassis for mine-resistant defense vehicles, and SPA business, decreased 49.2 percent year-over-year in the second quarter of 2009, reflecting the completion of several large orders for defense customers in the second half of 2008. Other Products backlog was \$23.0 million as of June 30, 2009, compared to \$188.7 million at the end of the 2008 second quarter.

"During the quarter, we completed several smaller defense subcontracts, including work on mine resistant utility vehicles and similar MRAP variants," said Szykiel. "There remain many opportunities for limited run specialized blast-protected variants, as well as opportunity to upgrade and service the existing vehicles in service. We also continue to be pleased with our SPA business, which increased its sales year-over-year by 109.6 percent in the second quarter."

Emergency Vehicle Team (EVTeam)

Spartan's EVTeam operating unit, consisting of its Crimson Fire, Crimson Fire Aerials and Road Rescue subsidiaries, reported operating income of \$520 thousand in the 2009 second quarter, compared to an operating loss of \$794 thousand in the same quarter of 2008. Spartan attributed the profitability of the EVTeam as a whole to increased sales of fire trucks and improved operating efficiencies within the subsidiaries. Backlog for the EVTeam was \$72.4 million as of June 30, 2009, a 21.0 percent year-over-year increase.

Financial Position

Spartan reported negative operating cash flow of \$5.1 million in the current quarter as a result of increased working capital requirements. The company ended the second quarter with \$16.8 million in cash and cash equivalents, as well as \$16.3 million in long-term debt.

On a consolidated basis, Spartan posted a return on invested capital (ROIC) of 12.1 percent in the second quarter of 2009, compared to ROIC of 27.7 percent for the same quarter in 2008. Spartan uses return on invested capital for internal performance benchmarking, and defines ROIC as operating income less taxes, on an annualized basis, divided by total shareholders' equity.

Market Outlook & Current Initiatives

Spartan reiterated it continues to expect its consolidated 2009 results to be less than 2008 because of market and macro-economic conditions, as well as a year-over-year reduction in RV chassis and specialty vehicle sales for large-scale defense contracts.

"We believe the next few quarters will be challenging from an earnings perspective," said Szykiel. "Operationally, we are taking steps to manage costs, improve efficiencies and ensure our business is sized in line with demand across all

of our subsidiaries and product lines. However, as Spartan transforms from an opportunistic organization to one of balanced strategic growth, the long-term opportunity is clearly evident. As society changes, markets are changing and so are the vehicles, and we plan to introduce new products and enter new strategic markets over the next 9 to 12 months to capture this opportunity.

"As we execute this strategic growth from a lean perspective, we are also taking proactive steps to better control our supply chain through strategic fabrication, producing certain value-added components within Spartan facilities. We expect this operational initiative to gain momentum in the third quarter. Longer term, Spartan's lean customer centric methodology represents tremendous opportunity as time moves on when applied to the complete vehicle and not just to the chassis and other components."

In the second quarter of 2009, Spartan added automotive industry executive Thomas W. Gorman to the newly created position of chief operating officer. Gorman will oversee Spartan's current four business units in addition to implementing strategic growth initiatives. Spartan also named former Herman Miller finance executive Joseph M. Nowicki as chief financial officer. Nowicki succeeds James Knapp, who previously announced his retirement.

Sztykiel concluded, "With the addition of Tom and Joe, we have the critical leadership depth in place to ensure the next stage of strategic growth at Spartan Motors. The current economic recession is causing society to change, and changes in society always cause vehicles to change. Historically, this change has been from commercial to customized applications, a beneficial trend that puts Spartan in excellent position for long-term growth in both existing and new markets."

Conference Call, Webcast and Roadcast

Spartan Motors will host a conference call for analysts and portfolio managers at 10 a.m. ET today to discuss these results and current business trends. To listen to a live webcast of the call, please visit theshyftgroup.com, click on "Shareholders," and then on "Webcasts."

Spartan also will update the financial information on its Roadcast "digital roadshow" for investors. To launch the Spartan Motors Roadcast, please visit theshyftgroup.com on the web and look for the "Virtual Road Show" link on the right side of the page.

About Spartan Motors

Spartan Motors, Inc. (theshyftgroup.com) designs, engineers and manufactures custom chassis and vehicles for the recreational vehicle, fire truck, ambulance, emergency-rescue and specialty vehicle markets. The company's brand names - Spartan(TM), Crimson Fire(TM), Crimson Fire Aerials(TM), and Road Rescue(TM)--are known for quality, value, service and being the first to market with innovative products. The company employs approximately 1,200 at facilities in Michigan, Pennsylvania, South Carolina and South Dakota. Spartan reported sales of \$844.4 million in 2008 and is focused on becoming the premier manufacturer of specialty vehicles and chassis in North America.

This release contains forward-looking statements, including, without limitation, statements concerning our business, future plans and objectives and the performance of our products. Forward looking statements are identifiable by words such as "believe," "anticipate," "will," "sustain," and "continue." These forward-looking statements involve certain risks and uncertainties that ultimately may not prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Technical complications may arise that could prevent the prompt implementation of the plans outlined above. The company cautions that these forward-looking statements are further qualified by other factors including, but not limited to, those set forth in the company's Annual Report on Form 10-K filing and other filings with the United States Securities and Exchange Commission (available at <http://www.sec.gov>). Government contracts and subcontracts typically involve long payment and purchase cycles, competitive bidding, qualification requirements, delays or changes in funding, extensive specification development and changes, price negotiations and milestone requirements. An announced award of a governmental contract is not equivalent to a finalized executed contract and does not assure that orders will be issued and filled. Government agencies also often retain some portion of fees payable upon completion of a project and collection of contract fees may be delayed for long periods, which can negatively impact both prime contractors and subcontractors. The company undertakes no obligation to publicly update or revise any statements in this release, whether as a result of new information, future events or otherwise, except as required by law.

Spartan Motors, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

June 30, December 31,

	2009	2008
	\$-000-	\$-000-
ASSETS		
Current assets:		
Cash and cash equivalents	\$16,837	\$13,741
Accounts receivable, net	77,270	75,935
Inventories	88,734	86,648
Deferred income tax assets	7,076	7,076
Taxes receivable	1,330	
Deposits on engines	5,457	5,457
Other current assets	2,019	2,606
Total current assets	198,723	191,463
Property, plant and equipment, net	67,394	66,786
Goodwill	2,457	2,457
Deferred income tax assets	241	241
Other assets	1,328	193
Total assets	\$270,143	\$261,140
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$29,490	\$21,776
Accrued warranty	4,885	8,352
Accrued compensation and related taxes	6,854	12,136
Accrued vacation	2,203	1,904
Accrued customer rebates	1,400	1,498
Deposits from customers	10,363	9,922
Taxes on income		1,972
Other current liabilities and accrued expenses	5,400	4,584
Current portion of long-term debt	10,519	10,640
Total current liabilities	71,114	72,784
Other non-current liabilities	1,888	1,157
Long-term debt, less current portion	16,296	16,556
Shareholders' equity:		
Common stock	329	326
Additional paid in capital	66,117	64,606
Retained earnings	114,399	105,711
Total shareholders' equity	180,845	170,643
Total liabilities and shareholders' equity	\$270,143	\$261,140

Spartan Motors, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
Three Months Ended June 30, 2009 and 2008

	June 30, 2009		June 30, 2008	
	\$-000-	%	\$-000-	%
Sales	124,269		196,520	
Cost of Products Sold	99,071		162,772	
Gross Profit	25,198	20.3	33,748	17.2
Operating Expenses:				
Research and Development	4,344	3.5	4,743	2.4
Selling, General and Administrative	12,696	10.2	12,886	6.6

Total Operating Expenses	17,040	13.7	17,629	9.0
Operating Income	8,158	6.6	16,119	8.2
Other Income (Expense):				
Interest Expense	(330)	(0.3)	(436)	(0.2)
Interest and Other Income	240	0.2	199	0.1
Total Other Income (Expense)	(90)	(0.1)	(237)	(0.1)
Earnings before Taxes on Income	8,068	6.5	15,882	8.1
Taxes on Income	2,690	2.2	5,467	2.8
Net Earnings	5,378	4.3	10,415	5.3
Basic Net Earnings per Share	0.17		0.32	
Diluted Net Earnings per Share	0.16		0.32	
Basic Weighted Average Common Shares Outstanding	32,587		32,532	
Diluted Weighted Average Common Shares Outstanding	32,934		32,987	

Spartan Motors, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
Six Months Ended June 30, 2009 and 2008

	June 30, 2009		June 30, 2008	
	\$-000-	%	\$-000-	%
Sales	239,767		460,615	
Cost of Products Sold	188,447		386,238	
Gross Profit	51,320	21.4	74,377	16.1
Operating Expenses:				
Research and Development	9,104	3.8	9,430	2.0
Selling, General and Administrative	24,705	10.3	25,426	5.5
Total Operating Expenses	33,809	14.1	34,856	7.6
Operating Income	17,511	7.3	39,521	8.6
Other Income (Expense):				
Interest Expense	(655)	(0.3)	(1,169)	(0.3)
Interest and Other Income	456	0.2	293	0.1
Total Other Income (Expense)	(199)	(0.1)	(876)	(0.2)
Earnings before Taxes on Income	17,312	7.2	38,645	8.4
Taxes on Income	5,876	2.5	13,449	2.9
Net Earnings	11,436	4.8	25,196	5.5

Basic Net Earnings per Share	0.35	0.78
Diluted Net Earnings per Share	0.35	0.77
Basic Weighted Average Common Shares Outstanding	32,583	32,494
Diluted Weighted Average Common Shares Outstanding	32,798	32,863

Spartan Motors, Inc. and Subsidiaries
Sales and Other Financial Information by Business Segment
Three and Six Months Ended June 30, 2009

Three Months Ended June 30, 2009 (amounts in thousands of dollars)

	Business Segments			Consolidated
	Chassis	EVTeam	Other	
Fire Truck Chassis Sales	38,618		(7,101)	31,517
Motorhome Chassis Sales	2,331			2,331
EVTeam Product Sales		26,990		26,990
Other Product Sales	63,431			63,431
Total Net Sales	104,380	26,990	(7,101)	124,269
Interest Expense (Income)		450	(120)	330
Depreciation Expense	1,009	242	609	1,860
Segment Net Earnings (Loss)	6,748	92	(1,462)	5,378

Six Months Ended June 30, 2009 (amounts in thousands)

	Business Segments			Consolidated
	Chassis	EVTeam	Other	
Fire Truck Chassis Sales	71,867		(11,283)	60,584
Motorhome Chassis Sales	5,503			5,503
EVTeam Product Sales		48,520		48,520
Other Product Sales	125,160			125,160
Total Net Sales	202,530	48,520	(11,283)	239,767
Interest Expense (Income)		894	(239)	655
Depreciation Expense	1,996	454	1,210	3,660
Segment Net Earnings (Loss)	13,445	148	(2,157)	11,436

Period End Backlog (amounts in thousands of dollars)

	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009
Fire Truck					

Chassis*	75,931	70,815	73,473	98,025	84,840
Motorhome					
Chassis*	12,533	9,069	5,552	4,365	6,743
Other Product*	188,665	46,038	8,500	55,827	23,030
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Total					
Chassis	277,129	125,922	87,525	158,217	114,613
EVTeam					
Product*	59,801	73,056	96,383	83,344	72,352
Intercompany					
Eliminations	(16,707)	(15,206)	(14,009)	(24,050)	(26,232)
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Total Backlog	320,223	183,772	169,899	217,511	160,733
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* Anticipated time to fill backlog orders; 2 months or less for motorhome chassis and 10 months or less for fire truck chassis, other product and EVTeam product. Service, parts and accessories were included in the backlog beginning March 31, 2009.

SOURCE Spartan Motors, Inc.

<https://theshyftgroup.com>