

The Shyft Group Reports Fourth Quarter and Full-Year 2021 Results

February 24, 2022

Posts Record Full Year EPS of \$1.91; Adjusted EPS of \$2.08 on Sales of \$992 Million

NOVI, Mich., Feb. 24, 2022 (GLOBE NEWSWIRE) -- The Shyft Group, Inc. (NASDAQ: SHYF) ("Shyft" or the "Company"), the North American leader in specialty vehicle manufacturing, assembly and upfit for the commercial, retail and service specialty vehicle markets, today reported operating results for the fourth quarter and full-year periods ending December 31, 2021.

Full-Year 2021 Highlights from Continuing Operations¹

For the full-year 2021 compared to the full-year 2020:

- Sales of \$991.8 million, an increase of \$315.8 million, or 46.7%, from \$676.0 million.
- Gross margin of 20.1% of sales compared to 21.6%, reflecting higher material and labor costs and unfavorable product mix.
- Income from continuing operations of \$70.0 million, or \$1.91 per share, compared to \$38.3 million, or \$1.05 per share. The current year results reflect an income tax rate of 17.0%, favorably impacted by credits earned in amended prior year tax returns.
- Adjusted EBITDA of \$108.1 million, or 10.9% of sales, an increase of \$31.8 million, or 41.5%, from \$76.3 million, or 11.3% of sales. The current year results include \$6.5 million, or 66 basis points, in EV chassis development costs.
- Adjusted net income of \$75.0 million, or \$2.08 per share, an increase of \$26.8 million, or 55.5%, from \$48.2 million, or \$1.34 per share.
- Generated \$74.0 million of cash from operating activities, an increase of \$9.7 million, or 15.0% from \$64.3 million and reduced revolver debt from \$22.4 million to zero.
- Consolidated backlog at December 31, 2021, totaled \$963.6 million, up \$484.9 million, or 101.3%, compared to \$478.7 million at December 31, 2020.
- Increased borrowing capacity to \$400 million under a new five-year secured revolving credit facility, including an incremental \$200 million facility if needed.
- Subsequent to December 31, 2021, repurchased 408,994 shares at an average price of \$46.14 per share, or \$18.9 million in the aggregate. Additionally, as previously announced, the Board of Directors approved a new authorization to repurchase up to \$250 million of SHYF common stock.
- Doubled the quarterly dividend to \$0.05 per share from \$0.025, beginning with the first quarter of 2022.

¹ The Company divested its Emergency Response (ER) business effective February 1, 2020. Accordingly, the financial results of ER have been classified as discontinued operations for all periods presented. Unless otherwise noted, financial results presented are based on continuing operations.

Fourth Quarter 2021 Highlights from Continuing Operations

For the fourth quarter of 2021 compared to the fourth quarter of 2020:

- Sales of \$277.3 million, an increase of \$105.7 million, or 61.6%, from \$171.6 million.
- Gross margin of 18.5% of sales compared to 20.5% of sales, reflecting the impact of product mix, higher material and labor costs partially offset by pricing actions.
- Income from continuing operations of \$20.5 million, or \$0.56 per share, compared to \$8.3 million, or \$0.22 per share.
- Adjusted EBITDA of \$26.6 million, or 9.6% of sales, from \$16.0 million, or 9.3% of sales. The fourth quarter 2021 results include \$4.0 million, or 144 basis points, in EV chassis development costs.

- Adjusted net income of \$20.2 million, or \$0.56 per share, compared to \$10.1 million, or \$0.27 per share.

“The fourth quarter capped off one of the most remarkable years at The Shyft Group, a year of record financial results and strong returns for our shareholders,” said Daryl Adams, President and Chief Executive Officer. “Our team’s perseverance as we navigated against industry-wide challenges, customer-focused solutions and dedication to the safety and development of our team are what made the difference in our performance and position us for even greater success in the coming year.”

Full-Year 2021 Segment Results from Continuing Operations²

For the full-year 2021 compared to the full-year 2020.

Fleet Vehicles and Services (FVS)

FVS segment sales totaled \$659.4 million, an increase of 42.3% from \$463.5 million, reflecting strong sales driven by demand for the Velocity walk-in van.

Adjusted EBITDA increased \$25.3 million to \$108.6 million, or 16.5% of sales, from \$83.3 million, or 18.0% of sales, a year ago. The increase was primarily due to higher sales volumes, productivity and cost reductions, offset by higher material and labor costs, unfavorable pricing and mix, and Velocity development.

The segment backlog at December 31, 2021, totaled a record \$859.4 million, up 103.9%, compared to \$421.5 million at December 31, 2020. On a sequential basis, backlog increased \$109.7 million, or 14.6% from \$749.7 million in the third quarter of 2021.

Specialty Vehicles (SV)

SV segment sales were \$332.4 million, an increase of 56.4% from \$212.5 million, led by strong growth in luxury motor coach chassis sales and service bodies, as well as favorable pricing realization.

Adjusted EBITDA was \$32.7 million, or 9.8% of sales, compared to \$20.9 million, or 9.8% of sales, a year ago. The increase was due to higher sales volumes, favorable mix and pricing actions, partially offset by higher material and labor costs.

The segment backlog at December 31, 2021, totaled \$104.1 million, up 82.3% compared to \$57.1 million at December 31, 2020. On a sequential basis, backlog increased \$1.3 million, or 1.3% from \$102.8 million in the third quarter of 2021.

² As of October 1, 2021, the composition of both reportable segments changed due to an internal reorganization as certain businesses previously managed and reported within FVS are now a part of SV. Corresponding items of segment information for earlier periods have been recast.

Liquidity Update

The company strengthened its access to capital during the quarter by amending its revolving credit facility and increasing its borrowing capacity to \$400 million, with a \$200 million incremental facility. Total liquidity at December 31, 2021 was \$414 million, including \$37 million of cash and zero revolving debt. The leverage ratio currently stands at 0.1 times adjusted EBITDA and leaves the Company in a solid position to continue to pursue strategic opportunities.

2022 Outlook

“The Company remains committed to maximizing performance and returning value to its shareholders, most recently through the doubling of its quarterly cash dividend and \$250 million share repurchase authorization,” said Jon Douyard, Chief Financial Officer. “As we look to 2022, we expect supply chain challenges to continue during the first half of the year and we remain cautious regarding our near-term outlook, particularly as it pertains to first quarter. However, with ongoing strength in demand, we will continue to invest in growth and are positioned to deliver another outstanding year for The Shyft Group.”

The Company’s 2022 guidance, notwithstanding further supply chain related deterioration, is as follows:

| (\$M) except per share | 2022 Range | YoY Change (at midpoint) |
|------------------------|------------|--------------------------|
|------------------------|------------|--------------------------|

| | | |
|------------------------------------|--------------------------|--------------|
| Revenue | \$1,050 - \$1,250 | +16% |
| Adjusted EBITDA | | |
| - Core Shyft | \$120 - \$140 | +13% |
| - EV Development | ~(\$30) | (365%) |
| Total adjusted EBITDA | \$90 - \$110 | (7%) |
| Income from continuing ops. | \$46 - \$62 | (23%) |
| Earnings per share | \$1.29 - \$1.71 | (21%) |
| Adjusted earnings per share | \$1.57 - \$1.99 | (14%) |

Assumes weighted average diluted shares outstanding of approximately 36.1 million and approximately \$35 million for capital expenditures, including a \$10 - \$15 million investment in EV development.

"While we enjoyed the success of the past year, we remain driven to grow in our core business, as well as expand in the electric vehicle space," said Adams. "The combination of our existing team and infrastructure, our rich 50-year heritage in both chassis production and last mile delivery, and sustainable innovation driven by our deep hands-on knowledge of fleet owner and driver expectations will undoubtedly enable a market leading position for The Shyft Group in the years ahead."

Conference Call, Webcast, Investor Presentation and Investor Information

The Shyft Group will host a conference call for analysts and portfolio managers at 10 a.m. EST today to discuss these results and current business trends. The conference call and webcast will be available via:

Webcast: www.TheShyftGroup.com/investor-relations/webcasts

Conference Call: 1-877-317-6789 (domestic) or 412-317-6789 (international); passcode: 10155597

For more information about The Shyft Group, please visit www.TheShyftGroup.com.

About The Shyft Group

The Shyft Group is the North American leader in specialty vehicle manufacturing, assembly, and upfit for the commercial, retail, and service specialty vehicle markets. Our customers include first-to-last mile delivery companies across vocations, federal, state, and local government entities; the trades; and utility and infrastructure segments. The Shyft Group is organized into two core business units: Shyft Fleet Vehicles & Services™ and Shyft Specialty Vehicles™. Today, its family of brands include Utilimaster®, Royal Truck Body™, DuraMag® and Magnum®, Strobes-R-Us™, Spartan RV Chassis™, Builtmore Contract Manufacturing™, and corresponding aftermarket provisions. The Shyft Group and its go-to-market brands are well known in their respective industries for quality, durability, and first-to-market innovation. The Company employs approximately 3,800 employees and contractors across campuses, and operates facilities in Michigan, Indiana, Maine, Pennsylvania, South Carolina, Florida, Missouri, California, Arizona, Texas, and Saltillo, Mexico. The Company reported sales of \$992 million in 2021. Learn more about The Shyft Group at www.TheShyftGroup.com.

This release contains several forward-looking statements that are not historical facts, including statements concerning our business, strategic position, financial projections, financial strength, future plans, objectives, and the performance of our products and operations. These statements can be identified by words such as "believe," "expect," "intend," "potential," "future," "may," "will," "should," and similar expressions regarding future expectations. Furthermore, statements contained in this document relating to the global outbreak of the novel coronavirus disease (COVID-19), the impact of which remains inherently uncertain on our financial results, are forward-looking statements. These forward-looking statements involve various known and unknown risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, and likelihood. Therefore, actual performance and results may materially differ from what may be expressed or forecasted in such forward-looking statements. Factors that could contribute to these differences include future developments relating to the COVID-19 pandemic, including governmental responses, supply chain shortages, and potential labor issues; operational and other complications that may arise affecting the implementation of our plans and business objectives; continued pressures caused by economic conditions including weaknesses resulting from the COVID-19 pandemic; challenges that may arise in connection with the integration of new businesses or assets we acquire or the disposition of assets; restructuring of our operations, and/or our expansion into new geographic markets; issues unique to government contracting, such as competitive bidding processes, qualification requirements, and delays or changes in funding; disruptions within our dealer network; changes in our relationships with major customers, suppliers, or other business partners; changes in the demand or supply of products within our markets or raw materials needed to manufacture those products; and changes in laws and regulations affecting our business. Other factors that could affect outcomes are set forth in our Annual Report on Form 10-K and

other filings we make with the Securities and Exchange Commission (SEC), which are available at www.sec.gov or our website. All forward-looking statements in this release are qualified by this paragraph. Investors should not place undue reliance on forward-looking statements as a prediction of actual results. We undertake no obligation to publicly update or revise any forward-looking statements in this release, whether as a result of new information, future events, or otherwise.

CONTACT:

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The Shyft Group, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except par value)
(Unaudited)

| | <u>December 31,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|--|------------------------------------|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 37,158 | \$ 20,995 |
| Accounts receivable, less allowance of \$187 and \$116 | 87,262 | 64,695 |
| Contract assets | 21,483 | 9,414 |
| Inventories | 67,184 | 46,428 |
| Other receivables - chassis pool agreements | 9,926 | 6,503 |
| Other current assets | 10,813 | 8,172 |
| Total current assets | <u>233,826</u> | <u>156,207</u> |
| Property, plant and equipment, net | 61,057 | 45,734 |
| Right of use assets – operating leases | 43,316 | 43,430 |
| Goodwill | 48,880 | 49,481 |
| Intangible assets, net | 52,981 | 56,386 |
| Other assets | 2,927 | 2,052 |
| Net deferred tax asset | 4,880 | 5,759 |
| TOTAL ASSETS | <u>\$ 447,867</u> | <u>\$ 359,049</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 82,442 | \$ 47,487 |
| Accrued warranty | 5,975 | 5,633 |
| Accrued compensation and related taxes | 19,064 | 17,134 |
| Deposits from customers | 988 | 756 |
| Operating lease liability | 7,934 | 7,508 |
| Other current liabilities and accrued expenses | 9,256 | 8,121 |
| Short-term debt - chassis pool agreements | 9,926 | 6,503 |
| Current portion of long-term debt | 252 | 221 |
| Total current liabilities | <u>135,837</u> | <u>93,363</u> |
| Other non-current liabilities | 8,108 | 5,447 |
| Long-term operating lease liability | 36,329 | 36,662 |
| Long-term debt, less current portion | 738 | 23,418 |
| Total liabilities | <u>181,012</u> | <u>158,890</u> |

Shareholders' equity:

| | | |
|---|-------------------|-------------------|
| Preferred stock, no par value: 2,000 shares authorized (none issued) | - | - |
| Common stock, no par value: 80,000 shares authorized; 35,416 and 35,344 outstanding | 95,375 | 91,044 |
| Retained earnings | 171,379 | 109,286 |
| Total The Shyft Group, Inc. shareholders' equity | <u>266,754</u> | <u>200,330</u> |
| Non-controlling interest | 101 | (171) |
| Total shareholders' equity | <u>266,855</u> | <u>200,159</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 447,867 | \$ 359,049 |

The Shyft Group, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|-----------------|-------------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Sales | \$ 277,300 | \$ 171,582 | \$ 991,792 | \$ 675,973 |
| Cost of products sold | <u>225,985</u> | <u>136,361</u> | <u>792,527</u> | <u>529,696</u> |
| Gross profit | 51,315 | 35,221 | 199,265 | 146,277 |
| Operating expenses: | | | | |
| Research and development | 4,237 | 865 | 8,541 | 4,361 |
| Selling, general and administrative | <u>28,027</u> | <u>23,534</u> | <u>106,672</u> | <u>93,068</u> |
| Total operating expenses | 32,264 | 24,399 | 115,213 | 97,429 |
| Operating income | <u>19,051</u> | <u>10,822</u> | <u>84,052</u> | <u>48,848</u> |
| Other income (expense): | | | | |
| Interest expense | (104) | (91) | (414) | (1,293) |
| Interest and other income | <u>99</u> | <u>358</u> | <u>842</u> | <u>601</u> |
| Total other income (expense) | <u>(5)</u> | <u>267</u> | <u>428</u> | <u>(692)</u> |
| Income from continuing operations before income taxes | 19,046 | 11,089 | 84,480 | 48,156 |
| Income tax expense (benefit) | <u>(1,446)</u> | <u>2,783</u> | <u>14,506</u> | <u>9,867</u> |
| Income from continuing operations | 20,492 | 8,306 | 69,974 | 38,289 |
| Income (loss) from discontinued operations, net of income taxes | <u>100</u> | <u>(176)</u> | <u>181</u> | <u>(5,123)</u> |
| Net income | 20,592 | 8,130 | 70,155 | 33,166 |
| Less: net income attributable to non-controlling interest | <u>128</u> | <u>169</u> | <u>1,230</u> | <u>347</u> |
| Net income attributable to The Shyft Group, Inc. | \$ 20,464 | \$ 7,961 | \$ 68,925 | \$ 32,819 |
| Basic earnings (loss) per share | | | | |

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Continuing operations | \$ 0.58 | \$ 0.22 | \$ 1.94 | \$ 1.07 |
| Discontinued operations | \$ - | \$ - | \$ 0.01 | \$ (0.14) |
| Basic earnings per share | <u>\$ 0.58</u> | <u>\$ 0.22</u> | <u>\$ 1.95</u> | <u>\$ 0.93</u> |
| Diluted net earnings (loss) per share | | | | |
| Continuing operations | \$ 0.56 | \$ 0.22 | \$ 1.91 | \$ 1.05 |
| Discontinued operations | \$ - | \$ - | \$ - | \$ (0.14) |
| Diluted earnings per share | <u>\$ 0.56</u> | <u>\$ 0.22</u> | <u>\$ 1.91</u> | <u>\$ 0.91</u> |
| Basic weighted average common shares outstanding | 35,341 | 35,445 | 35,333 | 35,479 |
| Diluted weighted average common shares outstanding | 36,185 | 36,226 | 36,097 | 36,039 |

The Shyft Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands, except par value)
(Unaudited)

| | <u>Year Ended December 31</u> | |
|--|-------------------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Cash flows from operating activities: | | |
| Net income | \$ 70,155 | \$ 33,166 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 11,356 | 14,187 |
| Deferred income taxes | 880 | 19,790 |
| Non-cash stock based compensation expense | 8,745 | 7,848 |
| Loss on sale of business | - | 3,852 |
| Loss (gain) on disposal of assets | (110) | 82 |
| Loss from write-off of construction in process | - | 2,430 |
| Changes in fair value of contingent consideration | - | (599) |
| Changes in accounts receivable and contract assets | (34,522) | (6,037) |
| Changes in inventories | (20,756) | 12,834 |
| Changes in accounts payable | 34,954 | (10,674) |
| Changes in accrued compensation and related taxes | 1,930 | 971 |
| Changes in accrued warranty | 53 | (60) |
| Changes in other assets and liabilities | 1,324 | (13,458) |
| Net cash provided by operating activities | <u>74,009</u> | <u>64,332</u> |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (23,002) | (14,534) |
| Proceeds from sale of property, plant and equipment | 22 | - |
| Acquisition of businesses, net of cash acquired | 904 | (18,050) |
| Proceeds from sale of business | - | 47,500 |
| Net cash provided by (used in) investing activities | <u>(22,076)</u> | <u>14,916</u> |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 45,000 | 16,000 |
| Payments on long-term debt | (67,400) | (81,000) |
| Payments of debt issuance costs | (1,360) | - |

| | | |
|--|-----------------|-----------------|
| Payments of dividends | (3,551) | (3,565) |
| Purchase and retirement of common stock | (3,348) | (7,503) |
| Exercise and vesting of stock incentive awards | (2,949) | (1,534) |
| Purchase of non-controlling interest | (2,162) | - |
| Net cash provided by (used in) financing activities | (35,770) | (77,602) |
| Net increase in cash and cash equivalents | 16,163 | 1,646 |
| Cash and cash equivalents at beginning of year | 20,995 | 19,349 |
| Cash and cash equivalents at end of year | \$ 37,158 | \$ 20,995 |

The Shyft Group, Inc. and Subsidiaries
Sales and Other Financial Information by Business Segment
(Unaudited)

Quarter Ended December 31, 2021 (in thousands of dollars)

| | Business Segments | | | Consolidated |
|---|---------------------------------|-----------------------|-------------|-------------------|
| | Fleet Vehicles & Services | Specialty Vehicles | Other | |
| Fleet vehicle sales | \$ 172,240 | \$ - | \$ - | \$ 172,240 |
| Motorhome chassis sales | | - 49,500 | - | 49,500 |
| Other specialty vehicles sales | | - 40,562 | - | 40,562 |
| Aftermarket parts and accessories sales | 10,364 | 4,634 | - | 14,998 |
| Total Sales | <u>\$ 182,604</u> | <u>\$4,696</u> | <u>\$ -</u> | <u>\$ 277,300</u> |
| Adjusted EBITDA | \$ 26,246 | \$0,251 | \$ (9,912) | \$ 26,585 |

The Shyft Group, Inc. and Subsidiaries
Sales and Other Financial Information by Business Segment
(Unaudited)

Quarter Ended December 31, 2020 (in thousands of dollars)

| | Business Segments | | | Consolidated |
|---|---------------------------------|-----------------------|-------------|-----------------|
| | Fleet Vehicles & Services | Specialty Vehicles | Other | |
| Fleet vehicle sales | \$ 97,938 | \$ - | \$ - | \$7,938 |
| Motorhome chassis sales | | 33,009 | - | 33,009 |
| Other specialty vehicles sales | | 28,761 | - | 28,761 |
| Aftermarket parts and accessories sales | 7,957 | 3,917 | - | 11,874 |
| Total Sales | <u>\$ 105,895</u> | <u>\$5,687</u> | <u>\$ -</u> | <u>1\$1,582</u> |
| Adjusted EBITDA | \$ 15,777 | \$7,668 | \$7,418) | \$6,027 |

The Shyft Group, Inc. and Subsidiaries

**Sales and Other Financial Information by Business Segment
(Unaudited)**

Year Ended December 31, 2021 (in thousands of dollars)

| | Business Segments | | | Consolidated |
|---|---------------------------------|-----------------------|-------------|-------------------|
| | Fleet Vehicles & Services | Specialty Vehicles | Other | |
| Fleet vehicle sales | \$ 624,874 | \$ - | \$ - | \$ 624,874 |
| Motorhome chassis sales | | -168,166 | - | 168,166 |
| Other specialty vehicles sales | | -145,134 | - | 145,134 |
| Aftermarket parts and accessories sales | 34,558 | 19,060 | - | 53,618 |
| Total Sales | \$ 659,433 | \$ 32,360 | \$ - | \$ 991,792 |
| | | | | |
| Adjusted EBITDA | \$ 108,621 | \$ 2,668 | (\$3,223) | \$ 108,066 |

The Shyft Group, Inc. and Subsidiaries

**Sales and Other Financial Information by Business Segment
(Unaudited)**

Year Ended December 31, 2020 (in thousands of dollars)

| | Business Segments | | | Consolidated |
|---|---------------------------------|-----------------------|-------------|-------------------|
| | Fleet Vehicles & Services | Specialty Vehicles | Other | |
| Fleet vehicle sales | \$ 428,499 | \$ - | \$ - | \$ 428,499 |
| Motorhome chassis sales | - | 107,849 | - | 107,849 |
| Other specialty vehicles sales | - | 94,633 | - | 94,633 |
| Aftermarket parts and accessories sales | 34,956 | 10,036 | - | 44,992 |
| Total Sales | \$ 463,455 | \$ 212,518 | \$ - | \$ 675,973 |
| | | | | |
| Adjusted EBITDA | \$ 83,292 | \$ 20,900 | (\$7,846) | \$ 96,346 |

The Shyft Group, Inc. and Subsidiaries

**Sales and Other Financial Information by Business Segment
(Unaudited)**

Period End Backlog (amounts in thousands of dollars)

| | Dec. 31, 2021 | Sept. 30, 2021 | Jun. 30, 2021 | Mar. 31, 2021 | Dec. 31, 2020 |
|-----------------------------|------------------|-------------------|------------------|------------------|------------------|
| Fleet Vehicles and Services | \$ 859,442 | \$ 749,731 | \$ 652,642 | \$ 585,019 | \$ 421,544 |
| Motorhome Chassis | 54,583 | 60,978 | 56,294 | 42,742 | 31,580 |
| Other Specialty Vehicles | 49,407 | 41,504 | 42,106 | 38,301 | 25,225 |

| | | | | | |
|-----------------------------------|------------|------------|------------|------------|------------|
| Aftermarket Parts and Accessories | 127 | 347 | 382 | 438 | 302 |
| Total Specialty Vehicles | 104,117 | 102,829 | 98,782 | 81,481 | 57,107 |
| Total Backlog * | \$ 963,559 | \$ 852,560 | \$ 751,424 | \$ 666,500 | \$ 478,651 |

* Backlog orders are expected to be filled within one year as of December 31, 2021.

Reconciliation of Non-GAAP Financial Measures

This release presents Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted net income, and adjusted earnings per share, each of which is a non-GAAP financial measure. These non-GAAP measures are calculated by excluding items that we believe to be infrequent or not indicative of our underlying operating performance, as well as certain non-cash expenses. We define Adjusted EBITDA as income from continuing operations before interest, income taxes, depreciation and amortization, as adjusted to eliminate the impact of restructuring charges, acquisition related expenses and adjustments, non-cash stock-based compensation expenses, and other gains and losses not reflective of our ongoing operations.

We present the non-GAAP measure Adjusted EBITDA because we consider it to be an important supplemental measure of our performance. The presentation of Adjusted EBITDA enables investors to better understand our operations by removing items that we believe are not representative of our continuing operations and may distort our longer-term operating trends. We believe this measure to be useful to improve the comparability of our results from period to period and with our competitors, as well as to show ongoing results from operations distinct from items that are infrequent or not indicative of our continuing operating performance. We believe that presenting this non-GAAP measure is useful to investors because it permits investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate our historical performance. We believe that the presentation of this non-GAAP measure, when considered together with the corresponding GAAP financial measures and the reconciliations to that measure, provides investors with additional understanding of the factors and trends affecting our business than could be obtained in the absence of this disclosure.

Our management uses Adjusted EBITDA to evaluate the performance of and allocate resources to our segments. Adjusted EBITDA is also used, along with other financial and non-financial measures, for purposes of determining annual incentive compensation for our management team and long-term incentive compensation for certain members of our management team.

Financial Summary (In thousands, except per share data) (Unaudited)

| | Three Months Ended December 31, | | | | Twelve Months Ended December 31, | | | |
|---|------------------------------------|------|--------------------|------|----------------------------------|------|--------------------|------|
| | % of 2021 sales | | % of 2020 sales | | % of 2021 sales | | % of 2020 sales | |
| The Shyft Group, Inc. | | | | | | | | |
| Income from continuing operations | \$20,492 | 7.4% | \$3,306 | 4.8% | \$ 69,974 | 7.0% | \$38,289 | 5.7% |
| Net (income) attributable to non-controlling interest | (128) | | (169) | | (1,230) | | (347) | |
| Add (subtract): | | | | | | | | |
| Restructuring and other related charges | - | | 16 | | 505 | | 1,873 | |
| Acquisition related expenses and adjustments | 777 | | 410 | | 1,585 | | 1,332 | |
| Non-cash stock-based compensation expense | 2,174 | | 1,525 | | 8,745 | | 7,706 | |
| Non-recurring professional fees | 1,568 | | - | | 1,568 | | - | |
| Loss from liquidation of JV | - | | - | | 643 | | - | |
| Loss from write-off of construction in process | - | | - | | - | | 2,430 | |

| | | | | |
|---|------------------|--------------|-----------------|--------------|
| Accelerated depreciation of property, plant and equipment | - | 366 | - | 3,061 |
| Favorable tax rate in income taxes receivable | - | - | - | (2,610) |
| Deferred tax asset adjustment | - | 56 | - | 376 |
| Non-recurring tax benefits | (4,392) | - | (4,392) | - |
| Tax effect of adjustments | (266) | (441) | (2,429) | (3,892) |
| Adjusted net income | \$20,225 | 7.3% | \$10,069 | 5.9% |
| | \$ 74,969 | 7.6% | \$48,218 | 7.1% |
| Income from continuing operations | \$20,492 | 7.4% | \$3,306 | 4.8% |
| | \$ 69,974 | 7.1% | \$38,289 | 5.7% |
| Net (income) attributable to non-controlling interest | (128) | | (169) | |
| Add (subtract): | | | | |
| Depreciation and amortization | 3,044 | | 3,065 | |
| Taxes on income | (1,446) | | 2,783 | |
| Interest expense | 104 | | 91 | |
| EBITDA | \$22,066 | 8.0% | \$11,076 | 8.2% |
| | \$ 95,020 | 9.6% | \$63,005 | 9.3% |
| Add (subtract): | | | | |
| Restructuring and other related charges | - | | 16 | |
| Acquisition related expenses and adjustments | 777 | | 410 | |
| Non-cash stock-based compensation expense | 2,174 | | 1,525 | |
| Non-recurring professional fees | 1,568 | | - | |
| Loss from liquidation of JV | - | | - | |
| Loss from write-off of construction in process | - | | - | |
| | | | | 2,430 |
| Adjusted EBITDA | \$26,585 | 9.6% | \$16,027 | 9.3% |
| | \$108,066 | 10.9% | \$76,346 | 11.3% |
| Diluted net earnings per share | \$ 0.56 | | \$ 0.22 | |
| Add (subtract): | | | | |
| Restructuring and other related charges | - | | - | |
| Acquisition related expenses and adjustments | 0.02 | | 0.01 | |
| Non-cash stock-based compensation expense | 0.07 | | 0.04 | |
| Non-recurring professional fees | 0.04 | | - | |
| Loss from liquidation of JV | - | | - | |
| Loss from write-off of construction in process | - | | - | |
| | | | | 0.07 |
| Accelerated depreciation of property, plant and equipment | - | | 0.01 | |
| Favorable tax rate in income taxes receivable | - | | - | |
| Deferred tax asset adjustment | - | | - | |
| Non-recurring tax benefits | (0.12) | | - | |
| Tax effect of adjustments | (0.01) | | (0.01) | |
| Adjusted diluted net earnings per share | \$ 0.56 | | \$ 0.27 | |
| | \$ 2.08 | | \$ 1.34 | |

Financial Summary (Non-GAAP)

Consolidated
(In thousands, except per share data)
(Unaudited)

The Shyft Group, Inc.

| | | Low | |
|---|----|------------|--|
| Income from continuing operations | \$ | 46,462 | |
| Add: | | | |
| Depreciation and amortization | | 14,033 | |
| Interest expense | | 1,167 | |
| Taxes | | 14,541 | |
| EBITDA | \$ | 76,203 | |
| Add (subtract): | | | |
| Non-cash stock-based compensation and other charges | | 13,797 | |
| Adjusted EBITDA | \$ | 90,000 | |
| | | | |
| Earnings per share | \$ | 1.29 | |
| Add: | | | |
| Non-cash stock-based compensation and other charges | | 0.38 | |
| Less tax effect of adjustments | | (0.10) | |
| Adjusted earnings per share | \$ | 1.57 | |



Source: The Shyft Group, Inc.