

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 Quarter Ended March 31, 1995

Commission File Number 0-13611

SPARTAN MOTORS, INC.

(Exact name of registrant as specified in its charter)

Michigan

38-2078923

(State of incorporation)

(I.R.S. Employer
Identification no.)

1000 Reynolds Road, Charlotte, Michigan

48813

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (517) 543-6400

NONE

Former name, former address and former fiscal year, if changed since
last report.

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common shares outstanding at May 8, 1995 13,060,872

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QUARTER ENDED MARCH 31, 1995

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SPARTAN MOTORS, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 1995 ----- (Unaudited)	December 31, 1994 -----
ASSETS		

CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,349,872	\$ 2,930,270
Investment securities	11,789,592	11,294,216
Accounts receivable, less allowance for doubtful accounts of \$580,000 in 1995 and \$540,000 in 1994	25,538,015	23,316,271
Inventories	25,447,455	23,444,234
Deferred tax benefit	1,260,000	1,450,000
Federal taxes receivable	336,781	1,446,781
Other current assets	1,711,490	1,661,639
	-----	-----
TOTAL CURRENT ASSETS	71,433,205	65,543,411
PROPERTY, PLANT, AND EQUIPMENT, net of accumulated depreciation of \$4,956,648 and \$4,732,590 in 1995 and 1994, respectively	12,838,665	12,886,838
DEFERRED TAX BENEFIT	1,046,000	751,000
OTHER ASSETS	1,785,940	1,885,720
	-----	-----
TOTAL	\$87,103,810 =====	\$81,066,969 =====

See notes to consolidated financial statements.

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SPARTAN MOTORS, INC.
CONSOLIDATED BALANCE SHEETS - CONTINUED

March 31, 1995 ----- (Unaudited)	December 31, 1994 -----
--	----------------------------

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$11,815,386	\$ 7,143,728
Other current liabilities and accrued expenses	698,570	1,164,794
Accrued warranty expense	1,617,605	1,856,358
Accrued customer rebates	1,064,388	952,742
Accrued compensation and related taxes	2,228,102	1,689,966
Current portion of long-term debt	420,000	420,000

TOTAL CURRENT LIABILITIES

17,844,051 13,227,588

LONG-TERM DEBT, less current portion

6,079,487 6,211,357

COMMITMENTS AND CONTINGENT LIABILITIES

STOCKHOLDERS' EQUITY:

Common stock, no par value; authorized 23,900,000 shares, issued 13,060,872 shares in 1995 and 1994	22,131,928	22,131,928
Retained earnings	43,098,028	41,324,916
Valuation Allowance (for unrealized losses on investments)	(155,917)	(370,715)
Cumulative translation adjustment	(1,893,767)	(1,458,105)

TOTAL STOCKHOLDERS' EQUITY

63,180,272 61,628,024

TOTAL

\$87,103,810 \$81,066,969

See notes to consolidated financial statements.

SPARTAN MOTORS, INC.
 CONSOLIDATED STATEMENTS OF NET EARNINGS (UNAUDITED)

Three Months Ended March 31

1995 1994
 ---- ----

REVENUES:

Net sales	\$43,774,933	\$54,129,557
Other income	426,341	628,786

TOTAL

44,201,274 54,758,343

COSTS AND EXPENSES:

Costs of products sold	36,809,765	45,674,623
Research and development	787,707	625,929
Selling, general and administrative	3,551,084	3,132,868
Interest	116,606	82,945

TOTAL

41,265,162 49,516,365

EARNINGS BEFORE TAXES ON INCOME AND MINORITY INTEREST

2,936,112 5,241,978

TAXES ON INCOME

1,163,000 1,712,000

EARNINGS BEFORE MINORITY INTEREST

1,773,112 3,529,978

MINORITY INTEREST IN LOSS OF CONSOLIDATED SUBSIDIARY

89,829

NET EARNINGS	\$ 1,773,112	\$ 3,619,807
NET EARNINGS PER SHARE	\$ 0.14	\$ 0.27
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	13,082,000	13,229,000

See notes to consolidated financial statements.

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SPARTAN MOTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31	
	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 1,773,112	\$ 3,619,807
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	409,806	349,571
Minority interest in loss of consolidated subsidiary		(89,829)
Gain on sales of assets and investment securities	(99,544)	(64,179)
Decrease (increase) in:		
Accounts receivable	(2,325,881)	(4,035,848)
Inventories	(2,367,779)	(5,267,234)
Deferred tax benefit	41,956	(288,000)
Federal taxes receivable	1,110,000	
Restricted assets		347,647
Other assets	35,815	(220,032)
Increase (decrease) in:		
Accounts payable	4,853,261	12,490,490
Other current liabilities and accrued expenses	(457,387)	330,752
Accrued warranty expense	(238,753)	540,975
Accrued customer rebate	111,646	(121,228)
Taxes on income		1,965,446
Accrued compensation and related taxes	537,743	571,065
TOTAL ADJUSTMENTS	1,610,883	6,509,596
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,383,995	10,129,403
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(613,943)	(2,227,209)
Proceeds from sales of property, plant and equipment	150,000	23,000
Purchases of investment securities	(4,556,487)	(1,651,744)
Proceeds from sales of investment securities	4,382,574	2,752,857
Advance of note receivable	(678,275)	
Principal repayment on note receivable	464,836	43,927
NET CASH USED IN INVESTING ACTIVITIES	(851,295)	(1,059,169)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt		2,000,000
Proceeds from exercise of stock options		132,634
Payments on long-term debt	(131,870)	(84,753)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	\$ (131,870)	\$ 2,047,881

(Continued)

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SPARTAN MOTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED (UNAUDITED)

	Three Months Ended March 31	
	1995	1994
EFFECT OF EXCHANGE RATE CHANGES ON CASH	\$ 18,772	\$ (4,475)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,419,602	11,113,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,930,270	1,139,121
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$5,349,872	\$12,252,761

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest was \$116,606 and \$98,879 for the three months ended March 31, 1995 and 1994, respectively. Cash paid for income taxes was \$11,000 and \$3,500 for the three months ended March 31, 1995 and 1994, respectively.

See notes to consolidated financial statements. (Concluded)

SPARTAN MOTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) For a description of the accounting policies followed refer to the notes to the Company's annual consolidated financial statements for the year ended December 31, 1994, included in Form 10-K filed with the Securities and Exchange Commission March 25, 1995.
- (2) The consolidated financial statements include the accounts of Spartan Motors, Inc., its wholly owned subsidiary, Spartan Motors Foreign Sales Corporation, Inc., and its 80% owned subsidiary Spartan de Mexico, S.A. de C.V. ("Spartan de Mexico"). Spartan de Mexico was incorporated in the first quarter of 1993. All material intercompany transactions have been eliminated. The two joint ventures with Societe D' Equipment de Transport et de Carrosserie S.A. ("Setcar") are not included in the consolidated financial statements as the Company has not made any expenditures for investment purposes nor have the ventures commenced operations as of March 31, 1995.
- (3) In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 1995, and the results of operations for the three month periods ended March 31, 1995 and 1994.
- (4) The results of operations for the three month period ended March 31, 1995, are not necessarily indicative of the results to be expected for the full year.

- (5) Inventories consist of raw materials and purchased components, work in process, and finished goods and are summarized as follows:

	March 31, 1995	December 31, 1994
	-----	-----
Finished Goods	\$ 1,441,702	\$ 1,071,424
Raw Materials and purchased components	19,334,583	17,969,217
Work in Process:		
Materials	4,257,911	3,827,738
Direct Labor	307,567	371,285
Manufacturing expenses	255,692	204,570
LIFO Reserve	(150,000)	
	-----	-----
	\$25,447,455	\$23,444,234
	=====	=====

- (6) A summary of the Company's investment securities portfolio is presented in the table below. During the three months ended March 31, 1995, the Company recognized investment income of approximately \$164,500 from such securities.

(see following page)

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SPARTAN MOTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

	March 31, 1995			
	Amortized Cost	Estimated Market Value	Unrealized -----	
	-----	-----	Gain	(Loss)
	-----	-----	-----	-----
United States government agencies (principally mortgage backed)	\$ 2,576,539	\$ 2,419,987		\$ (158,241)
Municipal bonds	7,653,740	7,604,684	\$ 1,689	(67,877)
Corporate bonds	754,735	720,470	18,821	(34,265)
Money market funds	1,044,451	1,044,451		
	-----	-----	-----	-----
TOTAL	\$12,029,465	\$11,789,592	\$20,510	\$ (260,383)
	=====	=====	=====	=====
	December 31, 1994			
	Amortized Cost	Estimated Market Value	Unrealized -----	
	-----	-----	Gain	(Loss)
	-----	-----	-----	-----
United States government agencies (principally mortgage backed)	\$ 2,327,827	\$ 2,107,392	\$292	\$ (220,727)
Municipal bonds	7,820,349	7,526,473		(293,876)
Corporate bonds	1,602,827	1,554,423		(48,404)
Money market funds	105,928	105,928		
	-----	-----	-----	-----
TOTAL	\$11,856,931	\$11,294,216	\$292	\$ (563,007)
	=====	=====	=====	=====

The maturity distribution of investments at March 31, 1995 is shown below. The distribution of mortgage-backed securities is based on average expected maturities. Actual maturities may differ because issuers may have the right to call or prepay obligations.

Amortized Cost	Estimated Market Value
-----	-----

Under 1 Year	\$ 1,441,596	\$ 1,438,741
1 Year - 5 Years	2,823,690	2,801,645
5 Years - 10 Years	4,052,243	4,027,349
Over 10 Years	3,711,936	3,521,857
	-----	-----
TOTAL	\$12,029,465	\$11,789,592
	=====	=====

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SPARTAN MOTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

- (7) On March 8, 1995 the Board of Directors authorized management to repurchase an additional 150,000 shares of its common stock in the open market. At March 31, 1995, management had authorization to repurchase up to 250,000 shares of its common stock. Repurchase of common stock is contingent upon market conditions. No expiration date was set for the completion of the repurchase program (see Note 9).
- (8) During the three months ended March 31, 1995, stockholders' equity changed as follows:

Balance at December 31, 1994	\$61,628,024
Net Earnings	1,773,112
Valuation Allowance - Investment Securities	214,798
Cumulative Translation Adjustment Change	(435,662)

Balance at March 31, 1995	\$63,180,272
	=====

(9) SUBSEQUENT EVENTS:

During April 1995, the Company repurchased 147,900 shares at an average market price of approximately \$10.45 per share. The treasury stock will be constructively retired in accordance with the Michigan Business Corporations Act applicable to all Michigan corporations.

A cash dividend of \$0.05 per outstanding share was declared May 8, 1995 for shareholders of record on June 8, 1995. The dividend of \$653,044 will be paid July 8, 1995.

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

The following is a discussion of the major elements impacting Spartan Motors, Inc. financial and operating results for the period ended March 31, 1995 compared to the period ended March 31, 1994. The comments that follow should be read in conjunction with the Company's consolidated financial statements and related notes.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the components of the Company's consolidated statements of net earnings, on an actual basis, as a percentage of revenues:

Three Months
Ended March 31

	----- 1995 ----	----- 1994 ----
Revenues	100%	100%
Costs and expenses:		
Cost of products sold	83.3%	83.4%
Research and development	1.8%	1.1%
Selling, general, and administrative	8.0%	5.7%
Interest3%	.2%
	-----	-----
Total costs and expenses	93.4%	90.4%
	-----	-----
Earnings before taxes on income and minority interest	6.6%	9.6%
Taxes on income	2.6%	3.1%
	-----	-----
Earnings before minority interest	4.0%	6.5%
Minority interest in loss of consolidated subsidiary	-----	.1%
	-----	-----
Net earnings	4.0%	6.6%
	=====	=====

THREE MONTH PERIOD ENDED MARCH 31, 1995, COMPARED TO THE THREE MONTH PERIOD ENDED MARCH 31, 1994

Revenues for the three months ended March 31, 1995, were \$44.2 million compared to \$54.8 million in 1994, a decrease of 19%. Net income was \$1.8 million for the three months ended March 31, 1995 (\$0.14 per share), compared to \$3.6 million in 1994 (\$0.27 per share), a decrease of 50%. The decrease in revenues and earnings is primarily due to soft retail market conditions in recreational vehicles during 1995 resulting in a decrease of OEM orders. The decrease in revenues is further magnified by the fact that the first quarter of 1994 was one of record revenues for the Company. Total chassis production for the three months ended March 31, 1995 consisted of 776 units as compared to 1,314 chassis for the same period in 1994. Sales of fire truck chassis units actually increased by 73% due to the continued shift from commercial to custom chassis, and the Company's ability to compete with the commercial fire truck market with its Diamond, Metro Star and GT-ONE series chassis. Sales of motorhome chassis units decreased overall by 47%, while unit sales of the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS - CONTINUED

premium line Mountain Master chassis, which includes the newly designed M-11 chassis, increased 29% during the first quarter of 1995. The chassis contributing to the overall decrease were the lower priced, lower margin chassis offered by the Company. Bus/specialty chassis unit sales declined as a result of the slow progress in the stabilization of the Mexican economy and the fact that domestic sales of bus/specialty chassis are sporadic.

Total costs and expenses as a percentage of revenues increased to 93.4% for the 1995 period as compared to 90.4% for 1994. Cost of products sold remained consistent at 83.3% of revenues as compared to 83.4% for the same period in 1994. Selling, general and administrative expenses increased to 8.0% of revenues for the 1995 period compared with 5.7% for 1994. The increase is the result of additional expenditures relating to advertising, sales travel and trade shows, and the expansion of the customer service department. In addition, the increase in selling, general and administrative expenses is due to a proportionately larger increase in these costs relative to the level of revenues. Research and development costs for the 1995 period increased to 1.8% of revenues compared with 1.1% for the same period of 1994. The increase in research and development costs is due to the Company continuing its efforts to

expand the applications of rear engine diesel technology to additional market segments in the industry. Examples of this are the development of school bus chassis and the low floor transit bus chassis. Interest expense as a percentage of revenues remained consistent at .3% for the 1995 period compared with .2% for the same period in 1994.

Total chassis orders received decreased 23.7% during the three months ended March 31, 1995, to 764 units from 1,001 units for the same period of 1994. This decrease is primarily the result of a softening in the lower end motorhome market, however orders for the premium motorhome chassis remain strong. Based on average order lead time, the Company estimates that approximately one-half of the motorhome and none of the fire truck orders received during the three month period ended March 31, 1995 were produced and delivered by March 31, 1995.

At March 31, 1995, the Company had approximately \$56.3 million in backlog chassis orders. The Company had increased production levels of fire truck chassis in an effort to reduce the backlog and respond more promptly to customer delivery requirements.

LIQUIDITY AND CAPITAL RESOURCES

Over the years, the Company has financed its growth through a combination of funds provided from equity offerings, operations and long and short-term debt financing. During the three months ended March 31, 1995, cash provided by the operating activities amounted to approximately \$3.4 million. On March 31, 1995, the Company had working capital of \$53.6 million compared to \$52.3 million at December 31, 1994, an increase of 2.5%. The current ratio on March 31, 1995 decreased to 4.0 compared with 5.0 on December 31, 1994 despite the overall increase in working capital. The increase in working capital was the result of increases in accounts receivable, inventories, and accounts payable. Accounts receivable increased approximately \$2.3 million primarily due to strong sales in the last month of the quarter. Inventories increased approximately \$2.4 million primarily to

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED

support the increase in production of fire truck and premium motorhome chassis. The increase in accounts payable of approximately \$4.9 million is the direct result of the increase in inventories needed to support the 1995 production requirements and the timing on vendor payments.

The Company anticipates that cash generated from operations, the liquidity of short-term investment securities and the existing credit line will be sufficient to satisfy all working capital and capital expenditure requirements for the foreseeable future. This will provide the Company with financial flexibility to respond quickly to business opportunities as they arise, including opportunities for growth either through internal development or through strategic joint ventures or acquisitions.

Spartan de Mexico S.A. de C.V., the Company's foreign subsidiary in Queretaro, Mexico, is working to generate orders from the Mexican and South American bus markets. Spartan de Mexico posted a 2 cent per share loss in earnings during the three months ended March 31, 1995, consistent with the same period in 1994. Spartan de Mexico was unable to produce bus chassis during the three months ended March 31, 1995 due to the slow progress of the Mexican economy stabilization.

Stockholders' equity increased by approximately \$1.6 million for the three months ended March 31, 1995, an increase of 2.5%. This increase is net of the investment securities valuation allowance of \$156,000, established to comply with the requirements of SFAS No. 115. The Company's debt to equity ratio decreased to 10.3% on March 31, 1995 compared with 10.8% at December 31, 1994.

The Company's unsecured line of credit with a bank provides for maximum borrowings of \$10,000,000 at 2 1/4% above the LIBOR rate (LIBOR rate at March 31, 1995 was 6 1/8%). As of March 31, 1995, there were no borrowings against this line. In addition, under the terms of its credit agreement with its bank, the Company has the ability to issue letters of credit totaling

\$400,000. At March 31, 1995, the Company had outstanding letters of credit totaling \$200,000.

EFFECT OF INFLATION

Inflation affects the Company in two principal ways. First, the Company's debt is tied to the prime and LIBOR rates so that increases affecting interest rates may be translated into additional interest expense. Second, general inflation impacts prices paid for labor, parts and supplies. Whenever possible, the Company attempts to cover increased costs of production and capital by adjusting the selling prices of its products. However, the Company normally does not attempt to negotiate inflation-based price adjustment provisions into its contracts. Since order lead times can be as much as six months, Spartan has limited ability to pass on cost increases to its customers on a short-term basis. In addition, markets served by the Company are competitive in nature, and competition limits the pass through of cost increases in many cases. Internally, the Company strives to improve profits by implementing cost effective methods of production.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party, both as plaintiff and defendant, to a number of lawsuits and claims arising out of the normal course of business. It is the best judgment of management that the financial position of the Company will not be materially affected by the final outcome of these legal proceedings.

Item 2. Changes in Securities

NONE

Item 3. Defaults Upon Senior Securities

NONE

Item 4. Submission of Matters to a Vote of Security Holders

NONE

Item 5. Other Information

NONE

Item 6. Exhibits and Reports on Form 8-K

(a) NOT APPLICABLE

(b) There were no reports on Form 8-K for the three months ended March 31, 1995.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Spartan Motors, Inc., has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Spartan Motors, Inc.

By /s/ James R. Jenks

James R. Jenks, CPA
Secretary/Treasurer

Date: May 8, 1995

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EXHIBIT INDEX

Exhibit No. -----	Description -----
27	Financial Data Schedule

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