Spartan Motors

’17 Analyst Date

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CORPORATE PARTICIPANTS

Juris Pagrabs – *Group Treasurer and Director of Investor Relations*

Daryl Adams – *President and Chief Executive Officer*

John Slawson – *President, Emergency Response*

Steve Guillaume – *President, Specialty Vehicles and Chassis*

Tom Ninneman – *President, Fleet Vehicles and Services*

Rick Sohm – *Chief Financial Officer*

PRESENTATION

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Ladies and gentlemen, please welcome Group Treasurer and Director of Investor Relations, Juris Pagrabs.

Juris Pagrabs
Good morning, everyone, and welcome to Spartan's analyst and investor day. I'm Juris Pagrabs, the Group Treasurer and Head of IR. On behalf of the management team here in attendance, and on behalf of all of us Spartan, thank you very much for joining us today.

For many of you, I know it's been a long trip to get out here to the East Coast, and we appreciate your effort and your attendance. An equally warm welcome for those joining us today on the webcast. You won't get to enjoy the great box lunch we have for you or get to see these great, terrific vehicles on display, but you will have a chance to follow along.

We have a busy day planned, and we want to give you as much value for your time as possible. I hope many of you have had the chance to engage with our Spartan team members on the showcase floor. There's a lot to see, so please take time to interact with the folks out there. They know their stuff, and there's a lot to learn.

We have a total of 16 trucks and one chassis being showcased today representing vehicles manufactured by our three business units. Emergency response fire trucks include, a couple of Smeal aerials in the back, an international China unit, and the game-changing S-180 pumper. Representing Specialty Chassis are the Entegra and Newmar motorhomes on both sides of the dining room area, and last are Fleet Vehicles represented by Coke walk-in van, Aramark, Lowe's, and our assortment of last-mile delivery vehicles like the Isuzu N-gas and F-series, and the FedEx Reach vehicle. Of course, our custom-made Starbucks truck, which will be serving coffee throughout the day.

We'll start today's event with Daryl Adams, our President and CEO who will discuss our business model and our growth strategy. Then, each of the business unit presidents will provide an in-depth review of their operations, markets, and strategies, starting with John Slawson, our Emergency Response segment. Then, Steve Guillaume, Specialty Vehicles and Chassis.

We'll then take a 15-minute break and resume with Tom Ninneman, our Fleet Vehicle and Services president, and then Rick Sohm, our CFO, will provide a financial review and our three-year targets. We plan to wrap things up with Daryl, which will be followed by a 30-minute Q&A session, and then lunch.

Throughout the morning, please feel free to get up and use the facilities and refresh your drinks as needed. There are monitors throughout the showroom floor to make sure you don't miss any information. After lunch, we'll conduct a vehicle showroom tour with management and vehicle side experts.

The highlight of every IR career here, the forward-looking statement. Before we start, you should be aware there are certain statements made during today's event which may include management's current outlook, viewpoint, predictions, and projections regarding Spartan Motors and its operations, which may be considered forward-looking statements under the Private Securities Litigation Act of 1995. I caution you that, as with any prediction or projection, there are a number of factors that could cause Spartan's actual results to differ materially from projections. All known risks our management believes could materially affect the results are identified in our Forms 10-K, 10-Q filed with the SEC, however, there may be other risks that we cannot anticipate.

So, at this time, it's my pleasure to introduce our CEO, Daryl Adams.

Daryl Adams
Good morning. It's our pleasure to be here to share with you our three-year plan. It's even more exciting when you see the team that put this together step up. You're going to hear about the team and how we rebuilt it. I think this show, the three-year plan you're going to hear about is going to give you the confidence that it gives us on where Spartan can be in the future.

I'm going to talk about the business model and our growth strategy. I want to go through a little history first. Spartan is built of three business segments. Fleet Vehicle and Service is our largest, Specialty Chassis is next, and then Emergency Response. That's a 2016 view. With the acquisition of Smeal, those two may switch around, but I think the important part is the growth of our sales.

Back in 2015, we were about $500 million. In '16 we were $591 million. That was with some of the Smeal information in there pro rata. Then, $23 million of EBITDA, and we do have 26 operations around the United States and also in three countries, as you can see on the map.

The history I want to talk about a little bit is Spartan has a 42-year history of building some really special vehicles, and these special vehicles were started back in 1975 with, you can see the picture, four engineers that were laid off from the automotive industry. They purchased the assets of a bankrupt company in Lansing called Diamond Rio, hence the shape of the logo of Spartan Motors.

Along the way Spartan made some acquisitions. Here you can see two of them, Luverne and Quality Fire became Crimson, Utilimaster in 2009. The reason I'm telling you that is when Spartan made those acquisitions they didn't integrate them at all, so we started to build silos in the company, and you're going to see this next one didn't help the business at all either.

It was great sales, great EBITDA, nice operating income. The problem is when we were building the military units to support—we built about 6,000 of them by the way—to support our troops, the entire company focused on building these military products, and they actually didn't focus on the core business anymore. So, if you take the military work, the siloing of our acquisitions, that's what I think forced the company to make a change.

The board was searching for the right person to achieve growth, build out the management team, and I think if you look around, you're going to see a lot of automotive vehicles. So, they were looking for an automotive DNA that could take Spartan into the future, and I think that's the change they made back in 2015. When we were sitting with a lot of you investors, we get the question, why did you join Spartan. Why are you here?

I think if you look around the room, you can see the great product we have. It's fantastic. We had a great balance sheet, and I'll tell you, when I walked through the operations, I saw the opportunity of where Spartan could go, similar to the previous. Before I joined Spartan, I did the walkthrough of my pervious company. I saw the same type of thing.

We've said it in meetings with you guys. We feel Spartan was at least 20 years behind the auto industry, so when you see some of the new team that's joined Spartan, the gentlemen that will be up here, you're going to see a pedigree, a common DNA, when we were hiring these people what we were looking for.

Once the new team started, our first move was to build a new facility to build that F-series. Spartan's plants in the past have been square. The reason we wanted to build a new facility is assembly plants aren't square. They're usually long, narrow.

That's what we built, 85,000-foot facility on our campus, long, straight line with a materials area. We can kit it and bring it to the line. A very lean, flexible operation that we can use if we want to build more fire truck chassis, more motorhome chassis, additional F-series. Very flexible and can handle some high volume.

Next, we closed on January 1 of this year on our Smeal acquisition. The reason I'm showing you this is we are integrating. Synergies are ahead of schedule. The integration is on schedule. We'll have integrated by 12/31 of this year 100%.

We're not going to stop there. We're also taking the other acquisitions and bringing them into the organization. I'm going to talk about that in a little bit.

So, what's different? The culture. It was almost like the team had a culture of it's okay to lose money, okay not to win. I think if you talk to most of the guys that will be up here and supporting, a lot of them probably athletes. They like to win, and that's what was key.

I talked about the DNA, DNA of the new management team. Automotive experience, non-automotive experience, lean, continuous improvement mentality. Throughout their career, they've had higher-level positions, and then they've been participating in, in there prior life, a turnaround. That's what we were in back in '15 and '16.

What's different? We eliminated distractions. When I joined the company, we had a joint venture with Gimaex, a French fire apparatus company. Interesting story. I went to our Dealer Advisory Council on the ER side, talked to them about Gimaex, and they said we told management we can't sell that stuff here. So, we got rid of the distraction.

You can see the two motorhomes that we've built and the chassis. Spartan was getting into the motorhome business. We were going to start building motorhomes and compete potentially against our two customers. That was another distraction that we backed out of. So, we did have, those of you that have been around for a while, RXO is an ERD project that was taking a lot of money, so we pared back and only focused on the core business, which I think was key when we look back and understand what we did.

What's different? Third, we needed to regain the confidence of our board of directors, our shareholders, our employees, and our customers. We were letting our customers down as well, and I think if you talk to them, you're going to see some video, they're very excited. They like what's happening, and I think some of the growth in our orders that you see are going to support that.

So, I think the biggest change we made was putting in a matrix organization. You can imagine if you have three division presidents, I'm not sure—I'm pretty positive—they're not going to be experts in engineering, quality, operations, purchasing, so with a matrix organization, that's helping us integrate the previous acquisitions that Spartan made, so they're coming across the organization: operations, quality, purchasing.

We were not leveraging our purchasing buy. Each division was buying aluminum, and you look around these trucks, there's a lot of aluminum on every truck. We were not combining that buy trying to leverage our supply base for lower cost.

The fifth one happens to be what we put in place in 2015 very early when I started was five focal points. You've probably heard about these. Maybe you've seen them on our website. Those are the first five boxes. The last box on the bottom right I'll talk about in a minute, but our first focus was turnaround ER. That was our problem.

Motorhome Chassis and Fleet Vehicles Service, they were making some money, but as we told you, it wasn't at the optimal level. You're going to see some of those changes, and ER is coming along well. We've told you before it'll be profitable on an adjusted basis this year, full year, due to the Smeal acquisition.

Second, improve our operational discipline and performance. We didn't have a production system. We didn't have a real quality system when the team came in in 2015. It's in place, and you're going to see some of the benefits as you look through these numbers. Division presidents will tell you about what their thoughts are and how it's helping them.

I talked about the culture of losing was okay. So, we had to change accountably. We'd go to ask somebody a question and they'd be pointing fingers, so accountability was key, and it still is. It will be into the future of Spartan.

Improve quality and reduce our warranty expenses. You'll see in a few charts our progress toward warranty. I think it's significant, and I'll let you judge that once you see the data.

Then, we've rebuilt the team; 100% of the Spartan executive team is new. We're working through the organization. We're about 70% through the next level, which we call our leadership team. There's about 50 of them that have P&L influence, so you're starting to see the impact of all these changes in our numbers, and we're excited about where the growth will take us.

I talked about the last box in the bottom right. Here's what it is. We believe the efficiencies in each one of these locations, these systems, processes are going to continue to pay fruit and dividends to Spartan shareholders going forward. Obviously, manufacturing process, material costs.

Our purchasing leader couldn't be here today. He's actually on vacation, but the important thing is he came from Blue Bird Bus. He knows how to buy chassis components, and he's helping us lower our material costs, which you'll see is part of the benefit going forward. It's not a silver bullet. It's not operations only. It's all seven of these.

I talked about Spartan Production System. I think this is key. This is the foundation that the company's never had. Foundations on the bottom left of your slide. If you look at the top right, I just want to give you some KPIs. We track a lot more than that. This is just some highlights.

Our first pass yield has improved 41% from 2016 to 2017. On-time delivery, 14%. Direct labor efficiency, we've improved labor 8%. Now, you have to keep in mind, we're putting in our production system, so it's taking some extra people. We're still lowering our labor costs. Cost of poor quality, 110 basis points. We're continuing to push all these metrics plus many more.

If you look at the bottom right, 2015 was a tough year if we talk about recalls. It was also tough because one of those recalls was an issue with NHTSA. We had about a million-dollar fine. We had a three-year consent agreement. We had to do a lot of industry outreach. That's coming up to an end here shortly, but the point I want to make is we went from 21, we moved it down to 16. This year, year-to-date, we're at 8.

I think the key here is my background is engineering if you saw it on the bio. We were not testing and validating our products to a high enough standard, so when they got out in the field, they would break, obviously. So, we put in safety factors. To sum it up, we're bringing automotive engineering standards into Spartan Motors and especially vehicles that we build.

So, our performance. For those of you that have met with us in the past, we've told you our bottom line is going to grow much faster than the top line. You can see in 2015 and 2016, it was a little flat. We've also told you we're not going to take orders that are not profitable, which the company has done in the past. They wanted to build a backlog. Our sales people were out selling trucks, competing against each other. They were measured on how many trucks they sold, not on profitably.

So, we're making sure that we're focusing. Some of the changes that we did make, if you talk about Fleet Vehicle and Service. They're a solution-based mindset. That's going through every division. So, we're taking that technology, that mindset and moving it across all three of our divisions.

In 2014 and 2015, we entered into the van upfit market. That's the utility van in the back with Utilimaster on it, the black one. Take a look at that. That's what we're doing down in Kansas City and Saltillo.

We expanded our product portfolio, you'll see in a minute, a nice slide. We can build trucks from class 1 through 6, and then obviously operational improvements, that's a real focus.

We talk about Emergency Response. The leadership team's changed. I told you about non-profitable orders. What we've also told you is when we make a change in ER, it takes 12 months. A typical order process is 365 days, plus or minus, so if we put a price increase today, you're not going to see it until this time next year when the trucks roll off the line.

So, I think we have to be more visionary in that business. We have to predict where it's going to be because it does take a 12-month cycle.

If you talk about Specialty Chassis, you'll see some of the slides that Steve has. We lost a lot of market share in 2012 and 2013. The management team decided not to buy pre-model year change on emissions. Our customers went to Freightliner. Freightliner said yes, sure. So, Steve will talk to you a little bit about the market share gain we've made there.

Before I go to the next slide, Steve was one of the leadership changes, I want to tell you a story. I was down at a motorhome show late in '14, early '15, and the Entegra CEO locked me in a motorhome. He informed me that they were going to de-source us and go 100% Freightliner.

Obviously, I'm not even in the seat yet, so I started dancing, talking to him, and I said look, give us a chance. What are the issues? Quality, delivery, he went through the list. I said okay, can you give me a little bit of time to fix it? Fast forward, they had a management change. Steve Guillaume will be up telling about his story.

One year later, we were invited down to Entegra's plant. He showed us the last Freightliner chassis going down the line. They are 100% on Spartan Motor chassis. That's one example of the powerful changes we're making inside our business and inside these industries.

So, the path forward. Everybody's like oh yeah, everybody wants to be one or two, but you'll see in a little bit we are one and two in some of these positions already. We want to maintain those, and where we're not one and two, that's our goal is to be in that position.

Strategic priorities. We talked about this. You'll see more details as you go through. Each division president will talk about their product expansion. Some of the last-mile delivery, Tom Ninneman will share that. That's an exciting piece of business for us.

Material cost I talked about, and we do have a box here or a bullet point called M&A. We get that question a lot with our balance sheet. That's still pretty clean. We are continuing to look at M&A opportunities. We're very disciplined in that approach.

We're not compensated on how many deals we do. We're compensated on bringing home shareholder value. That's our key when we go into every M&A discussion. We're looking at it, understanding the benefits, very disciplined.

Financial objectives. You're going to see through the next four presenters why we believe we believe we can reach a billion dollars in sales, approximately 10% adjusted EBITDA, improved cash flow, and increase our ROIC.

Before I go to the next slide, a couple pieces of new news that I'd like to share with you. We get the question a lot where could ER be on a performance basis? We shared with you, if you look at Pierce, they're 6%, 7%. If you look now at Rev, they're in about the same area.

We've shared with you that our ER division would be profitable on an adjusted basis for this year. We're looking at the performance in Q3 and Q4, and we're here to tell you today, ER will be profitable on a GAAP basis this year in Q3 and Q4. Again, that's John Slawson. It's the entire team operations, engineering, quality, and the management changes we've made.

It's an exciting business that we want to stay in, and it's exciting that we've turned that corner and will be profitable on a GAAP basis in Q3 and Q4. Still full-year adjusted, but that gives us a good launching pad into 2018.

The other piece I want to share with you, we're hoping to get a press release out, still working with the Post Office on it. We've been awarded a multiyear $214 million project with the United States Postal Service. That'll start some time in '18. We're still working out the details. It's early, but we wanted to share that news with you. It's exciting, and that's why we're confident that we'll be able to hit these objectives by 2020.

Spartan portfolio. If you look around, you can see Fleet Vehicle and Service. A lot of trucks here. ER, same thing. We have a Chinese truck that we built with our partner, Darley. Very exciting. A couple of aerials. Specialty Chassis, we're actually trying to change that from a chassis and maybe call it a foundation.

Some of our customers only want to build on our chassis because of its design, its rigidity. These are expensive motorhomes, half a million dollars and up. They have some nice tile, nice wood, and people don't want squeaks and noises, so we want to try to move ours from a chassis to a foundation.

We talked about trends a little bit, the macro trends. Everybody's heard about ecommerce. You'll see in the next slide or two, Spartan's very well positioned. We think we're the best-positioned company to take on ecommerce.

Also upfit, that's a $1.2 billion market with 8% CAGR. We're positioned well. We have two facilities that are handling that. Tom Ninneman will share some more details.

ER, $1.2 billion. That's annually, but what's missing in that, and John's going to show you a chart, there's 11,000 units that we call pent-up demand. You've probably heard it. Rev talks about it. Pierce talks about it. If you say the average price of a fire truck is $400,000, that's a $4.4 billion opportunity that's still out there that we have to chip away at each year, and we believe our S-180 is a truck that can do that because we can build that in half the time of a normal fire truck.

If we look at motorhomes, $420 million opportunity. We're in a very niche market. Steve will define that for you and share about our market share that we've gained back, but the entire market is a 10% CAGR. The entire motorhome market, we're a niche piece of it. We've gained back 22% since 2014, so we actually are beating that CAGR.

Ecommerce. Some stats on that. You probably know this. I'm not going to spend too much time. What's interesting and powerful, if you look at the 32 million packages delivered daily in the United States in 2016, in ten years it's going to double to 64 million packages. We hope that means we have to build twice as many trucks for the delivery companies.

I'm not sure that's going to happen. They're going to get more efficient. We help them with the efficiencies. You can see that on the FedEx truck with the key fob. Ecommerce three times the rate of GDP. That's not new news. That's been out there.

This is the slide that excites me the most. If you take a look at that, you see a lot of the trucks in here. Spartan Motors has started to plan this a few years ago. We saw where ecommerce was going. We knew there was going to be growth. Amazon and all these players coming into it.

We've been in last-mile for 44 years. We've been building FedEx, UPS trucks, United States Postal Service trucks. We built the last 20,000 route delivery trucks that are driving around our neighborhoods today. For those customers, again, no one else can claim that. We've been in this market for 44 years, understanding it with our engineers, understanding how to deliver a truck.

We've told some of you, maybe you know, FedEx and UPS don't turn left. They always turn right. It takes longer to turn left. You have to wait for the light, you have traffic in front of you. You can turn right on a red; it's simpler.

A step that is getting ready for this, we went back and looked at some data. Eighty-five percent of the trucks that we build at Fleet Vehicle and Service could be described as last-mile delivery. That's a powerful number, 85% of what we build.

Another powerful number is we have 300,000 vehicles in service today that we've built, FedEx, UPS, United States Postal Service, DHL, Canada Post. Add them up. Last year alone we touched 40,000 van upfit vehicles moving through our two plants.

If you look at this chart, we can build class 1 through 6 with our new F-series Isuzu truck that we're building in Charlotte. I think the competitors, our competitors, play in either 1 or 2. We've talked to some of you about you can't get semi-trucks through neighborhoods. The class 8 guys are trying to figure it out.

Some people are claiming that this truck here, the lowest truck, box truck as we call it is the last-mile delivery vehicle. If you talk to FedEx and UPS, they wouldn't use that. Too many steps to get in and out. It's too big. You can't get around corners.

Every time you have to get in the back, you have to drop a tailgate. That's not efficient for delivering house-to-house. Even stopping at large buildings in the city to deliver packages. We're all getting them. A lot of them have the Amazon logo on them at our house every night when we get home wondering what our spouses are doing when we're not at home with them.

I diverted a little bit. Let's get back to the class 1 through 6. This is powerful. We can't emphasize how powerful this is, and Tom's going to get into some more details on the market, where we see opportunities. It is highly fragmented, both in the truck body, last-mile delivery, and especially in the van upfit, which this fragmented this opportunity with a little bit of M&A.

Accelerating our growth. [Video presentation].

Starbucks. We've told some of you we don't want to be in the food truck business. I'll tell you it's probably worse than the fire truck business because everybody wants—we're making tacos, hot dogs, whatever they're trying to sell out of the food truck, so we actually told Starbucks twice we're not interested in building this truck for them.

They came back and said wait, you don't understand. We want to put one of these on every college campus. Okay. Every one's the same? Yes. We consider that to be a nice fleet, so we worked with Starbucks. You see the truck in the back.

We went to Arizona State University with our first prototype. We went through 100 gallons of water in an hour, and our engineers were like, oh my God, we have to build a bigger tank. Starbucks said no, no. We want to go back to probably Aramark or the food service center, restock it, and go to a different location. Wherever we can find the kids with the cell phone pings, instead of everybody coming to us, they want to go to where the people are.

Students, and Rick's not probably going to tell you today because I don't think it's part of his presentation, but typically when we're with investors, we share a story. Rick likes to comment. What college student doesn't deserve a $6 Frappuccino in the morning on the way to class? All I can tell you is I'm glad my kids are graduated and out of school. That might have broke me before they hit the graduation platform.

Starbucks is a perfect example. Our engineers, you saw it in a video. It was real quick. They went out to the kiosks in the malls. They went out to the stores. They sat in a corner, drank some coffee, but they were watching the steps.

We had some IEs there counting the steps, the motions, to make sure when we designed that truck behind you that it was efficient for Starbucks, and efficiency solution-based, as this slide talks about, is what we're best at.

We don't have a catalog. We don't have this is our truck, you can buy or don't buy it. We want to sit and talk to you.

Tom's going to talk a little bit about the Coke truck. That's the next one. Coke went to our competitor. Didn't get what they wanted, came to us. We sat with them. We understood their needs. We had our engineers there. We developed a solution, and we have a nice truck with Coke.

If you look inside, you'll see some of the racking. That was in co-development. We designed it, locked it in. It's like a bread cart. Take it off into the store. The reason we like this truck is what we heard through our research is that those trucks you see, the semi-trucks with the roll-up doors on the side, the guys pulling out the cases, putting them on a two-wheel cart.

First of all, a lot of the people get hurt. They're out in the middle of the road. Matt Jackson from LE&A and I had some meetings yesterday down in the financial district. We saw a number of these vehicles with tickets in them because they're double-parked. The driver is inside delivering product. This vehicles can park tight, it can get into a spot a lot easier than a semi-truck, and the key why they want to go smaller is 60% of what's loaded in that truck full of beverage is brought back to the warehouse every day.

That's a lot of bad fuel efficiency on the vehicles, a lot of weight. One gallon of water is eight pounds. So, that's a lot of heavy weight tugging around the city, wear and tear on the brakes and the entire vehicle.

The next solution that I want to talk about is UPS. We don't have a UPS truck here today, but you can see it on the FedEx because we also use that technology there. There's a key fob you'll see on the driver's side under the mirror. There's a round circle. Imagine in the past, a FedEx or UPS driver would get out, have to go to the back, unlock the sliding door, maybe unlock the passenger side. They're going to take packages into an office building. They have to lock them all back up. Three locks, that takes time.

So, we worked with FedEx and UPS and came up with a key fob. So, all they do is they walk by, it's on their wrist, they swipe in front of that sensor. All the doors unlock. They can get in, do what they need to do, and they get a certain distance, five feet away, all the doors lock, and they're gone. No more fumbling with keys. No more looking for the keys as long as they have that wristband.

It saved UPS millions and millions of dollars every year. Think about doing that at every stop for each driver around the country. It's a huge savings, and honestly that's what Spartan is built on and especially Utilimaster.

So, what are we doing with that technology? You're going to see this theme throughout the presentations. We're going to take that technology and transfer it through other products in our industry. Steve's going to talk about some of the—actually, I'm going to talk about them in a minute.

We're going to transfer this keyless entry to motorhomes. Believe it or not, motorhomes like the FedEx, UPS trucks, they still have keys. In the past they've had analog gauges, so we're going to move technology into other vehicles. Obviously, we'll gain more market share growth, and when you're doing this you do get some higher pricing than you normally would if you have a common truck you want to share out of catalog.

So, here's our disruptive innovation that I'm going to talk about a little bit. Most of it is on motorhome first. We're losing market share. This is how we gain back our 22%.

Adaptive cruise control. People buying motorhomes, they've made their money. They have their wealth. They have nice cars sitting in their driveway when they jump into these motorhomes. That's why we're taking automotive technology, and if you know where we're located in the Lansing area of Michigan. We're an hour or an hour and a half from southeast Michigan where there's more than 80 ER&D centers located there from a number of different suppliers that we're taking that technology. It's proven. It's been tested, validated, and we're bringing it into our products.

We've shared that with some of our other customers. They're excited. They're excited about the collision mitigation. This is a partnership between Spartan and Meritor WABCO. I believe we're going to show you some film on this. It's really a neat product.

I was down at the Tampa RV show when we rolled it out. Both of our customers have it, and they're excited. The demographics of people buying and driving these big motorhomes isn't the millennials.

They're not quite there yet, so the reaction times of the people driving them may be a little bit slower. The adaptive cruise, collision mitigation is going to help them be safer as they drive the vehicle.

Stability control is another one. These are big rigs. High wind blows out in the prairies. They need this. It helps them, again, with safe driving.

Safe haul, airbags, rollover mitigation. You can see how we're taking automotive technology and moving it in.

Lane departure is another one. Tire pressure monitoring. These are what we are going to launch in the 2019 model year, which will be probably Q2 of next year, 2018.

Our digital dash is version 2.0. We've had one out. Again, not just a key to open the side of the motor home. They have analog gauges in these very expensive vehicles. We're bringing digital dash. Our version 2.0 is more automotive. You can move things around, and it has depth into the screen where you can continue to drill down and get more information on your vehicle.

Future innovation. We hear this a lot. What are you doing with alternative fuel? Well, we have an answer. We've built over 800 vehicles in the last eight, ten years that are currently on the streets today driving around. Our answer is we're going to stay agnostic. A lot of battery companies come and go.

You have compressed natural gas, you have propane. We've done all of them. We're not sure where the market's going. If we pick one, that may not be the one that one of our customers wants, so until this all shakes out, we're staying close to it.

Like autonomous vehicle, we're staying very close to that. We hear it's coming. You have some trucks out there. Different people say it's five years away, ten years away. It'll never happen. We're not sure, but we're staying close.

If you saw my bio, I'm part of an autonomous vehicle alliance. A bunch of guys from southeast Michigan, different companies, GM, Delphi, Ford. We actually have an insurance company. They're really concerned. If you have autonomous driving, and you don't have humans behind the wheel, are there going to be accidents. Let's think about that for a minute. Then, you don't need insurance companies, at least for your car.

Tech transfer I talked about. Then, drone. You know, there's a lot of press. People want to talk about we're going to go ecommerce, and then all the last-mile is going to be 100% drone. It might be a little bit. We're staying close to it. We're understanding it.

We don't want to be the delivery company. We want to build the tool to help them be more efficient to deliver the packages that they need to so they can be number one in their market, number two in their market.

This is what we believe the previous slide and this slide is what's going to be a disruptor to all of our industries, all three of our business segments. We're having fun. We rolled out the S-180 that's in the back right corner.

Our competitors at the fire truck show said you can't do that. That'll never happen. Well, we did it. This truck that was at the show was built in 180 days or less. We've been as fast as 120.

So, if you think about some of the disasters that are going on, we know in Texas they lost over 60 fire apparatus in Hurricane Harvey. We believe we're in a good spot. They figure out what they need and give us a call. We can get them trucks real quick. We have a little bit of inventory on the ground, and that's something we never thought about.

It's an exciting extra piece to bolt on. Not that we like hurricanes, but we can help people in need if they have an issue.

This is the S-180. It's in the back, right corner if you want to take a look at it. It's our custom cab and chassis, same one we put on our custom trucks. What we did is we started with 80/20. When I joined Spartan, I was told you're automotive. You don't understand. We're not automotive.

So, I went through a little bit of let's talk about that for a minute. It has tires, it has wheels, it has a radiator, engine, transmission. It sounds like it's an automotive vehicle to me, or a transportation vehicle.

So, once we got through that barrier, we took all the data that we have for the last five years on content that we've put in these trucks. We boiled it down, and we came up with what's the most popular option that people are ordering in our trucks that we build, our cab and chassis. That's how we started.

Then, we decided to go to our dealers. We talked to our dealer in New Jersey, who's actually in the room. We talked to our dealer in Texas, and we found out that they typically use one or two standard trucks that they start every order with. We built a lot of units for Peru, Sao Paulo, Brazil. We converted those over to English.

These are 100% designed trucks. We have 11 models. Again, 100% engineered, so the more we build, the less cost we have to allocate to each truck for engineering. That's exciting because every custom truck we have continual engineering costs to keep that going.

It's built in Charlotte. Why is that important? Again, I came from the auto industry. I think it'd be pretty hard if you take a fusion S-180, and you try to run it down a Rolls Royce line, a custom fire truck. Vice versa, if you take a custom fire truck or a Rolls Royce, and you take it into a Ford Fusion plant in Charlotte, they'll struggle to build it.

So, our people in Charlotte, the employees there, the team, they understand. They built the Sao Paulo, they built the Peru. They build motorhomes at higher volume than we do on fire trucks. They can build a 100% engineered truck. We have the capacity.

Our competitors are going to struggle to find a way to do it. I'm sure they're going to catch us. They're going to try to follow us. I would. I'd be chasing, but this is what Spartan's done is we leapfrogged. Our motorhome technology, S-180, we're disrupting the industry. It's helping our bottom line grow faster than our top line.

So, 180 days delivery. Our best was 120, 122, and we're continuing to refine that. We're limiting the orders. We don't want to get out over our skis and get past 180 days because then we'll be not hitting our number that we promised the industry.

I'm going to talk about M&A a little bit. Summer of 2016, we started the process of looking at Smeal. January 1 of '17 we closed. We had a very disciplined approach when we went through it. We're going to have that same disciplined approach every time we look at M&A. We're not afraid to walk away. It has to be right for our shareholders, for our team. We have to be able to integrate it.

I think the key here is we closed on January 1. Our synergies are ahead of schedule. It's helping our

ER business become profitable, and it's giving the team a lot of confidence that we can do additional or future M&A without a problem.

This is probably a tough one. A number of plants, four plants total. A complex truck, a complex industry, and we'll have it integrated within 12 months. The team's done a great job, and they're all excited to continue to wring out the opportunities in the Smeal acquisition.

Accelerating growth. We believe these are the five key differences that are going to move us faster than our competitors to where we need to be to our 10% EBITDA, $100 million in sales. We talked a lot about them. This is a summary slide.

Customer focus, disruption, solutions, streamlining operations, and then if we can bolt on some M&A. Each division president will talk about these same five items through their presentations. This shows you that it's a top-down type strategy, and it's working at Spartan.

Now, I'd like to introduce John Slawson, President of our Emergency Response division.

John Slawson
Good morning, everybody. My name is John Slawson. I'm president of Emergency Response. It's a privilege and honor to be here with you all today. New York is such a passionate city, and I know you're all so very passionate about your baseball. Congratulations to your Yankees for moving onto the next round in the playoffs. I'm sure there's a few Yankee fans here.

The fire truck industry may be one of the most passionate industries that exists. We make products for first responders that help save lives, protect property. We take our job extraordinarily seriously every single day, and we're very pleased and honored to be in this business.

I have 25 years of different leadership experience in specialty vehicles, emergency vehicles, some of our competitors that I've worked for in the past, some turnarounds as far as an ambulance business, being part of another fire truck organization. When the opportunity presented itself to join Spartan, I was very, very intrigued.

Spartan has been around for many, many, many years and had some very good, strong times in the fire truck business, some incredible people as far as the passion in the industry and where the company was going, and I saw so much potential and so much opportunity.

When I met with Daryl and Tom and the opportunity was extended to me, boy I'll tell you, I was really excited to be part of this turnaround and part of this opportunity with Spartan because the fire truck industry has so much potential for our organization. I'm excited to talk a little bit about it with you today, a little bit where we've been, where we're going, and where we think we can be in the future.

I want to talk a little bit about who we are and the brands that we have within Spartan. We have Spartan Fire Apparatus, Spartan Chassis, Smeal Fire Apparatus, Ladder Tower Company, and UST.

The Emergency Response business, we have two different go-to-market strategies. We have our cab and chassis business, which we sell to 43 different OEMs throughout the United States. We also have a vertically integrated apparatus business, and we have customers that we serve all over the globe.

You may have seen some of our products back here. We have two ladders. We have one that's 105-foot from Toronto Fire Department. We appreciate the ability to have that here. We also have a 75-foot Ladder Tower, which is with Miami-Dade. That's one of our refurb units, and if you have a chance, take a look at it because it's absolutely beautiful. It's a new chassis, new body, but it's a 1992 ladder. We were able to save the department around $200,000 with that refurb.

We also have a heavy-duty rescue from New Jersey. Our dealer, Campbell Supply, who's here today, helped us bring that truck here. We have a Chinese truck with our partner from Darley that we're very excited. I'm going to talk a little bit more about that in the future, where we're going and what we're doing as far as China is concerned. We have our game-changer S-180. I'm very excited about that product and where we're going and what we're doing and how it's changing the overall marketplace.

So, the industry has changed in the last several years, and we've had some consolidations. We have some very, very strong coverage. We're able to penetrate regionally, nationally with our distribution and with our product portfolio.

Just a summary as far as what we're doing in the ER business, the last two years, we've been really focusing on our foundation, getting our blocking and tackling, putting the operations in place. A lot of the things that Daryl talked about as far as systems, quality, moving forward so that we can position ourselves now for growth with new products as we're moving forward.

Excited to talk about where we're going to be by 2020. We think we have the opportunity to be very similar to our peers of a 6% to 8% EBITDA adjusted basis as we're moving forward and continuing to grow in markets of growth and opportunities where we see improvements as far as the distribution and sales.

In our Emergency Response business, we have six factories in five states. We manufacture our chassis in Charlotte, Michigan. We have pumpers in Brandon, South Dakota. We have aerials and pumpers in Snyder, Nebraska. We have fabrication in Neligh, Nebraska, tankers in Delavan, Wisconsin, and aerials and refurbishment in Ephrata, Pennsylvania.

We have a very strong global dealer network serving our largest market of North America, but we're also very strong in Latin American. Strength in Chile, Brazil, Peru. As a matter of fact, in the last five years, we've sold more than 200 trucks in Latin America. As you know, Latin America can go through some cycles, and we're going through a little bit of a cycle right now as far as some of the economies in Latin America.

In China, we're very excited about China right now. China's a very growing market for Spartan. We have a beautiful Chinese pumper in the back with our partner Darley. We recently achieved the Chinese Compulsory Certification. We're only one of two North American fire truck manufacturers that have achieved this certification.

We've sold more than 400 trucks in China, and we believe with our CCC certification, we're going to be able to grow our market in China more than we already are today. The Chinese market is approximately 250 to 300 of the US, North American style fire apparatus, and we certainly believe now with the CCC certification we have a lot of opportunities to grow.

Some say that in the fire truck industry sales sells the first, but service sells the rest and the relationship with that distribution channel in the marketplace in customer service. We make products that have to be dependent on the market every, single day, and in the fire truck world, typically you don't have service issues that happen at a 9:00 to 5:00. They happen at 1:00 in the morning. They happen at 3:00 in the morning, and that local service is extraordinarily important.

This week, we have nearly 300 mechanics and technicians and dealers participating in our 23 years of training that we call our fire truck EVT certification, and training our mechanics. This is a really important investment that we put into our processes with our dealerships as well as the technicians and the mechanics.

In our industry, and not like in the truck industry, finding qualified mechanics is very, very difficult. This investment in mechanics, EVT certification is crucial in what we're doing. Spartan has been a pioneer of this for many, many, many years, and we're really focused on continuing to provide strength and service in aftermarket.

We've been very strategic with our aftermarket team. Our aftermarket business is continuing to move forward and poised well for success. We've been developing new programs to expand our aftermarket part sales with customers and dealers, and we're supporting our dealers and OEM channels in a manner that we haven't been as focused as we were in the past.

We have a dedicated aftermarket parts team that is focused every single day, understanding the needs, making sure we have the right parts, making sure we have the right inventory, and making sure that we can respond very quickly.

We have a large, installed base of chassis throughout North America. The average annual replacement parts is around $2,000 to $2,500 a year. As we continue to focus on our aftermarket parts, we certainly believe we have some great top line and bottom line improvement as we're moving forward with our distribution channel.

I started late in 2015, and I want to talk a little bit about some of the things that we have done and some of the problems that I experienced and our team experienced when I first started. We had a lot of fundamental problems.

We had some significant issues with our products. Daryl had mentioned earlier we hadn't been putting the testing into the products that we probably should have. We had a number of recalls that we had to overcome. We had some volume constraints and issues at some of our plants. We had too much volume in some areas, not enough volume in other areas.

Our gross margins were significantly below our peers. We had to do something about our COGS. They just weren't at a level we needed to be in order to be a profitable organization.

Our SG&A was growing faster than our top line. We needed to focus on our SG&A in a different manner than we had at the present time.

Our discounts and concessions as far as our channel weren't consistent. They weren't consistent with what we were trying to achieve from a profitability standpoint, and we really had to take a look at what do we have to do different as far as our discounts and concessions in making sure that it was aligned with our strategy, not just aligned with our specific sales compensation.

We had a lot of problems and unrest in our distribution channel. We hadn't been listening to our dealers, and the dealers are such an important relationship to our customers. We had a lot of issues that we had to talk about with our dealers and understand what was going on.

Our on-time delivery, it was really, really poor. Daryl had mentioned before it was probably less than 20% because we weren't focused on our operations. We weren't focused on the upfront process. We weren't consistent and predictable in our scheduling process. We had a lot of opportunity from a labor efficiency as well.

So, after the first year that I was with, or the first two months, we finished 2015 with nearly a $9 million EBITDA loss. Daryl had mentioned before we have a lot of competitive people on our team, and I can tell you it clawed in me. I don't like to lose, and I don't like to be on a team that loses, and having a $9 million loss a month or two after I started with the organization, it just didn't sit well.

We really needed to change a lot of things to figure out number one, we want to win. We want to win every single day, and winning certainly in the marketplace, but also winning from a profitability standpoint. We needed to get a little different mentality of what we're doing. We needed to focus on our products in a different manner than we had in the past.

You saw a video about making sure from a diagnostic standpoint, we're getting it right. We've invested a significant amount of money into new diagnostic equipment so that before we're introducing new products and we're testing, making sure that the products are durable and they're ready to go.

We also needed to make sure that we were focusing on products that we could be profitable in. We had to look at some of our products in a different manner than we had in the past. We partnered with some of our specialty OEM suppliers and some rescues capable of continuing to grow our chassis business, but partnering on some rescues where it just wasn't our core strength, and we were able to provide a good, quality product, sell additional chassis, and support our distribution channel.

Speaking of distribution, we sat down, and I went to Texas, and I brought in our two biggest dealers. I spent two and a half days listening. I developed probably five, six, seven, eight pages of notes on things that we needed to improve. Now, these things weren't major, but they were minor. Little things that really affected distribution channel, little things that affected dealer, and we have to make sure that we listen to understand what the dealer's needs, wants, and desires are.

We put a team together to put these lists complete so that we could support them and make them happy and make them excited again about selling our products. It took a long time to go through these things, but we've done it, and the team's been very focused.

Daryl talked about quality, and quality isn't just about making sure we get a great product out the door. Quality also starts at the upfront process. Putting plans in place so that prior to building a custom fire truck, everything is complete, the specifications, understanding the customer's wants, needs, desires, making sure that the specifications, the drawings are all complete, everybody agrees what it is.

We're spending a lot focus and time right now in our value stream, in our order to cash making sure that we can streamline these processes, making sure that we can eliminate as much waste, but most importantly that we have created a situation where now our materials team can make sure that all of the products and the parts are ordered, and they're on time.

Lo and behold, when we do that, all of the sudden we see great improvements in our labor efficiencies. Our on-time schedules improve. Customers are happy. Dealers are happy, and we're capable of positioning ourselves to be able to make a great custom fire truck.

I talked a little bit about our gross margins. We had to make some changes as far as our overhead is concerned. We had to make some changes from an SG&A standpoint and really looking at how do want to be aligned. What do we have to do? We've made some tough choices and challenges as far as making some cost reductions as we continue to improve our COGS, but those difficult decisions have helped improve and change and put ourselves in a position that we can be very successful long term within our cost of goods sold.

As I said before, SG&A was growing at a rate that was significantly too high. One of the other areas that we changed was our sales focus. We had two different silos, if you will, as far as our sales. We had our chassis side, and we had our apparatus side, and they didn't necessarily work very well together. So, we made some change, and we put one individual in charge of sales.

We promoted Mike Virnig, Vice President of Sales for all of Spartan, and we said let's be one Spartan. Let's not be a Spartan Chassis and a Spartan Apparatus. We're one Spartan team. Mike's here today, and he and a number of his team members are here, and I encourage you to walk around and see some of these trucks because they're very passionate about what they do every day, and we're really excited about having our whole sales team here.

As we were creating one sales team, we also improved our transparency with our dealers and our customers positioning ourselves to listen and understand what their needs are and what their wants are and developing better marketing programs than we've had in the past.

Last April, at the FDIC show, it was really the first time we had asked our dealers what should our messaging be at the FDIC show, which is our largest show, the largest North American fire truck show. Are we messaging right? Are we targeted to our customers? You think common sense, but we hadn't asked those questions.

We had great response at the show last year where a number of our dealers said wow, this is the best FDIC we've seen in a long time. You guys are getting it. Your messaging's correct. You understand what the marketplace is looking for.

Operations. We've made significant changes in our operations performance as we continue to evolve. Daryl talked about the matrix organization and really leveraging the matrix organization and the operations team to make sure that we can be best at everything. One of the areas that we also weren't as focused as we needed to be on safety, and I really credit our matrix team, Wade Phillips who's here. He's our Vice President of Operations. We brought in a brand new safety individual.

We make products that help save lives. We have customers that come through our factories every single day, and it's unacceptable if we are not the safest manufacturer with our own employees every single day. As we make products that help save lives, we have to make sure that we take care of our people, and they're safe every single day. So, leveraging the operations, leveraging our materials has been a big part of things that we've had to do as we've been fixing things.

So, just from some simplistic, strategic focus, stability, predictability, profitability. We've been really preaching to our whole team that we need to stabilize. We've had turnover. We have to make sure that from a leadership standpoint everybody on our team understands where we're going and what we're doing from an overall organization, continuing to add strong talent.

From a predictability standpoint, obviously quality, customer service, empowering our team, empowering our individuals to do the right thing and letting them help be part of the solution, giving them the tools to continue to have a developed and winning culture.

Ultimately, it comes down to profitability. We have to think about being profitable every single day, and as Daryl had mentioned earlier, for some of the folks, it was okay to lose. It was okay. Well, we haven't made any money. That's not acceptable.

We're here to make money. We're here to make world-class products and be profitable so that we can continue to invest in new products, continue to invest in our company, our employees, our distribution channel so that we can continue to grow our market share.

I'm really happy to also mention to you that for the first time in six years, not one year, six years that Spartan Motors Emergency Response business will be profitable on an adjusted basis in 2017. There's a lot of people in this room that may have said I don't think that's possible. So, what have we done, and what are some of the improvements, some of the fixes, some of the problems, and what are we seeing as far as some of these results?

We have 400-basis point improvement in gross margin as we've continued to focus on our COGS, continued to focus on those areas that I had just mentioned. We've seen significant warranty improvement in expense, millions of dollars reduction in our warranty.

A 300-basis point improvement in our SG&A. Folks, we've swung a $10 million EBITDA swing from where we were in 2015. That's not an easy thing to do in the fire truck business.

Daryl mentioned to you we deal with a large backlog, typically 12 months, 10 to 12 months. A selling cycle in the fire truck world is 12 to 36 months. When you put plans in place, it takes time to get this cycle through. I'm really pleased what the team has been able to do in the last year, and we're really, really excited about turning the corner and positioning ourselves, as I said earlier, and I think as you see with these results, the 6% to 8% objective by 2020 is absolutely achievable.

A big part of our acceleration has been the Smeal acquisition. So, what has this done for us? Well, it secured us to be one of the top three manufacturers of fire truck cab and chassis and apparatus in a very consolidated industry. So, it secures our position very well.

It's positioning us to continue to be strong in North America. It gives us some diversification in our product portfolio. It's given us stronger market coverage throughout North American. It's going to help us with products as we're expanding globally as well. We've shared technology as far as product innovation and manufacturing best practices.

Daryl had mentioned before it's accelerating our ability to turn around the Emergency Response unit. We've integrated operational leadership team and R&D talent with Smeal and Spartan. We're really excited. Tom Ninneman came from Smeal as the Chief Operating Officer. Now, he's President of Fleet Vehicles.

So, we've integrated ahead of schedule. We're really pleased with the progress and the pace from an integration standpoint where we've been with the Smeal acquisition. As I said before, and you're going to hear it again from me because we're really proud of this, we are going to be profitable on an adjusted basis in 2017.

The Smeal acquisition brings about $100 million of net revenue to us. It has improved our margins. Our aerial margin on the Spartan side was not very profitable. We've now taken a very profitable product from the Smeal acquisition, and we've been able to increase our overall margins as far as our aerial products are concerned.

Most importantly, it's providing shareholder value. The Smeal acquisition was extremely strategic for us, and we're really excited about it as we continue to move forward.

Smeal also brings very strong, complementary products up to our Spartan organization. We don't have any of these products here today, but the TDA, or tractor drawn aerial. They also have a good line of pumpers, platforms, aerial ladders, tankers, and obviously they've been a partner of ours for 35 years purchasing our chassis, so it's been a great, great partnership for 35 years. Now, we have the family back together, so it's been a great, fabulous acquisition for us.

I mentioned a little bit about the territory expansion, the coverage, and what it has done for us. Prior to the acquisition, as you can see, we had a few gaps in our coverage throughout North America, and as we were really working on our foundation, we were focused on fixing our operations and fixing a number of our processes. This acquisition, along with where we are in our foundation and operations, has really now given us the opportunity to continue to look for growth.

As we've added the Smeal distribution, now we have very strong coverage in the areas that we had some gaps. The Smeal distribution has filled those gaps in for us, so it's been a really nice partnership in that area.

Our market share, an addressable market about $1.2 billion, as Daryl had mentioned. With the acquisition, we're approximately 12% in pumpers, so we certainly have some opportunities to grow. We have a nice, solid 25% market share in the very important aerial segment. We are the number two chassis manufacturer in the fire apparatus with approximately 18%, and still as you can see, lots of opportunity for growth from a market share standpoint.

One of the things that you're going to hear from the other division presidents is customer-centric and having a customer-centric model. I talked a little bit about listening to our dealers and listening to our customers and leveraging these relationships with all of our customers and giving us the knowledge and the discipline to understand where we need to go as far as our product innovation.

Instead of expanding on this, what I'm going to do is show you a testimonial video from a very important customer, the Las Vegas Fire Department, who is a brand new customer for our organization in 2016.

[Video presentation].

So, how about that? Almost too cold. A few years ago, some of the Spartan dealers would have said geez, our air conditioning we have leaking, we have water, we have this. We have absolutely the best-in-class air conditioning system in the fire truck industry, and we're really pleased and proud of what we've been doing as far as our innovation and listening to the customers, improving and changing.

Some talk about the fire truck industry is 100 years of tradition, unimpeded by progress. Well, along came the S-180, and we're changing the way people think about custom fire trucks.

Daryl talked a little bit about doing things differently, and I think the best way to look at the S-180 is using the 80/20 rule. So, just recently with the hurricane, a major municipality in the southwest had lost a lot of fire trucks. They're in the process right now of providing us a large order for some S-180s. The order is not complete, so I can't give you the name, but what has happened as far as this is concerned is that they have a fleet.

Think about when you're doing training, and think about how the pumps need to be very similar, and the locations of the cabinets need to be very similar. But, they also needed products really, really soon. They could have probably ordered some demo trucks from any one of our competitors and had a mixed match and be able to satisfy their need for a short-term basis.

We showed them the S-180. We were able to give them 85% of everything that they need to be able to put their products back into the fleet so that all their firefighters are going to have products that are very similar to what they have in the field today.

This is really probably the biggest validation of the S-180 as we've been moving forward with this product because it is 11 different models, but it's a custom cab with the features that are so important to make sure that firefighting and firefighters are safe. We've really been able to optimize the value chain throughout this process, and through our manufacturing engineering processes, our ability to build these products is exceptionally fast

Now, this addresses about 30% to 40% of the market, as Daryl had mentioned before, so we're talking somewhere between 2,500 and 2,700 custom pumpers in the market, and we think with our current market share, we'll be able to sell approximately 100 of these by 2020. Keep in mind, the most important piece, as Daryl had mentioned before, these are profitable products.

The second-leading cause of firefighter death is vehicle accidents, and we've been able to take some tech transfer and develop the absolute best protection system in the industry. We have an industry-leading safety system with eight air bags. Our closest competitor has three. The size of the air bags, 300% to 700% bigger providing safety to a firefighter.

Intelligent seatbelts actively tighten and then release in revving to reduce torso injuries. Onboard sensors to protect multi-angle impacts. Also, a new grade in our anti-rollover technology.

So, we've been able to have some extremely relevant, and this product right here, the Advanced Protection System, was one of the keys in the S-180 for this large, municipal fleet that we just procured.

Then, 60% to 70% of all firefighters in the United States are volunteers, and the Spartan Independent Front Suspension system is an unbelievably important feature for us, especially in these markets. Think of this way. With the IFS and the Spartan System, it actually almost drives like an SUV. When you're dealing with so many different types of firefighters, especially firefighters that are volunteers, having the ability to have a vehicle drive in that type of a manner makes it a lot easier for a lot of these volunteer departments throughout the United States.

We have some great demographic drivers that are really exciting as we're continuing to move forward as far as our marketplace is concerned. Daryl had mentioned pre-economic issues of 2008 and 2009, we have about 11,000 pent-up demand compared to the previous years. That's about $4.4 billion as far as market opportunity.

We think we're going to have some opportunities with the S-180 to penetrate some of that, but as we're continuing to look at where the economy is going, 66% of the fleet is ten years or older. So, some great market demographic drivers from the overall pent-up demand.

I think the last thing as far as this is concerned, if we look at where we're going right now in housing and where we're going right now in property taxes, as you can see from these graphs, the price index in housing is continuing to improve in many parts of the country. Property taxes continue to actually accelerate some of those areas.

Our products are municipally funded most of the time, so the improved tax base, the improved municipal base is going to continue to help us with the pent-up demand, but also the future and the security of our industry.

Well, we're here to talk about results, and as I said before, I'm just so excited and pleased with what our team has been able to do in a very short period of time turning our organization back into a profitable organization. If you look at our EBITDA CAGR of nearly 98%, and you look at our top line of 16% as we're moving forward with the acquisition, I'm very, very excited about our future. I'm very, very confident with our team and what we're doing in moving forward. We're going to continue to provide the value to our shareholders and continue to make Spartan Emergency Response a world-class fire truck company and a world-class profitable company.

Thank you very much, and I appreciate all your time.

[Video presentation].

Daryl Adams
It's my pleasure to introduce Steve Guillaume, President of our Specialty Vehicles division. Steve.

Steve Guillaume
Alright. Well, I have to say it live from New York, it's Specialty Vehicles. So, looking forward to talking with you guys today about our Specialty Vehicles division and some of the things we've done over the last few years to really turn around the business and build the foundation for growth for the future.

A little bit here on my bio. Like other members of the team here, I have 25 years of industry experience, executive leadership positions with Navistar before I came to Spartan Motors. P&L leadership in diesel engines, commercial trucks, and then before I left Navistar, I was running two specialty vehicle divisions for them. So, a diverse background, kind of a broad functional base, and really it felt like it was a good fit for me when I came to Spartan Motors.

If you think about me and my DNA as a leader, the first thing coming in to Spartan was to develop the team. So, my primary goal is to get that A-team working underneath me day-to-day, focused on the things that we need to get done as a business, being accountable.

The second thing is taking care of the customer. We are very much a customer-centric organization. Our strategies are built around the customer. We're going to talk about what we've done in Specialty Vehicles by looking at customer needs and wants to really develop a strategy that has allowed us to be successful and turn this business around over the last two years.

Again, I started with the company in January of 2015 as one of the first new leaders when Daryl came onboard, and it's been very much of an exciting ride.

Again, who we are. You've seen this slide before. Specialty Vehicles is one of the three divisions under Spartan Motors.

Talk about products, and that's I think one of the main reasons why we're here today. We have a great display for you guys to see our products and better understand what we do from a day-to-day basis. Three main product categories that we serve: motorhome, commercial, and specialty.

Our motorhome division is our largest from a revenue perspective. We have motorhomes here from Entegra and Newmar who are recognized as the premium motorhome leaders in the marketplace today and ride on top of a Spartan chassis.

We also have the flag chassis in the background there. We embarked on a marketing strategy, American-owned, American-driven. Our primary competitor is Freightliner, a German company, so we're leveraging our American heritage. Built in Michigan with American workers. Then, we leverage a K-series brand that has model nomenclature for horsepower from K1-360 all the way through K4-605.

The commercial side of our business is manufacturing cab-over products for both Isuzu and General Motors, and you can see both of those are here just to your left. The N-series we've been building since 2011, and as you saw that video, this past year we crossed over the 40,000th vehicle built for Isuzu, so a significant amount of manufacturing for Isuzu, and that growth has really been significant over the last few years. Last year, we built over 11,000 vehicles for Isuzu.

Then, the video that played when I came up on stage showcased our new plant for the F-series truck, which is also to your left here, and that was a great win for our company, and we were really able to be successful there based upon our delivery of quality and efficient cost structure to Isuzu. They just immediately wanted to work with Spartan on their new F-series product.

As Daryl mentioned earlier in the presentation, we built purpose-built plant, straight assembly line. We call it a Tetris design because it basically looks like a Tetris shape with the rectangle on top, straight line, and then down below we have docks on both sides for material to come in, get it kitted, get it to the assembly line in an efficient manner so that we can deliver a very cost-effective product to our customer.

Then, we participate in some specialty chassis. We do a mobility, low-floor. We've been in military. Daryl talked about the peak of the military business, which was back in the MRAP days when we were actively engaged in Iraq, but we still manufacture some of those vehicles and then some specialty vehicles for drill rigs.

So, really a broad array of products across a very diverse customer base with market leaders Foretravel, Entegra, and Newmar, Isuzu and GM, and then some industry leaders on the defense side, BAE and General Dynamics.

At a high level, what is our strategy for Specialty Vehicles? It's providing industry-leading products and services through an enhanced customer experience. So, again, customer experience for us is really the center of what we do as an organization. I believe that if the organization thinks about the customer every day, thinks about what they're doing, and how it impacts the customer, then good things will happen.

With that as the core, we're moving into the future here. We're really focused on aggressively growing our business, achieving our 10% EBITDA objectives, and that's for the core business that we have today as well as the new growth opportunities that we are pursuing. Also, increasing market share in the growth markets. I'll talk a little bit about the different industries that we're in and how they're growing, but our goal is to also increase market share in those growing industries.

Two years ago when I started with the company, we faced a lot of challenges. Daryl alluded to the fact that we were struggling with a lack of customer intimacy and had significant legacy warranty issues. We'd just lost our way.

A story that I like to tell, before I was hired with the company, I went to the National RVIA show in Louisville, Kentucky in November when I was talking to Spartan about potentially coming onboard. I visited their booth as well as talked to customers to understand how they perceived Spartan and how they were doing as a supplier.

It was fairly daunting. The booth they had was back in the corner of the show. It didn't have any branding or literature or product attributes. It wasn't very well staffed, and it looked like a company that was going out of business.

When I talked to our customers, what I heard from them was Spartan used to be a strong company and still has some brand reputation, but is really struggling versus the competition. I really took that as a challenge based upon my background and experience from a commercial side of things as well specialty vehicles. I felt I could really come in and make a difference.

The legacy warranty issues, another story I'll tell you. When I started, I went to my first dealer meeting at Newmar. It was April of my first year in 2015. I was just learning the sales and marketing team, so I went to see what did our booth setup look like. We had a card table with a tablecloth and a Spartan logo of it. That was our booth.

Our competition had product displays, fully staffed, literature, branding on all their product attributes, so we had a lot of work to do. I had Newmar's largest dealer come up to me and say, Steve, just so you know, you guys have an issue with your rear suspension, and we're not buying any Spartan chassis until it's resolved.

So, a lot of challenges to overcome. I'll talk about market share. We were experiencing market share erosion, and obviously that translates into deteriorating financial performance.

Problems solved two years later. We're really turning things around as a business. We've launched a number of new platforms, exciting new platforms with customers. The F-series truck, which I already talked about, launched in May in Charlotte, and again as Daryl mentioned, it's a brand new, 85,000-square foot, purpose-built facility. So, exciting new platform with Isuzu.

We launched a new product with Newmar, the Dutch Star, which is one of the top three diesel motorhomes in the industry, and I would bet to say by the end of this year, it'll probably be the number one diesel motorhome in the industry. We were launched on that platform and continue to demonstrate significant success versus our competition.

Daryl mentioned the fact we were made exclusive on the Entegra platform. So, a lot of work there. One story that, again, I tell you on that. I was attending a basketball game with their president, and he was sitting in front of me. For the whole first half, he just proceeded to turn around and yell or talk loudly to me about the issues that he was experiencing with Spartan.

At halftime, the gentleman sitting in front of him stood up and said, sir, could you please stop yelling at this man. I can't even enjoy the basketball game. So, that was the kind of environment that we were working to overcome, and as Daryl said, within one year we were able to get Entegra to go exclusive Spartan. It was a lot of hard work by the team, a lot of focus in a lot of different areas.

The Spartan Experience I talked about. We created a brand statement that was clear and concise. It was based upon customer needs and wants. So, it's all around the Spartan Experience. We want our customers to enjoy Spartan and feel like Spartan is a part of their motorhome experience from the time they buy the coach to the time that they trade that coach in and buy a new Spartan. We want to continue to get repeat business.

It's built on a number of different areas that our key customer wants: superior ride and handling, safety and innovation, service and support, quality and durability, and extended family. Extended family is what I talk about that we want them to feel like they're part of us as an organization. We've aggressively gone out to attend shows and rallies and support our customers so they really feel a part of the Spartan family.

The warranty campaign and recall. The issue that I talked about with the dealer who said he wouldn't buy any more chassis, we actually assembled our own internal Spartan team with vehicles, tools, and our own technicians to proactively go out and fix all those vehicles, and we got that done within six months.

So, we aggressively took on the issues that we had, and as Daryl also talked about, we've done a much better job of validating the product that's gone into the field. Some of these future model years, you can see the substantial decrease in the warranty and recall expense of 81% since 2015.

All that's translated into over a 200-basis point improvement in EBITDA since 2015. So, great success for us, and what I say is it's the foundation for the future. Now, we're back in business, and we're focused on growth.

So, that's what's next for us. What are we going to focus on moving forward? It's going to be growth.

We have a lot of favorable things that are working for us here in growth in some of our industries. The first is a favorable macro environment. A lot of things drive customers' willingness to purchase a motorhome. These are some of the ones that are listed here.

Fuel prices. So, obviously, you drive a motorhome, you have a fuel it, and to the extent that fuel prices are lower, it creates more motivation to travel, get into the lifestyle, which generates new sales and trade-ins and repeat sales.

Strong consumer confidence. When people feel good about the economy, feel good about their job, feel good about where they see the overall health of the economy going, it gives them confidence to buy a discretionary purchase like a motorhome.

Accessibility to credit and low credit rates. Many of these people take on the motorhome lifestyle, and some of them will even sell their homes. So, you'll see financing of motorhomes for 10 to 15 years, similar like you do to a house. So, to the extent we have low interest rates, which are still in the sub-4s right now, it really helps consumers be able to afford motorhomes.

The bottom one here is increased wealth. Obviously, the market does well, they feel better about their portfolios. They feel more comfortable about their own personal wealth. It makes buying a motorhome more attractive, and we've had a lot of favorable trends in that area recently as well.

Some of the consumer trends in the RV space, which continues to hit new record highs, population has been growing, and since 1970 we've had double the number of drivers out there. So, more drivers equals more potential customers for motorhomes.

We have a lot of new, first-time buyers in the industry, and I look at this on both ends of the spectrum, which are both positive. The first is the millennials who are really embracing the outdoor lifestyle, camping, which is getting people into the market that will evolve to be future motorhome customers.

On the flip side, you have those Baby Boomers who are really embracing the motorhome lifestyle. We have a Spartan Academy that we host spring through early fall where we bring in couples about eight to ten at a time, and we do product training, we do driver training, and then we allow them to actually spend a day with a technician going through their coach, understanding maintenance, understanding how the chassis works.

I will tell over 90% of those folks are older couples that are now embracing the motorhome lifestyle. So, as that Baby Boomer piece of the population starts to retire, we see a significant growth in motorhomes and people embracing that lifestyle.

Great CAGR for RV unit sales since 2010, and then again like I mentioned, there's just a great push of new customers that are interested in getting into the RV market.

Growth of motorhome. RV shipment forecast has continued to grow year-over-year hitting record highs, and based upon the trends we see in the marketplace, we expect that to continue to grow. The great story for us is our market share improvement.

As Daryl mentioned, and I highlighted some of the key issues that we were facing as a business, we were really seeing deterioration in market share. But, we've turned that around, and 2004 was really the bottom. We've continued to grow every year since then, 22% increase since 2014.

Something that's really going to help us moving forward from a market share perspective is we continue to launch new platforms. We launched an ultra-luxury motorhome this year with a customer called Foretravel with a proprietary new suspension, best in the industry, so we're anchored in that area.

We've launched some new niche products with both Entegra and Newmar that are 40-foot. California has a regulation if your motorhome is over 40-foot, you have to have a CDL, so there's been some focus to get a 40-footer into the marketplace, so we've launched two new products with Entegra and with Newmar.

Then, really exciting for me is we currently participate in the greater than 400 horsepower, so the vehicles that you'll see here today are K3-605. They're 605 horsepower, but we have products that go down to 450, 400 horsepower as well. We're in the process of developing a new 360-horsepower platform that will get us into that less than 400 horsepower category, which opens up a whole new addressable market for us.

The growth of commercial. So, again, with our GM and Isuzu business, we're able to provide vehicles that support this class 3 through 6 registration growth. Daryl spent quite a bit of time, Tom's going to talk about it that last-mile delivery, we've been a strong player with Isuzu in class 3 through 5 over the last six years, and then we've just entered into the class 6 market with the F-series, which really also opens up the door for that urban delivery vehicle and something that we're producing.

Another great thing about that vehicle and the other vehicles that we produce is class 6 and below. Drivers do not have to have a CDL, and you guys have probably all heard in the news about issues with driver shortages, being able to get good qualified drivers, and it's a real advantage to fleets if they can use class 6 or below vehicles because they can hire drivers and employees that do not have to have a CDL.

We've got some tailwinds as it relates to what's going on with the industry and some of the macroeconomic indicators, but I wanted to talk a little bit about why we're leaders. So, why are we going to continue to grow in this space?

It's this cross-functional support focused on the customer. From a sales and marketing perspective, we retooled the team, so we have a brand new team since I've been here that is supporting our sales and marketing efforts. We're aggressively going out and meeting with dealers, telling the Spartan value story, providing them with promotional materials so that we can aggressively push Spartan as a platform.

Customer service, we have a dedicated customer service team that's focused on our platform. They're technically capable. You call the Spartan customer service help line, you're going to get a technician in Michigan that understands motorhomes, can talk to you about your potential issue, and help get you back on the road or help resolve your issue.

You're not going over to some foreign country on some call center where they don't understand your needs or concerns. So, we have a very focused and educated customer service group.

Product development. I'm going to talk about some of the innovations there, but very focused on customer needs. Then operations, again as Daryl alluded to, managing things in a matrix environment to really be able to leverage our cost structure across multiple platforms across the company.

First to market innovation. First, I'm going to talk about a superior ride and handling, and that's top of the pyramid for our Spartan Experience. Daryl talked about some of these already, but we really pushed the envelope to take some of what you're seeing on automotive platforms and get them into motorhomes. Again, many of our customers own high-end automobiles, so our goal was to try and take some of that same technology and get it into the motorhome.

Custom-tuned suspension. We tune every motorhome chassis we build to the specific model that we have. We implemented independent front suspension. We were first to market with that, which improves turning radius and overall ride and handling.

We have a passive steer. Both these vehicles have a passive steer axle. That means that the tag axle actually turns when you turn in a parking lot so you get much better turning radius.

Tire pressure monitoring, rollover mitigation, so a bundle of things that we're doing to continue to be known as the best product in the marketplace with superior ride and handling. Again, Spartan is really perceived as the Rolls Royce of chassis.

First to market innovation. So, we did a lot of things on the safety side of things, and we've bundled them under the Advanced Protection System brand. Daryl talked about a few of these. I won't go into a ton of detail because I have a great video that actually shows you inside a coach what all the features and benefits of this are, so I'd like to show that to you now.

Sorry, I guess I have one more slide before that.

The future. Daryl talked about this a little bit, too, but we were first to market with the digital dash. So, prior to us, everything was analog. All analog gauges, even up the million-dollar motorhomes that you see here. We implemented a digital dash a couple years ago, our gen I. We're working on gen II now, which is really going to be a wower, some of the same technology you see in a Tesla.

Key entry. The motorhomes you'll see today actually have a key, so you have to put the key in and start you motorhome. There's also a separate key to get in the motorhome, so we're working to integrate that so you have one key fob to enter your coach and to have passive start.

Then, last here, manual driving, which is what we have today. We're working on technology that's going to continue to move us towards autonomous vehicles.

With that, I'm going to transition to our video here that talks about our Advanced Protection System.

[Video presentation].

Alright. Well, exciting stuff, and an example of how we're being disruptive and really aggressively pursuing automotive technology and getting it into the motorhome platform.

Customer support as a differentiator. I talked a little bit about how we're very customer-centric, and the Spartan Experience is really how we go to market. We're doing a lot of things to continue to differentiate ourselves as a manufacturer.

One of the things that we're doing is we developed a customer-facing mobile app. So, available on the Apple app store. Very easy to download. Customers can put their VIN number in there, and it's a way for us to really help enhance the customer experience that they have.

It has very useful tools for our customer, maintenance schedules, service center locators. So, it's an app wherever you're located, you hit the service center. It'll tell you what service centers are close to your current location.

Pre-trip inspection, diagnostic codes, so just a wealth of information that our customers can get on our app in addition to ordering parts. So, we've developed the app so customers can order parts directly off the app. We're really working to stay close to our customers over the lifecycle of the vehicle and using the app as one of the tools to stay close to them.

The other thing on the final thing there is the dealer scorecard. That is on the app as well, so we're allowing our customers and encouraging them every time they visit a service center to fill out the survey of how that dealer performed so we have analytical information about our dealers and can continue to improve them and can continue to improve our customer service experience.

The final thing here is our service center expansion. We continue to focus on how we service our customer in making sure that we have locations across the country no matter where you're taking a vacation with your motorhome.

Currently, 280 locations. We've added almost 8% over the last year and continue to work to grow that number. One of the things that we're doing that our competition is not is we're actually partnering with RV motorhome sales centers so that a customer can get service for the chassis and the motorhome all in the same place at once, which is really a competitive differentiator.

Results in the future. We've seen significant improvement in our sales and profitability over the last four years, 2017 I won't get into the exact numbers. Rick's going to handle that, but it's going to be a significantly good year for Specialty Vehicles.

We continue to grow. We've actually done better than what this slide shows because 2015 had the warranty and recalls adjusted out of it, so our growth and improvement in bottom-line results has been significant since 2015.

We've also been able to do some things with our supply base, with long-term agreements, some resourcing, some consolidation of the supply base that's also really helped our bottom line.

So, I'll leave you with there's a tremendous opportunity ahead for Specialty Vehicles. We think we're very well positioned to grow and to add improved EBITDA results moving into the future. We have trends, industry and macroeconomic trends that are tailwinds for us, and also new vehicle platforms that are in the works, new innovations that will continue to differentiate us and add value to our customer. Then, finally, improved bottom-line results with increasing slope.

So, really on a good path. We're very excited about where we are with Specialty Vehicles and the opportunities for the future, and I hope I was able to share a little bit more insight with you guys and look forward to you taking a visit out in the vehicles, and we can talk a little bit more about the vehicles after the formal presentation.

So, thank you. With that, I think we're going to take a 15-minute break, so feel free to grab coffee, use the restrooms, whatever you need to do, and then we'll be back here in 15 minutes. Thank you.

Daryl Adams
Welcome back. Hopefully, the first part of this was interesting. As you know. We're going to have some fun at the end with a little Q&A session, but before we get to that, I'd like to introduce Tom Ninneman, President of Fleet Vehicles and Services of Spartan Motors. Tom?

Tom Ninneman
Good morning. Thanks, Daryl, for that introduction. My name is Tom Ninneman. As you've heard previously, I've been with Spartan since the Smeal acquisition in January and had the opportunity to join the Fleet Vehicles and Services team about four months ago.

If you look at my background, a lot of variety there in terms of big companies, small companies, public, private. A core throughout it, truck building, specialty truck building, customization, mass customization. I think those tools are very relevant to the Fleet Vehicles and Services opportunity.

Some quick four-month observations from the relative new guy, and I think you're going to see this in the presentation today. Number one, we're well established in the growth market. Number two, we have a really interesting value proposition that's real. It's alive.

You saw it in the video. We talk about the customers being at the center. That's not just a slogan. I hope to demonstrate that to you today.

Why am I here? I believe I'm in the right place at the right time to help us focus and accelerate towards 2020 and beyond.

In terms of the Spartan brand, obviously Spartan brand is designed, well established as being highly-engineered, quality product, specialty and custom-niched.

The Utilimaster and the Spartan Upfit Services brand fit that really well. We are well thought of and have been for 44 years as the Utilimaster brand as a specialty niche vehicle provider, and I've meet with dozens of customers in the last four months. The one thing they come back and tell us over and over again is hey, you're specialty. We give you the hard stuff that nobody else can do. Really great insight, but that's tied to the brand and that brand legacy.

The Spartan Upfit Services brand, new to the market, 2016. A little bit of departure, and I think that's good. Number one in that upfit space, that shift through space that we started in 2013. It claims hey, Spartan is different. We're here. We can play.

Number two, it gives us an opportunity to leverage that Spartan infrastructure, purchasing synergy, and so I like that delineation, upfit versus the core of Utilimaster. That's our brand position.

In terms of the trucks we produce, obviously walk-in vans to my right, truck body to my left, and Daryl pointed out the cargo van upfit in the back corner. Those are the three that anchor us. Let's simplify that and give you some insights as to what's going on.

First, way over simplified, walk-in van. There's three ways Utilimaster touches that product. Number one, we design and build the cab, the chassis, and where the driver sits. Two, we design and build the box. It's integrated. Three, we design and build the content that goes in the back. Three parts in a walk-in van.

The truck body to my left. Two parts. Somebody else's chassis. Somebody else's cab. We design the box. We design what goes in the box. Two parts.

The cargo van in the back left. Obviously, somebody else's van and integrated box. We have one part to that solution: the upfit, the content that goes into the back.

Why is that important, the delineation? Again, a little bit of a story. Let's talk about the user of the truck, not necessarily the brand. We're going to talk about that in a minute. The user of the trucker, the driver.

Let's isolate the truck body first. The truck body driver, he's really just a driver. Most of the time, that truck that Lowe's truck goes from loading dock to loading dock. It gets backed up. Driver backs it up. Somebody else loads and unloads that. It might be a pallet, it might be a big package, but there's not a lot of driver intimacy with what's in the back of the truck.

Go to a walk-in van. Driver has to drive, stop, and go to the back of the truck. Who knows what's back there. Baked goods, tools, Coke, linen. They have to go into that mini-store, call it a convenience store, and figure out what's there. Next step, walk out of the truck, and go have a customer interaction. Three-part move: drive, go to the back, customer interaction. That's different than the truck body.

What does that mean to the driver? That driver is highly connected to what's going on in the back of the truck. It's no different for a walk-in van, just a smaller platform.

So, as a result, that driver what goes on in the back of the truck is unique to them, it's special, and affects their safety. It affects their efficiency. It might affect their pay. They have to be highly efficient and effective, and that's different than a truck body.

So, Daryl said hey, we don't just build a box truck. We do build a box truck. It's right here, but when you talk about that mini convenience store in the back of a truck, how configured that is, we call that purpose-built. That's custom, and that's the anchor point to Utilimaster is what goes on the back of the truck respectfully. We'll build these all day.

So, as you look around the room, highly-custom trucks. Lowe's truck, not as custom, six feet high, not a lot of driver interaction. That's important. You go to the other extreme, the Starbucks truck in the back. Box truck, highly-customized. That's our niche. Very interesting.

In terms of install base on those three, just to give you context of how big we play. Walk-in vans, as far as we can tell we have an install base of about 102,000 active, live walk-in vans, that truck driving across the country today. Whether it's 40 years old or 10 years old, we can't prove it, but that's a great install base.

Truck bodies. About 52,000 live, active truck bodies, install base across the country today, and as Daryl mentioned before, cargo van upfit just last year. We touched 40,000, put content in 40,000 cargo vans.

So, that's where we come up with that rough number, 300,000 active users, active touch points. We're not talking about the brands. We're not talking about the fleet managers. We're talking about the users of the trucks, and that drives a lot of insights for us. Really important that you understand that anchor point for customization and purpose-built.

With that frame-up, where are we going as we look ahead? Obviously, these three things come through. It's super clear for Fleet Vehicles and Services and Utilimaster.

Number one, we're well positioned to grow. We're finding new customers every day. The market is growing. We're in a great position to take share. We have our niche carved out already in terms of customization, and when we do that and keep pushing that, accelerate it, we have our eyes set on 15% EBITDA as we look ahead. I think that's within the realm of what we can do.

How do we go to market? Customer span large to small. Big brands over here to Tom's taco truck, a one-off. Buying behavior for fleets versus a one-off is different. Tom's taco track, transactional, looking for the lowest price. Give me a truck quick.

The rest of the trucks that you see here, fleets have all types of problems. It might be driver problems. It might be injuries. It might be lifecycle cost. So, those fleets are an anchor point to what we do.

The fleets. Some of the fleets have a team, a large team that manages their fleet of a dozen, a hundred, a thousand trucks. You'd be surprised how many of those fleets, those big, national brands just have one or two people.

As a result, a lot of times there's a fleet management company between us and the customer, so we have great relationships with those big brands, the fleet management companies, and again, Tom is over here buying a taco truck. We'll sell to anyone.

The buying behaviors are different. Let me give you a context around the fleets and what they mean to Utilimaster because clearly that's where we hang out. If we profile our top 50 customers, 28 of those top 50 are national fleet brands.

Next cut out of the top 50, 12 are regionally-based fleet brands. That right there is 80% of our customer base. After that, it goes down into one-offs, regional dealerships. It might be a small fleet, but that 80/20 rule somebody alluded to, Daryl did before, that's alive and well in Utilimaster, folks.

So, where are we at our best? Big brands, big problems. We're innovators, and I'll show you how that comes alive. So, we're really a trusted advisor in that custom space to those fleet brands, have been for 44. We'll continue to be going forward.

I really believe we're in a leadership position today. Let's talk about the market.

Daryl had this slide up before. It really highlights our position in the last mile. You're familiar with the trends, 34 million to 60-some million packages anticipated. We're right in the middle of that. Utilimaster is right in the middle of that, and we have been quite frankly, for 44 years before the term even existed.

What does the data tell us? When we look at the trucks in the room here, and you take the supply chain definition of the last mile, not necessarily just ecom, but total supply chain definition, last mile, last mile, last mile, last mile, last mile. You could arguably say a Starbucks truck might be last mile, and the Consolidated Edison truck probably isn't. Eighty-five percent of our trucks that we deliver fit that last mile definition in the broad sense.

Go down to cut, go down to the ecom parcel delivery only. Order it today, convenience, get it to my house tomorrow. FedEx, probably not Coke, not an ecom play. Probably Lowe's, probably not Aramark, and by the data 41% of our customers fit that ecom-only definition.

Go to the classes that Utilimaster provides today, a little bit of that history. For 44 years, we have been active, alive, and well in class 3 through 6. Fact. Walk-in vans, truck bodies right in the middle of it.

What happened? No different than ecom trends get faster. Our customers, our fleet customers where we're anchored said we need some help. We have to get faster, smaller platforms, more nimble. Can you help us? That led to our first foray into Mexico in 2013 with Mopar and National Cash Register to jump into the upfit space, class 1 and 2.

From there, you heard the story. In 2013, Mopar. USPS ordered 2014. Kansas City, last year next step, get off the Chrysler platform into the Ford platform, and then as I'll show you in a few minutes when we look at the map, we've now tied off with all the OEMs this year in the great upfit space.

So, again, our customers took us there. Yes, we've been anchored in some great wins; 8,000 USPS truck upfits helps us establish ourselves, get our business model working. What a great place to start. So, I would offer to you folks, I don't think or believe there's a better last-mile solution in the market today to cover class 1 and 6.

We were driving through New York yesterday. Look at the trucks. It seems like every other truck was an upfit or a box van here in New York. I was in Chicago about a month ago with my daughter, downtown sandwiched between two hotels, and she always asks, Dad, what do you do. I said, Mary, look at the trucks here. This is what we do.

We counted them. Within one block, eyesight range, one, two, three, four, five, six, seven, eight of these, all three models. So, it was a great proof point for me to tell my daughter here's what we do, and oh by the way, of those eight, five were Utilimaster driven. Super relevant here, but I said, Mary, that's the last mile. That's what we do.

Market share, equally impressive. You've seen this, I believe, in other venues. Walk-in vans, almost a duopoly. We've been doing it for 44 years, and again, I hope you appreciate why that product, we're that differentiated and have built that level of confidence in the market. That specialization helps us while our competitors aren't as specialized. We'll talk about that later.

Truck bodies. Relatively small market share, 4%. It's still in our core, and those walk-in vans and truck bodies still make us the number three provider confidently in the marketplace, especially for customized units, again, like the Starbucks truck, like the Consolidated Edison truck.

Upfit, 2% market share. I like our chances. Yes, we're small. Yes, we've only been in the business four years, however, our competitors have been in for twenty. They're entrenched. We can be quick. We can be nimble. Who else could go on all the platforms from Mexico to all the OEMs in 24 months? That's the flexibility this market's going to demand, that's what we have done, and you can expect more of that as we move ahead.

So, I would say as you look at market share, we're well anchored. Well anchored in walk-in vans, and yet we've penetrated so little of the market in the other two. What a great upside.

Drill down into the specific segments. Some of you have seen this data in terms of specialty trucks. Obviously, the CAGR for this truck and van segment average of averages is 5%. The good news when you step away from that average, if you look at vans, walk-in style vans, the five-year average and outlook pushes 8% to 9%. Guess what. Our growth has been consistent with those trends '16 to '17 so far.

That's proof point number one. Even better, we've carved out the high-value customers' content, so we're getting the best of the best.

Cargo van upfit. We're not the share leaders today. The market is super fragmented. You saw those competitors in that space. We participate only, there are really three channels in upfit. There's the ship-thru tied to the OEM manufacturing location. There's the local dealer distributor. We have no presence there today. We're focused on ship-thrus, and there's the direct channel selling direct through ecom. We have no presence today. What a great opportunity.

Despite that, our track record and our growth versus that 8% we're pushing three times that this year. That's thanks to Spartan, that's thanks to the investment, that's thanks to the investments in Kansas City expanding the footprint, but again, I like our chances.

How have we done that? We've done that with the fleet customers that simply have asked us can you help us with this. We say absolutely we're ready.

This may take you a little bit lower than you want to go, but I think it's really important for you to understand what makes Utilimaster tick. What is our unique difference, our value proposition, and how is that different? Call it our competitive advantage, our secret sauce, whatever you want to call it, but this is special, and I hope to make this come alive to you.

I'm going to talk about people, process, and product, and show you a couple examples. First, the people, and this chart delineates it. We have five segments that we focus on with account teams. They're represented here. FedEx is parcel; Coke truck, food and beverage; retail is Lowe's; Aramark is linen and laundry; Consolidate Edison is utility. Five are represented. Starbucks probably retail.

The reason that's important is we have account teams that are focused on just those vocations. What is that account team made up of? You can see the list there, but oversimplified, that account is made up of an account manager, who more times than not came out of the industry they're serving. An engineer, a solutions engineer that's dedicated to that line of business. Generally, a customer service rep. That team, dedicated to that line of business services those fleet customers.

What is that team made up of? Not only industry experts, they're innovators. That's why they're in that job. They're not there to sell a truck with nothing in it. They're there to find and sell a solution that provides content and value to the back.

They're young thinkers; they're not all young. They're young thinkers sort of like my kids, millennials. They'll get in and ask why, why, why. Those are the kind of people we want in this job. That's the core; it's the people first.

The process. You saw the wheel before. Listen, assess, innovate, deliver, do it all over again. That's the driver behind our work-driven design to create purpose-built trucks. It's a formal process that that team executes. We probably should patent it. We work it religiously, and we have folks here that would love to give you a training course on it because they're passionate about it. They bring that to their accounts, and we go all the way through.

The Starbucks truck, Daryl talked about the Starbucks truck earlier. Interesting little story about Starbucks, a three-year journey. Starbucks launched that truck in colleges to try and capture the meal card ring for students. Insight, Starbucks found that they thought they could move a truck from place to place to place on a campus and raise sales. They learned that when they moved the truck, that disrupted the customers.

It's probably like me in the morning. I go, I get dressed, and I go to the coffee pot. It's a routine. Their customers on college campus, students, they needed that routine. They started moving trucks; customers didn't show up. What did they do with that insight?

They said where else could we use a truck as a truck becoming a store location, so now one of the applications of that truck is when they have a store that's being torn down, renovated, guess what they do with that truck. The store is down for renovation one month, guess what's in front that storefront every day so those same customers go to that same place to get their Starbucks. That's an insight they've learned from the truck, but more importantly, in the Utilimaster process, we're at the end.

We delivered a truck. We've been there with Nick and our team, adapting solutions to the next application, whether that's how much water. Is the size of the generator right? Where are we getting our power from? Do we have the right shelving and the right countertops?

All that is a continuous loop in the Utilimaster process to keep this alive and well with fleet customers. We hope Starbucks keeps coming back for more. They have.

Next step. Product. You can have this product two ways, folks. Number one, we will sell you an out-of-the-box truck closer to the Lowe's truck there. Pretty simple, not much in the back.

Number two, for a truck we built for somebody else that you might want with that same content customization application, call it pre-engineered, like the S-180 truck. We're glad to sell that to you.

Last, but not least, you need a custom, unique solution, a one-off Swiss army knife in the back for that driver. That truck, the utility van, Consolidated Edison, that's ours. So, we'll deliver simple, pre-engineered, 100% custom, and I like to think we're really good at the custom side of custom, and our customers tell us that. So, that's product one way.

Product second way is, guess what. You can any of those five symbols at the bottom: walk-in van, truck body, upfit, parts, field service, and class 1 through 6, plus parts and field service, all through one solution, all on one purchase order. You think that isn't important to our fleet customers? It's huge.

That's just product, so when you bundle all that together, people, teams, process, product I can't find anybody else who offers that level of expertise, who offers that product suite breadth and customization depth, all through one single solution. Oh, by the way, most of the time tied to the last mile. That's the Utilimaster competitive advantage.

I'd like to show a video here, a brief one. It starts to talk a little bit about customer vignettes and maybe help you bring this alive more than my words, please.

[Video presentation].

Thank you. Just a moment on that video. I'd love to quiz you and see if you heard the most important thing. Absolutely there was talk about people, process, and product, but there was one little phrase, and we didn't pay the customer for this. They said nobody is willing or capable of doing what Utilimaster does. That rounds out our whole value proposition right there. Again, that was not a paid comment.

Another example, Cintas. A 25-year fleet customer. Obviously, linen and laundry vocation specialty. A dedicated account team. They're always in working the process, listening for the next thing.

One of our annual account reviews, we started to hear a trend hey, we're having injuries in our vehicles. Drivers are getting hurt. Our team, linen experts, been doing it a long time. Can we come? Can we look at your trucks? Trusted partner, absolutely.

We spent several months driving with drivers in trucks, their whole routes, to the warehouse. What's the matter with the process, and obviously the drivers were taking laundry from a customer, putting it in the bin, getting it to the back of that truck. It's about a four-foot lift. Trying to get the laundry up and in, and you can see the pictures on the left hand side.

That looks like my high school daughter's bedroom. So, obviously, drivers were getting hurt, laundry was getting lost, transposed between customers. What a disaster.

What did Utilimaster do? Turned it over to innovation engineers. Came up with a patented, safe-load linen and laundry lift system. Pushed the bin up to the back of the truck, bag comes down, laundry goes in the bag, and the bag is lifted up. The back of the truck, stored, safe, secure, well organized.

What were the customer results? Fact, injuries went down. Driver satisfaction went up. Customers weren't losing clothes and getting somebody else's stuff. Great story. True story. Patented system, and if you look at the back of the Aramark truck, you'll see something a derivative of that. We talk about pre-engineered, transferring those ideas.

The Cintas story continues. We talked about fleet and the depth of our account sales with Cintas. You'd expect a 25-year customer to buy a lot of our stuff. They're five for five in those product categories. They buy from us actively walk-in vans, truck bodies, upfit, parts, and field service.

Tie those two together. Just last month, we quoted a $6 million order, quoted—don't have a PO yet—to Cintas to extend the safe load system to the rest of the their legacy fleet. That's how you're a trusted advisor. That's how you leverage your accounts. That's how you leverage your relationships.

If you look at the data, we talked about the quantity of fleet accounts, 72% of our fleet accounts we have penetrated three or more of those categories. Add a few more, penetrate deep. I like our chances. We're not there yet.

Here's another great example tied to this truck right here. Coke has been buying trucks for a long time from a competitor. We got a lead in, kind of a warm/cold lead to go into their corporate office in Atlanta a few years ago. We went into that meeting. They have a fleet management team of two. They did not want us to be there.

First meeting, first minute of the first meeting, pretty antagonistic. The fleet manager didn't have time for it. Said, and I'm paraphrasing this, of course, we need your price sheet. Where's your price sheet, and where are your pictures, implying this was going to be a quick conversation and a transaction.

Our food and beverage team, been there, done that before, and led with the worst possible way you start a cold call. Sir, we're different. We don't do business that way. Right there asking to get thrown out. Puzzled looked on the fleet manager's face. I won't use his name.

We went on to explain we have lots of food and beverage experience. We've done this. Here are the problems we see. Here are the solutions we offer. Next thing you know, we stayed for the rest of the day.

Six months later, we had gone through again. Dozens of Coke route rides across the country on all their vehicle platforms. Watched the bottlers in and out of the bottling shops come up with unique, regional solutions. What was the outcome from that no?

First order, $7 million, 165 walk-in vans. That's what we do. So, a little bit there's some bravado in that. Who would be bold enough to go into Coke on a cold-call, and in the first three minutes, dare them to kick you out? That's the power of our value proposition, folks.

Let's get into something more strategic, but also tactical in terms of accelerating our operating footprint. Our core Bristol, Indiana, been there for 40 years. Walk-in vans, truck bodies, great platform. Moved it a few years ago. We have a state-of-the-art, world-class manufacturing facility for these products here.

Ship-thru expansion. We talked about it last few years. Mexico first, Chrysler. Ford next, Kansas City. Carried us through 2015 and 2016. This year, through partnerships, we have expanded that platform to be able to handle all the upfit van OEM factory locations. What a great move.

What's next? Talk about the two platforms separately. Our customers are telling us hey, center of the country doesn't always work. It creates too much freight expense. So, obviously, where's the population? As we're looking ahead, the east coast, west coast what does that mean to us? We don't have the answers, but it's really important as we look at growing.

The upfit. We're now in that ship-thru channel, yet we know half of the business, 45% of the business at least is in that local distributor base. What are the moves that take us closer into those MSAs? A million, three million-based population centers, so that when that empty van leaves the factory, it gets local. It's sitting on a local lot. We're right there.

So, solid platform. Great opportunities to accelerate. Daryl talked a little bit before about as we're leading towards 2020 and the team. My personal experience is it's not about me. It's about the team. Daryl's working on the top 50 and the executive team. My job is to make sure I'm the talent officer at Utilimaster. We're working on it.

We're making some changes because as the business changes and we accelerate growth, we need people that can do that. That's my responsibility, and I'm excited about that, too.

As we look at 2020, some great trends to build on, so I think I've said this enough in terms of revenue opportunities. We're well niched. We're well established in a growth market. We have opportunities to take share, whether that's broader and deeper into existing customers or simply outpace our competition by doing the hard stuff nobody else can do.

In the process, we're going to enjoy the incremental one-off wins like the USPS truck body order that Daryl referred to that we just won a week and a half ago. Incremental, while we're driving the core business. What does that mean to margins? I think Daryl said it. We expect margins, margin growth to outpace sales growth. Why?

In our business, we can leverage expenses internally, leverage volume. Daryl talked about the integration points, supply chain. How do we take advantage of that? Great. The other things that's important, a little bit of bravado is we can selectively say no to any business. We have that ability now.

We want to say yes to the hard stuff, where the value is. So, this is exciting. I'm really excited about the opportunity financially to continue to make sure this is a platform for Spartan going forward.

Besides the obvious and apparent math, I'm not going to spend a lot of time on this. Daryl alluded to autonomous vehicles. We talked about electronic propulsion. We'll be relevant in those even if it's Spartan bringing those solutions to us. Fantastic.

Where else can we niche? Dry goods versus refrigerated goods. Schwan's trucks, some of you are familiar with Schwan's trucks. Ten years ago they said those trucks were gone. That business model was going away. Today, just last month, we sold a million-dollar order Hy-Vee, a Midwest regional food chain, grocer, to deliver vehicles from the store to homes.

What are the applications of that needs in terms of refrigeration in the back of that small van? That's before you get into the walk-in van over here. Guess what, there's a lot of interesting stuff going on in the inside. The outside of that truck, believe it or not, hasn't changed much for almost 20 years. We started that project about three months ago.

So, really exciting when we talk about innovation, even if it's simple things like a 20-year design and modernizing. Better yet, as Daryl alluded to, some of this we can build ourselves. Some of it, we can buy. We're actively participating in those M&A conversations.

I'll leave you on this slide. I think Daryl said this is his favorite slide, so a good one to leave the boss's favorite slide last. More importantly, I think it sums up Fleet Vehicles and Services, our market position. Number one, we're well entrenched in the last mile. Clearly, the numbers tell us that. We will keep that going.

Number two, class 1 through 6, parts, field service, that product diversity, breadth and depth, ability to cross-sell and upsell through all of last mile, fantastic. Put it all together through that funnel. One model, one PO, one team saying yes to fleets large and small.

No one is doing that. It's not to say they're not going to catch up. Right now, we have it, and the message I tell my folks sitting in the back of the room, check out the guy in the blue socks, Mark Surber. Every day, Mark, right now you and we can't move fast enough. We have it.

I'm excited about our chances. Thank you.

[Video presentation].

Daryl Adams
It's my pleasure to introduce Rick Sohm, Spartan's CFO. Rick.

Rick Sohm
Thank you, Daryl. Good morning, everyone. Thanks for coming out today. I'm happy to see a lot of familiar faces in the audience, and for those that aren't familiar, thank you for coming out to hear our story.

I started at Spartan in the fall of 2015, and I had a story here to try to describe what we were dealing with, but I think you've heard from most of the team today that we had a mess on our hands, and somewhere in here, I think we were trying to say what did we need fix. We needed to fix everything. That's what we were dealing with. Maybe a couple of things we didn't have to fix was our balance sheet and our market position and products.

Fall of '15, we had been suffering through years of unprofitable performance, and we were dealing with a whole host of legacy issues, product recalls, product failures, and what did that result in? A whole host of warranty adjustments, our lack of profitability left to asset impairments, a valuation allowance, and at the end of ’15, we had lost $0.50 a share.

When we went to investor conferences at that time, there were a couple things I noticed pretty quickly. One, no one wanted to talk to us. Those that did were usually former disgruntled shareholders. I think we quickly realized that we needed to re-establish our credibility. We needed to re-establish our credibility with our board, with our own employees, and most importantly, with our shareholders.

We needed to start doing what we said we were going to do. It was about that time that Daryl and I started talking about where we could be long term. We talked about being a billion-dollar company. We talked about 10% EBITDA margins, which is where Daryl and I believe you can start to call yourself a well-run company. We were a long way from that in the fall of ’15.

But, we saw the potential. That’s why we came here, for the potential that we saw in this company. As proud as we are of what we’ve accomplished over the last few years, we’re even more excited about where we’re going over the next three. I hope you feel that from the management team, that we are excited.

There is so much opportunity left. We fixed a lot of things, and 4% EBITDA margins to us are exciting when you compare them to zero or negative, but we’re just getting started. We get asked the question all the time by our investors at the conferences. Have I missed it? No, you haven’t missed it. A path from 4% EBITDA margins to 10% will create a heck of a lot of value, and that’s some of the excitement that our management team now believes is possible.

We have a bright future, and we’re confident in our path, but before we talk about the next few years, let’s review what we’ve accomplished and will have accomplished by the end of 2017. We’ve grown our top line $200 million, a CGAR of 11%, and an increase of 40% on the top line.

What’s driven that growth? Our management team completed our first acquisition in January of this year with the purchase of Smeal Fire Apparatus, and I think it was the ultimate test for our team that we now had the full support of the board. They were confident in the direction we were heading, and they’ve been incredibly supportive to our efforts, originally to turn the business around, but now we think 2017 is a transition year, and we’re transitioning from turnaround to growth. Each of our presidents has spelled out what growth means to their business units.

We’ve also won new contracts. We were awarded, by Isuzu, a four-year contract to build their new class 6 F-series truck in our Charlotte, Michigan campus.

We’ve also launched innovative new products. John Slawson talked about the S-180. Steve Guillaume talked about a whole host of automotive technology that we’re bringing to our motorhome chassis like digital dash, collision mitigation, and stability control.

As Daryl mentioned early on, one of the things we’ve done as we’ve sharpened our focus is gotten more disciplined in the opportunities we’re going to pursue. He mentioned the JVs that were in place when we joined the company. Those JVs are gone. They were distractions and taking us away from what we really needed to be focused on.

Gross margin. While we’ve increased sales by $200 million from ’14, we’ve taken our gross margin up 140 basis points from 10.9% to 12.3%, an increase of almost 13%. We’ve attacked gross margin at every level. We’ve taken pricing in our ER business. We told you we’re no longer accepting unprofitable orders. We’re selling a richer mix of products in higher volumes, like our reach vehicle that we built in Charlotte, and our van upfit business that we launched in 2015 in Saltillo, Mexico.

We've consolidated our manufacturing footprint. We've closed facilities in Ocala, Florida in 2014 where we manufactured fire trucks, and we closed our facility last year in Wakarusa, Indiana where we built truck bodies.

We've launched our Spartan Production System last year, and you're starting to see those benefits show up this year. If you look at our FVS business, first half of the year, lower sales volume year-over-year, but 150-basis point improvement in gross margin. Why is that? Manufacturing productivity from a Spartan Production System and lower SG&A.

We've also made huge improvements in our quality. All of our guys have come up here today and told you about the problems we've had with quality. Twenty-one recalls in 2015, $17 million in warranty expense. We've made huge strides there. We expect warranty expense to be closer to $11 million in 2017.

How have we done that? We've done that by implementing automotive design standards, safety factors, and a much more rigorous process of validation and testing.

Finally, Daryl mentioned earlier, we have a new procurement chief. Luis Silva joined us late last year from Blue Bird Bus. He knows how to buy the parts that we need. We're just starting to see those improvements hit the bottom line, and we're excited about where we can go on the material cost line in the future.

We've also attacked our overhead cost structure. We've reduced SG&A as a percentage of sales from 11.1% to 10.1%, a decline of 100 basis points or 9%. When we got here, I think one of the first things we started to realize is that the company had been growing SG&A faster than the revenue line was growing. Not a formula for success.

So, like we've done in a lot of the company, we've implemented strict spending discipline at every level of the organization. We needed to better leverage our cost structure, so over the last several years, our teams have been instructed to keep their core spending levels flat year-over-year.

I think a perfect example of this discipline is the company-wide headcount reductions we've made in the first quarter of this year. It was part of the Smeal acquisition and integration plan. We did a top-to-bottom review of the organization to continue to right-size that cost structure. The headcount reductions we made earlier this year add up to an annualized impact of $6 million.

But, we're not done. We see this trend continuing, and we're confident we can reduce our SG&A as a percentage of sales, another 100 basis points over time.

The result of all of the actions I've just described, we've significantly increased the earnings power of this company. We're positioned to earn approximately $30 million of adjusted EBITDA in 2017, up almost $20 million from '14 and tripling that result. That gives us a CAGR of 43% and a margin increase of 220 basis points, which would get us north of 4% in 2017.

As we've told you in the past, we expect we can grow our bottom line faster than our top line. With all the opportunities the guys have laid out for you today, we're confident that trend continues.

While we've been working hard at increasing our earnings power, we've also put a lot of hard work into reducing our working capital requirements and generating cash. Each week at Daryl's staff meeting, we review inventory reduction plans and closely monitor our accounts receivable collection. As you can see, I think we've made significant progress at lowering our working capital requirements.

We also believe there's more to come there. If we go back and look at the Smeal acquisition, we acquired the company for $32.5 million, and that's a company that had more than twice that amount of working capital tied up on the balance sheet. We've made big progress in reducing that working capital, but there's still more to go.

In the absence of additional acquisitions, we've used that cash to pay down what little debt we have. I think most importantly on the slide here is our total liquidity. With the cash we've generated and the earnings improvements, we have significantly improved our liquidity, which should reach $100 million by year-end, and we think that will position us very nicely to pursue additional M&A opportunities.

So, what you have today is a company that has a firm financial footing and is poised now to accelerate our growth plan, both organically and via acquisition. We're growing revenues in excess of 11% a year, and as I mentioned earlier, EBITDA at a CAGR rate of 43%.

We also see that our cash flow, our free cash flow generation is improving dramatically, and we expect to double to approximately $20 million by the end of '17. You have to remember, this is not a capital intensive company.

We spent a little over $13 million in capex last year. Half of it was for our plant in Charlotte to build the Isuzu F-series. In 2017, that should return to a more normalized number of $6 million to $8 million.

So, as the earnings power of the business increases, our earnings accelerate, we should have strong cash flow generation. As a result of our improved financial performance, Spartan's seen corresponding improvements and return on invested capital, which along with total shareholder return are key long-term performance metrics for this management team.

Before I go into our long-term plan, I just wanted to bring up our current earnings guidance for 2017, which we updated on August 2nd when we did our second quarter earnings call. Our guidance called for revenue of approximately $700 million, EBITDA of just under $30 million, which would represent a 30% improvement from the prior year, and an adjusted EPS of $0.50 a share, which would put us up more than 56% versus 2016.

We're confident in our guidance for the year, and included in this guidance is an ER business that is profitable on a GAAP basis in both the third and fourth quarters. I know some people have had a hard time believing us. If you look at our analysts' models, to this point maybe they haven't fully believed us, but that's why we're looking forward to our November 2nd earnings call where we can share some more detail with you and give you an update on how we see the business for the remainder of the year.

Let's talk about revenue growth. Part of being a billion-dollar company means that we need to generate another $300 million in sales, and I hope what you've heard today and what you walk away with is the confidence this management team has. I hope you can feel the excitement.

We believe we have a bright future and a tremendous amount of opportunity in front of us. On the revenue line, Daryl mentioned the USPS contract we were just awarded. That's a $214 million contract multiple years that will be carried out over 2018 and 2019. The single-biggest award the company's ever received. It takes out some of the lumpiness that we struggle with from time to time.

We think there's other opportunities in four broad categories. First, new products and innovation. Tom mentioned our next generation walk-in van is on its way. Steve mentioned new motorhome chassis that we'll introduce to the market, and additional automotive technology that we'll bring to our motorhome chassis, including lane departure and next generation digital dash.

Market share. We talked about USPS truck body. Tom also mentioned what we can do with our geographical footprint, and we believe as we move towards the coast, that creates additional market share opportunities. We lose orders today because our freight bills aren't competitive shipping out of only Bristol, Indiana. We have the financial capacity to build plants where our customers want them.

We believe we'll gain share as we ramp our F-series production over the next couple of years for Isuzu, and we get added to additional motorhome platforms with all our largest customers.

We believe ER will gain share as we ramp up our S-180 production. John talked about the opportunity, and we believe the current hurricane season has been the ultimate test of that strategy and the concept of being able to get custom pumpers to people very quickly.

Spartan has the benefit of participating in markets that are all growing. I think we all know that our last-mile delivery will explode over the next decade. Daryl talked about the number of packages doubling over that time.

We've talked about pent-up demand in the ER business, 11,000 units, huge market opportunity. Washington, DC is ten years behind their buy cycle. At some point they need to replace that aging truck fleet. The S-180, a perfect truck for that. The S-180 is a perfect truck for a lot of municipalities that are bankrupt or near bankrupt. The city of Detroit is a perfect example. They've bought a number, and they tell Daryl we need to put out fires. We don't need fancy parade trucks.

We believe that our Class A motorhome segment will continue to grow with some of the demographic features that Steve mentioned.

Aftermarket parts and refurb, great margin business, one that's been ignored by Spartan for far too long. It hasn't received the proper focus, which is why we reorganized it under our CAO, Tom Schultz, earlier this year.

We're going to invest in better systems, and we're going to invest in the right inventory to better satisfy the needs of our customers. John Slawson believes that in the ER truck market alone, there's an opportunity for $2,000 of parts per truck per year. We believe we can double this high-margin business over time.

The, finally, we believe we have upside of the billion-dollar sales targets driven by additional M&A opportunities. We have the financial strength, the liquidity, and the balance sheet to continue to be opportunistic in our acquisition strategy.

As we've demonstrated over the last few years, we believe we can grow the bottom line faster than the top line, and we believe this continues through 2020 as we pursue the many opportunities you heard about today. With our increased sales of higher-margin products, volume and mix will be a significant driver of our earnings growth. We also plan to accelerate our material cost savings as we begin the process of supplier consolidation, international sourcing for the first time in the company's history, and entering into long-term supply agreements with our suppliers.

We'll make additional gains in manufacturing productivity as we continue to roll out the Spartan Production System, pursue our focused factory strategy, and better utilize our existing manufacturing footprint.

While we've made great strides in quality, we do know that warranty costs can't go to zero, but we will continue to drive down those costs with our rigorous design, testing, and validation programs. As I mentioned before, M&A opportunities provide additional upsides for our targets.

So, I think what you've heard from our team today and what I've covered from a corporate perspective that we're confident Spartan can achieve that 10% EBITDA target in 2020. What I'd like to do is talk a little bit about what that means for each of our business units.

We believe FVS will finish 2017 with 11% EBITDA margin, and we believe with both top line growth and additional operational improvements, the business unit can exceed 15% by 2020.

Specialty Chassis is going to show a two-percentage point improvement year-over-year going from 6% to a number we believe is close to 8% in 2017, and we believe we can see that similar improvement going forward through 2020 and expect the Specialty Chassis business to be at 10-plus% EBITDA margin by 2020.

We believe the improvements that ER has shown over the last few years is just the beginning. We see our competitors in that range of 6% to 8%, and we're confident we can achieve it as well.

So, with that, I'll turn the presentation back over to Daryl for his closing remarks. Thank you.

Daryl Adams
It's almost like that movie, I'm back. The path forward starts now. I want to try to tie all the presentations together a little bit, if you will. To start at the beginning again, our goal to become number one, number two in each of the markets we play in. I think from all the division president presentations, you see that we're well positioned.

It's not new. We've been there. The company's been there. We're just executing on things that have probably been overlooked in the past, like the fundamentals.

Well positioned. You know, there's a phrase up here called new management team. The reason we use that is because we were changing the culture from the old management team to the new management team. I think it's important to point out after you've seen the three division presidents. A lot of you see Rick and I on a regular basis.

They're new, but if you go back to my original slide, one of the original slides, talking about the DNA of the people we want to hire, automotive, non-automotive, bigger companies. They've run P&Ls before. They've done turnarounds. They know lean.

That's the recipe, if you will, of the new team coming together. As long as we all have the same mentality, the same DNA of not understanding what losing means, we're going to gel together, and you're starting to see it. We've only been together less than a year, some of us. Tom Ninneman is four months.

When I first met Tom, I looked at him, and I said, Tom, you will always have a position at Spartan Motors. That's when I first met him at Smeal. He was a tough negotiator when we were going through the sale. You learn a lot about a person when he's fighting for the company he's working for.

He was worried about that. I said, no, you're on our team now. I suppose you're going to change colors and come to be Spartan red, and look what he's done with that team down there. He's letting the shackles off those guys. The products have been there. He's letting the horses run.

So, new management team. We talked about operational improvements. We just started. We just got started down in Bristol. We're probably a third of the way through, maybe half the way through. We've touched some of our other plants. We believe there's a lot of opportunity in operational improvements.

The team's getting together, gelling, working better. We're going to see the operational improvements come together over the next, again, three to five years. It takes time to get these in, these processes, especially when we're fixing all the bad processes and the bad habits.

Product portfolio, you've seen that. We're continuing to invest in our technology, innovation, and listening to the customer tell us what they're looking for instead of forcing our products on them. That's the customer-centric piece.

Financial strength. Rick just talked about where we're at, how strong we are, and what are we going to do with the capital. There's a lot of fragmented markets that you've seen on each of these pie charts.

Something that is a small thread through each of these, and I'm not sure if you caught it, was aftermarket parts and service. We've just started. Rick mentioned Tom Shultz is leading that group now. We're going to purchase some software. That's a huge opportunity. It's a small piece—you look at our financials, it's a small piece of our operating income of our EBITDA today with huge opportunity.

We all know what aftermarket parts' margins are like. We all like them. They're very nice. We talked about the number of units. You start doing that math, you can see why we're so excited, and we say look, it's not too late. Top of the fourth inning. Maybe there's one out, but there's so much power forward and momentum, and this is why the Spartan team is really excited to pull all that together.

Talked about this enough, I think. You can understand now when you listen to Steve, Tom Ninneman, and John Slawson. All three of our divisions have so much power and so much opportunity left that I'm surprised—I saved it for now—what we tell some investors that we meet with is our motto in Spartan is under-promise and over-deliver.

Pervious leadership always over-promised and under-delivered. We had to change that. We had to gain the trust of our shareholders, our board, and our employees. We believe we're doing it. We're going to continue to under-promise and over-deliver because whatever we tell you we can do sitting on this stage, you have to trust us.

We will hit those numbers. We've done it six quarters in a row. That's my point about the new management team. A new team comes together just like professional athletes. They know how to play the game. We're just putting a good team together that gels and plays as a team through the matrix organization up the side, division presidents across the top.

What are we doing it for? We want to make sure we increase shareholder value. Our shareholder alignment is key. We talk about it a lot. I'm telling you from hourly employees at Spartan, every one of them participates on a quarterly bonus program. It's aligned. There's metrics that they get measured to: delivery, on-time delivery, efficiencies. We call them WOWs, war on waste, cost-reduction ideas. So, they're aligned.

Obviously, the executive team, leadership team are aligned. We're paid on performance. This is key. It's driving everyone in the same direction. We have our employees receiving checks that they've not seen before, and that gets them excited. Now, they understand why when we say we really need you to change what you're doing and follow the Spartan Production System. It's key, the alignment is important, and as you can see, it's driving shareholder value.

I think that concludes our presentation. Before we go to the Q&A, because after that it's going to be—that puts Q&A between lunch and you guys, so we want to clean up a little bit right here. There's a lot of Spartan employees in the building that we poised around the vehicles willing to help answer questions.

There's two people that I'd like you to recognize if you're walking around. We have two of our board members here: Chairman of the Board, Jim Sharman, and then Ron Harbour. Jim Sharmon is in the back, and Ron Harbour is over here to your left, my right. So, they'll be walking around. Feel free to ask them questions. They'll probably give you the real story on the management team if you want to ask them about it.

Thank you. We're going to take a couple minutes, and then go to Q&A session, so think of your questions, and Juris will moderate. Thank you.

Juris Pagrabs
Thanks, everyone. While they're setting up the stage, I'll maybe just walk through some of the Q&A procedures for you. Please keep in mind we announce earnings in two weeks, so we won't be able to answer any specific questions regarding third quarter other than what Daryl shared with you earlier today regarding ER business being profitable on a GAAP basis.

For the benefit of our webcast participants and our listeners, if you don't mind, we have a couple people that have mics that are going to be walking around. If you would raise your hand with your question, state your name and the firm and the question. We'll move forward that way.

I think that's about it. If you guys are ready, come on up.

QUESTIONS AND ANSWERS

Juris Pagrabs
Any questions? First question. Go ahead, Rhem.

Rhem Wood
Hi. Rhem Wood, Seaport Global. Great presentation today, guys.

Daryl Adams
Thank you, Rhem.

Rhem Wood
So, first question. It looks like in the van business, the truck body and the upfit market share was pretty low, but it seems like some of the customization is becoming increasingly important. Can you just talk about why that share is kind of low here, where you think it can go, and how much of the solutions you're creating are patented and unique to Spartan?

Tom Ninneman
The focus has always been on customization and where you can customize the most, so obviously with those two platforms, left and right, we spend most of our time in the walk-in van customization. We have said deliberately, and this pre-dates me, those one-off commodity truck bodies, let's not do them and focus on our core.

There remains an opportunity there for us to extend our core and take more than 4% market share.

That's super clear, question number one.

Question number two, in terms of patents, we have a list of about give or take 10 to 15 patents. Safe load system is one. The Aramark truck there has a patented locking system that locks the shelves to the back of the truck. So, we have several patents that are really customer vocation-specific that we continue to leverage, and you can expect that to continue out of our innovative team.

Daryl Adams
I think, Rhem, if I could add one point. As Tom mentioned, the previous team didn't want to focus on the one-offs. There's another area that they wanted to only focus on, and that's only on the fleets or, if you will, the customers of their walk-in vans, so for example, UPS. They only wanted to focus on truck body for UPS. That's a very fragmented market, and that's obviously going to be a focus going forward on the M&A side.

So, we're not focused just on those customers and the fleets that they run, but all fleets and all customers. That's why we believe that the opportunity is so large, and we're in a good spot for it. Follow-up?

Rhem Wood
There's been a lot of talk about electric vehicles, and I know you're doing some things there, but can you talk about what you're doing, what your strategy is going forward? Just more about electric vehicles.

Daryl Adams
Rhem, our strategy starts not only on fleet, but it's all the vehicles. It's basically a corporate strategy. We want to remain agnostic, I believe as I said, because there's so many guys coming in and out with batteries. They don't fly. They're getting a lot of government money.

So, we're staying close to all those guys. There's a bunch of them out there. We're talking with them. We have meetings coming up with various vendors just to understand it again, so it's something we're watching, but at this point, we're not ready to jump in and make an acquisition on that side.

Will we partner with somebody? Yes. Will we still build electric vehicles when requested? Absolutely. But, from an investment standpoint, we're still not sure that the lines are crossing between cost of an entire—because we look at total cost of the vehicles, not just on the fuel side. So, you have to figure out where those lines cross, and we don't see the payback yet.

Ed Lefferman
Thank you. Ed Lefferman with First Manhattan. I have a question on the RV market. You talked a lot about Entegra and Newmar. How many other players are there in the 400 horsepower market? What are your prospects of making further penetration, and as you move down in the 360, I think you said, horsepower market, is that new players, or are you just selling to the same customers? What size market do you see there?

Steve Guillaume
Good question. We are very concentrated on continuing to grow with our existing customer base. There are multiple other players that are in the 400 horsepower and above range, but not to the size that Entegra and Newmar are. Most of the other players in the diesel side tend to be the lighter, under 400 horsepower.

So, total on the diesel pusher side, there's probably five other players that participate there. We are looking at other opportunities with other customers, but we'll be very opportunistic to make sure that we're taking care of the needs of our core customers first, and then as opportunities potentially arise with other customers, we're looking at that.

Juris Pagrabs
I'm sorry. We couldn't hear that.

[Speaker off mic].

Steve Guillaume
--360 horsepower market. So, we're seeing $420 million for the over 400, I would say under 400 is probably around $250 million of the addressable market. The volume's relatively close. It's just the price point of the chassis is significantly lower.

Ryan Sigdahl
Hi, guys. Ryan Sigdahl, Craig-Hallum Capital Group.

Daryl Adams
Hi, Ryan.

Ryan Sigdahl
Congrats on the USPS order. Any other details you have there? Timing of when it starts next year, number of units, etc., would be helpful. Thanks.

Daryl Adams
Ryan, we'd love to be able to share more with you, and I think you'll probably receive some of that in the press release when it comes out, but they're still working through the details on the press release and start date, so we'd like to hold that until we have confirmed and a release from the post office to talk about it. Thank you.

Ryan Sigdahl
Sure. Then, a second one for me. You talked about going from 4% to 10% EBITDA margins. Can you talk about the cadence from 2017 to 2020 there?

Rick Sohm
I think one of the things, and we just touched on this order, probably pulls ahead some of that from the plans we had pre-order, but we see improvements across the business. There will be more volume probably sooner than we thought, but we've laid out in the past kind of 100 to 150, 200 basis points improvement year-over-year, and we still feel comfortable with that cadence. I think we originally mentioned 2016 zero to two, 2017 two to four, four to six, and I think we comfortable with that cadence.

Daryl Adams
Can we go back to your first question?

Ryan Sigdahl
Sure.

Daryl Adams
We think it's very important that it's a multiyear contract. Usually these orders are lumpy, they're quick, they come in, and they go out. It's hats off to Tom and the sales team that is working with the USPS to try really to lengthen that out and get multiyear, and that's going to be one of our strategies going forward. That way we can level-load our plants. We keep all the efficiencies. We don't have to hire a bunch of temporary workers, try to train them, spend all that money, and it just makes it a better business if we can run it that way. That's why we're excited about that order particularly.

Ryan Sigdahl
Great. Thanks for the color there, Daryl. One last one from me, and then I'll turn it over, but the ER segment going from losses the last couple years to, call it, 0% to 1% this year going to 6% to 8%. How much of that has already been done operationally but hasn't hit the P&L yet versus initiatives over the next couple years?

John Slawson
Great question. I think as Daryl had alluded in the earlier presentation, we're still in the very early stages from an operational standpoint. We have an awful lot of opportunities to continue to move forward as far as our costs are concerned and efficiencies. I mentioned our value stream in the order to cash. We're going to be consolidating our whole organization into a single configurator, so we have a lot of opportunities to continue to move forward, and as I prefaced, I'm looking at those EBITDA percentages closer to 2020, so it's going to be a ramp up.

Ryan Sigdahl
Great. Thanks, guys.

Juris Pagrabs
The gentleman here on the left.

Alex Yaggy
Thank you. Alex Yaggy with Cortina Asset Management. Two questions. First, when you look at your long-term growth prospects, how much of that is organic versus inorganic? Then, second, on the policy front, historically when you've seen changes in depreciation or expenses of capital expenditures accelerated deprecation, have you seen any change in behavior from your customers, or do they just go by their standard pattern?

Rick Sohm
Maybe I'll touch on your first question. The first question was—second question first. Can you repeat your first question? I'm sorry.

Alex Yaggy
Your growth targets organic versus inorganic.

Rick Sohm
Yes, I think the path to a billion dollars is organic. So, I think both on the sales side and on the earnings side, those are what we believe are strictly organic numbers that we feel are achievable. The M&A is something that's additive to those targets.

Then, on the expensing issue, the tax issue, I don't know that we've seen large behavior, but most of the team hasn't been around, and I'm trying to remember the last time they made changes like that, but I don't know that we would anticipate big impacts because of that.

Matt Kupersmith
Hi, guys. Matt Kupersmith from Iron Compass. I'll reiterate that it was a great presentation today, so thank you for doing that.

M
Thank you.

M
Thanks, Matt.

Matt Kupersmith
Can you just talk a little bit more about the van upfit business? I guess specifically, on the one hand, it's your highest margin business. On the other hand, it's your one business where you're selling through auto OEMs and those two things typically don't mesh together. I don't know, just maybe give us some more color on how those margins are able to be achieved in the context of your customer.

Tom Ninneman
The beauty is that the customization, there is an absolute purchase price point played for particularly those fleet customers. However, once you're adding content in the back, it's much more difficult to extrapolate price of the van versus price of the van versus what's in the back, and we continue to be able to create an upsell opportunity there. The more custom, the higher the margin opportunity.

So, I think that's true to the market, just not Utilimaster. Customization drives margin.

Daryl Adams
Tom, is it fair to add that we don't do the upfit for the OEMs. We doing it through the fleet companies, so the OEMs really aren't in the loop on the upfit price and everything. It's the leasing companies.

Tom Ninneman
Sure. Maybe part of that business model is—maybe you understand this already—you have the OEM manufacturer. The vehicle falls outside of that manufacturing plant for that upfit process, and then it goes back into vehicle manufacturer supply chain transit to the customer. So, it's an outside process, really a third-party process, and again, it's not tied to I can only pay 2% over MSRP or under MSRP for the van. So, it's a different transaction that's separated, and again, as long as we can differentiate the value, the customers tend to open their wallet for that.

Matt Kupersmith
Just one more question. On the emergency vehicle segment, you have a competitor that's acquired some of your chassis customers. How do you think about that as a risk for the business?

John Slawson
It's a good question, and I think one of the reasons we secured the Smeal acquisition was to continue to provide the security that we have within the consolidated industry. I think if we look at the supply chain base and we look at the apparatus, there has been consolidation, but I think from an overall competitiveness we feel strong with our products, our distribution, and our ability to continue to grow share.

Rick Sohm
I think I would probably add, Matt, if you look at that chassis business, in some cases we're the only chassis supplier left for a number of these other OEMs. So, I think if we look at consolidation in the industry, I think longer term that's naturally something that we'd be interested in.

We've decided we're going to participate in the consolidation. We did that with Smeal, and I think going forward, these 43 other OEMs that we supply to, in some cases build a small handful of trucks a year, but without our chassis, their ability to continue building full apparatus is challenging.

Brad Noss

Hi, guys. Brad Noss with Roth Capital here. I just want to touch on the warranty accruals, and obviously you're expecting them to be down year-over-year for '17 versus '16. Just wondering if we should see a more aggressive ramp down in the future, or if we should expect more of a steady improvement by $1 million or $2 million each year as well as what your target percent of revenues would be for warranty expenses going forward.

Rick Sohm
Yes, and I think we talked about we expect warranty costs would be down to $11 million this year, so it's not going to zero, but when we deal with some of these warranty issues, they have a long tail. So, these issues can drag on multiyear. I view it more as a steady improvement. I don't think we're going to sit up here today where we expect that number to go to in the future in an absolute dollar perspective. That's kind of hard to predict, but we've gone from $17 million to $11 million, and we think there's significant opportunity to drive that lower.

Brad Noss
Thanks. Then, just an additional one. Can you talk about the lag time for the actual cash paid for warranty repairs following, I guess the accruals, the cash paid I think is that so far in the first half of '17 versus '16?

Rick Sohm
I think our cash payments are up. We're starting to work through these issues that were around in '15. We had other issues we identified in '16, so the cash basis is up year-over-year versus last year, but obviously some of the major accruals we took in '15 and '16 are starting to wind down.

We had a splay rail adjustment in our fire truck business. We booked almost $4 million of a warranty accrual. A large portion of those repairs are done, so as we head probably out into '19 and '20, the cash piece continues to trail off. We'll deal with higher warranty cash numbers in '18 as well.

Brad Noss
Just one more for me. Regarding the margin improvement for Emergency Response specifically, looking into 2020 could you just help us quantify or bracket out how much of the improvement would be a function of working through some of the bad backlog that's been in there versus improving warranty and quality as well as just driving the more profitable mix and volume?

Rick Sohm
I think the largest piece is what you just mentioned, the more profitable mix. So, that was key to the strategy around the Smeal acquisition. If you had looked at our aerial market share before the acquisition, it was about 4%, and unfortunately our product wasn't the best in market, and each one we made we lost somewhere between $80,000 to $100,000 a unit.

The Smeal aerial business very profitable. We have a 25% share now, so I think there's a huge mix improvement as we go forward. We've talked about a focus factory strategy where we line up the different type of products in different plants, so we think that's an opportunity for manufacturing improvements. Those are the two areas I think that would drive gross margin to the greatest degree.

Daryl Adams
I think one piece we missed to answer was the poor orders, the negative margin orders. That's done. We stopped that in '15, and I think John described the sales team is running with one sales lead instead of competing, so they're managing that very well in that we're only taking profitable orders. Right?

John Slawson
Yes, and materials. We're just in the beginning stages of getting the synergies of the materials between

our apparatus pieces, so we have a lot of opportunity, and Luis Silva and his team, we've put some new commodity managers in place to help drive that, so we're excited about the opportunities in materials.

Lloyd Connor
Lloyd Conner, Conner Capital. Excellent presentation.

M
Thank you.

Lloyd Connor
Thank you for hosting the day and bringing all the product, too. It's a big help as an investor.

Daryl Adams
Thank you, Lloyd.

Lloyd Connor
Sure. You have a lot of growth domestically, clearly. Any commentary on international growth? I know it's a small part of the business, but didn't hear much about it today.

Daryl Adams
I think from a strategy standpoint, right now we're not interested in really doing that. We're doing a little bit in China, South America. I believe Tom Ninneman and the FVS team are working with Bimbo Bakeries possibly on some orders out of Mexico. Bimbo's one of the biggest bakeries in the world. So, if we can get that truck to be able to move other countries, we wouldn't be opposed to it, but as a pure strategy right now, it's not. Maybe finish fixing what we need to fix in North America, then we'll look at moving outside.

Lloyd Connor
Thank you. A follow-up, return on invested capital. Do you expect to continue kind of like a steady climb as the rest of your metrics seem to be improving?

Rick Sohm
I think we can probably accelerate that growth from where it is today. We certainly have a long way to go because we need to start achieving our cost of capital. Our cost of capital is greater than 8%, so we have internal targets for ROIC that are much higher than they are today, but we think we should probably be in acceleration of that over the next couple years.

Lloyd Connor
Excellent. Thank you.

Juris Pagrabs
Gentleman back there in the middle.

Jackson Gillette
Hi, Jackson Gillette with Autarchic Investment Management. I'd like to second, great presentation today. Thank you.

Daryl Adams
You're welcome. Thank you.

Jackson Gillette

My question is in the RV business in the trends that you have outlined, and I agree with, can you talk about the growth that you see in you bifurcating 400 horsepower and greater and lower in those two markets? Is the growth the same, especially like I see your data points about younger people and more campers, so is this growth more in one area, and how do you think about that? Thanks.

Steve Guillaume
Yes, definitely as you go lower in horsepower you're hitting a lower price point, so you are getting owners earlier in the, I want to say, the overall cycle of their RV journey. So, I would say that there is a little bit of a different target there, and people progress to the higher horsepower, and I will say that in the entry-level diesel pushers you do start to get millennial buyers because the diesel offers things that you can't get in a gasoline powertrain, particularly towing capabilities.

Many of these folks, again, they want a tow vehicle, they want to be able to tow a boat or a trailer or tow a car. So, I do think we are going to continue to see growth into the millennials with more of the entry-level pushers, less than 400 horsepower. Does that answer your question? Okay.

Juris Pagrabs
Third row there.

Alec McAree
Hi, guys. Alec McAree, Red Cedar. John, can you first talk about the opportunity in the refurbishing market for the fire trucks, especially considering the age of the fleet? Then, second for all the heads, can you guys talk about the aftermarket opportunity because it seems to be something that has been neglected by Spartan over the years, and as Daryl mentioned, it is the highest margin in anybody's aftermarket OEM business?

John Slawson
Sure. I'll start with the refurbishment and then follow up just on what I see in the parts for Emergency Response. Then, I'll let the rest of the team talk specifically about their own divisions.

We're very early in our strategic plan on the refurbishment side. We certainly look at the cost of several of our products and the opportunity to save municipal money in fleets, so we're in the early stages of putting together a stronger strategic plan, but we think there's definitely a good market for it, and we're excited about where we can go in the future.

On the replacement parts for ER, as I mentioned in the presentation, Tom Shultz and his team were really focused on listening to our distribution channel, making sure we have the right parts, looking to understand the analytics, investing in the software so that we're capable of providing the data so that we can support our distribution and our customers.

So, we're in the very early stages, but we're seeing great results as we are talking to our dealers, and not only talking to our dealers, but strategically working with our channels so that we're going into the customers and creating strong solutions for them in aftermarket parts because we want to make sure that when a truck is down in any municipality that we have the parts very quickly so they get the truck back into service.

Daryl Adams
I think, Alec, John's talked about, and Tom Shultz is probably going to cringe when I mention it one more time. There's a large base out there of Spartan chassis. We're not looking just at Spartan chassis, we're looking at the industry. A lot of the parts are the same, can be shared. We know some of our dealers work on other competitors' units, but if you want to think of $2,000 a truck per year just due to breaks and

oils and other things that these guys—I mean, it's a tool. When you use tools they break. It's not a luxury vehicle that you're just driving around getting to work. Things break, and we've not focused on it. We've not supported our dealers or the fire departments.

So, if you say $2,000 per unit, and you start multiplying the units that are out there, that's the total addressable market. Now, we have to go after and figure out how much of that we can get. As John said, we have a team working on it and making sure that we capture as much as we can the right way with a coordinated effort with our dealers.

Tom Ninneman
Alec, I would say the same thing. It has not been focused on at Utilimaster, and the same elements are true ecom solutions, tools, especially given the fact that the brands that we're supporting they really need that, and they thrive on that through their own platforms. I'd say we're underwhelming there, so it's a great opportunity at Utilimaster.

Daryl Adams
Tom, can you break out the two types of aftermarket parts? We're looking at parts on its own, then we're looking at the other solutions that they need us to go out and follow up on, correct?

Tom Ninneman
Sure. So, there's a transactional parts ring. My truck is down. I need a new grill, radiator. We don't have great solutions there, and in fact, a lot of our competitors have knocked them off, and we'll say want a Utilimaster grill, order it from us. We've let that happen because we haven't been aggressive, haven't had the tools. We own that, so we can refocus on it.

The same is true sort of the safe load example. Parts, field service parts. How do we take an application that's a solution for a truck, extend it to the rest of the FedEx fleet or Aramark fleet.

So, there's two ways we can sell. One is really transactionally based, being at the right place at the right time. The other one is through that account management team.

Steve Guillaume
I would say on our end, our primary focus has been recently growing our parts business with our dealers. So, I talked about our dealer expansion and expansion into some motorhome dealers. We are really in the process of formalizing that parts program, setting year-over-year objectives, that type of thing to get more professional as far as how we go to market with our dealers and growing with them.

Daryl Adams
I think in summary, a tremendous amount of upside on the aftermarket parts business. Just starting in infancy. That's really why we're not out there beating the drum because we want to make sure we get the right systems in place before we push the accelerator.

Alec McAree
Thank you.

Juris Pagrabs
Anybody else? Any other questions?

Daryl Adams
We have one minute, 55 seconds left. No?

CONCLUSION

Juris Pagrabs
Well, thank you, everyone, for participating today. That concludes our formal part of the presentation for our webcast listeners. I think we handed out copies of the deck for you to take with you. Obviously, if you have any questions, please follow up with any one of us during lunch.

We invite all of you to certainly think about visiting our operations firsthand out in Charlotte, Michigan or in Bristol, Indiana. If you're in Nebraska, we could probably accommodate you there as well.

We have several other team members located throughout the floor. They're typically wearing blue shirts with the Spartan logos. Those are the experts of the various functions within our company, so please take time to talk with them. Lunch will be served in the middle of the floor back there, and please stick around to take tours and visit our vehicles.

With that, we thank you for participating today.

Daryl Adams
Thank you, everyone.

John Slawson
Thank you.