UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2022.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ________________

Commission File Number 001-33582

THE SHYFT GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Michigan	**38-2078923**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
41280 Bridge Street	
Novi, Michigan	**48375**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: **(517) 543-6400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	SHYF	NASDAQ Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Class	Outstanding at July 22, 2022
Common Stock	35,069,522 shares

THE SHYFT GROUP, INC.

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FORWARD-LOOKING STATEMENTS

This Form 10-Q contains some statements that are not historical facts. These statements are called “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements involve important known and unknown risks, uncertainties and other factors and generally can be identified by phrases using “estimate,” “anticipate,” “believe,” “project,” “expect,” “intend,” “predict,” “potential,” “future,” “may,” “will,” “should” or similar expressions or words. The Shyft Group, Inc.'s (the “Company,” “we,” “us” or “our”) future results, performance or achievements may differ materially from the results, performance or achievements discussed in the forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions (“Risk Factors”) that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements.

Risk Factors include the risk factors listed and more fully described in Item 1A – Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on February 24, 2022, subject to any changes and updates disclosed in Part II, Item 1A – Risk Factors below, “Risk Factors”, as well as risk factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission. Those risk factors include the primary risks our management believes could materially affect the potential results described by forward-looking statements contained in this Form 10-Q. However, these risks may not be the only risks we face. Our business, operations, and financial performance could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. In addition, new Risk Factors may emerge from time to time that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, although we believe that the forward-looking statements contained in this Form 10-Q are reasonable, we cannot provide you with any guarantee that the results described in those forward-looking statements will be achieved. All forward-looking statements in this Form 10-Q are expressly qualified in their entirety by the cautionary statements contained in this section, and investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company undertakes no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date this Form 10-Q is filed with the Securities and Exchange Commission.

Trademarks and Service Marks

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. Solely for convenience, some of the copyrights, trademarks, service marks and trade names referred to in this Quarterly Report on Form 10-Q are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our copyrights, trademarks, service marks, trade names and domain names. The trademarks, service marks and trade names of other companies appearing in this Quarterly Report on Form 10-Q are, to our knowledge, the property of their respective owners.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE SHYFT GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,607	$ 37,158
Accounts receivable, less allowance of $162 and $187	79,241	87,262
Contract assets	42,368	21,483
Inventories	102,010	67,184
Other receivables – chassis pool agreements	23,636	9,926
Other current assets	13,698	10,813
Total current assets	267,560	233,826
Property, plant and equipment, net	66,169	61,057
Right of use assets – operating leases	54,426	43,316
Goodwill	48,880	48,880
Intangible assets, net	51,029	52,981
Net deferred tax assets	5,312	4,880
Other assets	1,637	2,927
TOTAL ASSETS	$ 495,013	$ 447,867
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 90,259	$ 82,442
Accrued warranty	5,596	5,975
Accrued compensation and related taxes	12,918	19,064
Contract liabilities	1,359	988
Operating lease liability	9,706	7,934
Other current liabilities and accrued expenses	9,856	9,256
Short-term debt – chassis pool agreements	23,636	9,926
Current portion of long-term debt	192	252
Total current liabilities	153,522	135,837
Other non-current liabilities	7,004	8,108
Long-term operating lease liability	46,188	36,329
Long-term debt, less current portion	55,263	738
Total liabilities	261,977	181,012
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, no par value: 2,000 shares authorized (none issued)	-	-
Common stock, no par value: 80,000 shares authorized; 35,063 and 35,416 outstanding	88,894	95,375
Retained earnings	144,041	171,379
Total Shyft Group, Inc. shareholders' equity	232,935	266,754
Non-controlling interest	101	101
Total shareholders' equity	233,036	266,855
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 495,013	$ 447,867

See accompanying Notes to Condensed Consolidated Financial Statements.

THE SHYFT GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Sales	$ 232,195	$ 243,982	$ 439,078	$ 441,870
Cost of products sold	190,077	192,076	371,029	349,978
Gross profit	42,118	51,906	68,049	91,892
Operating expenses:				
Research and development	7,563	940	12,490	1,722
Selling, general and administrative	26,860	28,740	53,412	53,277
Total operating expenses	34,423	29,680	65,902	54,999
Operating income	7,695	22,226	2,147	36,893
Other income (expense)				
Interest expense	(463)	(227)	(617)	(57)
Other income (expense)	(488)	506	(523)	689
Total other income (expense)	(951)	279	(1,140)	632
Income from continuing operations before income taxes	6,744	22,505	1,007	37,525
Income tax expense (benefit)	1,461	5,552	(424)	9,042
Income from continuing operations	5,283	16,953	1,431	28,483
Income from discontinued operations, net of income taxes	-	-	-	81
Net income	5,283	16,953	1,431	28,564
Less: net income attributable to non-controlling interest	-	990	-	1,025
Net income attributable to The Shyft Group Inc.	**$** 5,283	**$** 15,963	**$** 1,431	**$** 27,539
Basic earnings per share				
Continuing operations	$ 0.15	$ 0.45	$ 0.04	$ 0.78
Discontinued operations	-	-	-	-
Basic earnings per share	**$** 0.15	**$** 0.45	**$** 0.04	**$** 0.78
Diluted earnings per share				
Continuing operations	$ 0.15	$ 0.44	$ 0.04	$ 0.76
Discontinued operations	-	-	-	-
Diluted earnings per share	**$** 0.15	**$** 0.44	**$** 0.04	**$** 0.76
Basic weighted average common shares outstanding	35,049	35,333	35,078	35,322
Diluted weighted average common shares outstanding	35,243	36,190	35,437	36,191

See accompanying Notes to Condensed Consolidated Financial Statements.

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THE SHYFT GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Net income	$ 1,431	$ 28,564
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	6,696	5,330
Non-cash stock based compensation expense	3,708	4,492
Deferred income taxes	(432)	134
Loss (Gain) on disposal of assets	481	(105)
Changes in accounts receivable and contract assets	(12,863)	(42,639)
Changes in inventories	(34,826)	(21,992)
Changes in accounts payable	7,333	27,721
Changes in accrued compensation and related taxes	(6,146)	665
Changes in accrued warranty	(379)	989
Change in other assets and liabilities	(1,672)	69
Net cash provided by (used in) operating activities	(36,669)	3,228
Cash flows from investing activities:		
Purchases of property, plant and equipment	(10,010)	(12,373)
Proceeds from sale of property, plant and equipment	148	15
Acquisition of business, net of cash acquired	-	404
Net cash used in investing activities	(9,862)	(11,954)
Cash flows from financing activities:		
Proceeds from long-term debt	85,000	15,000
Payments on long-term debt	(30,000)	(15,000)
Payment of dividends	(3,640)	(1,776)
Purchase and retirement of common stock	(26,789)	(3,348)
Issuance and vesting of stock incentive awards	(8,591)	(2,967)
Net cash provided by (used in) financing activities	15,980	(8,091)
Net decrease in cash and cash equivalents	(30,551)	(16,817)
Cash and cash equivalents at beginning of period	37,158	20,995
Cash and cash equivalents at end of period	$ 6,607	$ 4,178

Note: Consolidated Statements of Cash Flows include continuing operations and discontinued operations for all periods presented.

See accompanying Notes to Condensed Consolidated Financial Statements.

THE SHYFT GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)
(In thousands)

	Number of Shares	Common Stock	Retained Earnings	Non-Controlling Interest	Total Shareholders' Equity
Balance at December 31, 2021	35,416	$ 95,375	$ 171,379	$ 101	$ 266,855
Issuance of common stock and tax impact of stock incentive plan	3	(8,372)	-	-	(8,372)
Dividends declared ($0.05 per share)	-	-	(1,794)	-	(1,794)
Purchase and retirement of common stock	(607)	(1,598)	(25,191)	-	(26,789)
Issuance of restricted stock, net of cancellation	215	-	-	-	-
Non-cash stock based compensation expense	-	1,648	-	-	1,648
Net loss	-	-	(3,852)	-	(3,852)
Balance at March 31, 2022	35,027	$ 87,053	$ 140,542	$ 101	$ 227,696
Issuance of common stock and tax impact of stock incentive plan	3	(219)	-	-	(219)
Dividends declared ($0.05 per share)	-	-	(1,784)	-	(1,784)
Issuance of restricted stock, net of cancellation	33	-	-	-	-
Non-cash stock based compensation expense	-	2,060	-	-	2,060
Net income	-	-	5,283	-	5,283
Balance at June 30, 2022	35,063	88,894	144,041	101	233,036

	Number of Shares	Common Stock	Retained Earnings	Non-Controlling Interest	Total Shareholders' Equity
Balance at December 31, 2020	35,344	$ 91,044	$ 109,286	$ (171)	$ 200,159
Issuance of common stock and tax impact of stock incentive plan	3	(2,255)	-	-	(2,255)
Dividends declared ($0.025 per share)	-	-	(983)	-	(983)
Purchase and retirement of common stock	(100)	(260)	(3,088)	-	(3,348)
Issuance of restricted stock, net of cancellation	61	-	-	-	-
Non-cash stock based compensation expense	-	1,642	-	-	1,642
Net income	-	-	11,576	35	11,611
Balance at March 31, 2021	35,308	$ 90,171	$ 116,791	$ (136)	$ 206,826
Issuance of common stock and tax impact of stock incentive plan	2	(712)	-	-	(712)
Dividends declared ($0.025 per share)	-	-	(901)	-	(901)
Issuance of restricted stock, net of cancellation	36	-	-	-	-
Non-cash stock based compensation expense	-	2,850	-	-	2,850
Net income	-	-	15,963	990	16,953
Balance at June 30, 2021	35,346	92,309	131,853	854	255,016

See accompanying Notes to Condensed Consolidated Financial Statements.

THE SHYFT GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

As used herein, the term “Company”, “we”, “us” or “our” refers to The Shyft Group, Inc. and its subsidiaries unless designated or identified otherwise.

Nature of Operations

We are a niche market leader in specialty vehicle manufacturing and assembly for the commercial vehicle (including last-mile delivery, specialty service and vocation-specific upfit segments) and recreational vehicle industries. Our products include walk-in vans and truck bodies used in e-commerce/parcel delivery, upfit equipment used in the mobile retail and utility trades, service and vocational truck bodies, luxury Class A diesel motor home chassis and contract manufacturing and assembly services. We also supply replacement parts and offer repair, maintenance, field service and refurbishment services for the vehicles that we manufacture as well as truck accessories.

The accompanying unaudited interim condensed consolidated financial statements reflect all normal and recurring adjustments that are necessary for the fair presentation of our financial position as of June 30, 2022, and our results of operations and cash flows for the three and six months ended June 30, 2022. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission on February 24, 2022. The results of operations for the three and six months ended June 30, 2022, are not necessarily indicative of the results expected for the full year.

For a description of key accounting policies followed, refer to the notes to The Shyft Group, Inc. consolidated financial statements for the year ended December 31, 2021, included in our Annual Report on Form 10-K.

Supplemental Disclosures of Cash Flow Information

Non-cash investing in the six months ended June 30, 2022 and June 30, 2021, included $1,994 and $1,051 of capital expenditures, respectively. The Company has chassis pool agreements, where it participates in chassis converter pools that are non-cash arrangements and they are offsetting between current assets and current liabilities on the Company’s Consolidated Balance Sheets. See "Note 4 – *Debt*" for further information about the chassis pool agreements.

NOTE 2 – DISCONTINUED OPERATIONS

On February 1, 2020, we completed the sale of our emergency response vehicle ("ERV") business for $55,000 cash subject to certain post-closing adjustments. In September 2020, the Company finalized the post-close net working capital adjustment and subsequently paid $7,500 on October 1, 2020. The results of the ERV business have been reclassified to Income from discontinued operations, net of tax in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021.

The Income from discontinued operations presented in the Condensed Consolidated Statement of Operations are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Other income	$ -	$ -	$ -	$ 109
Income from discontinued operations before taxes	-	-	-	109
Income tax expense	-	-	-	(28)
Income from discontinued operations, net of income taxes	$ -	$ -	$ -	$ 81

There were no depreciation and amortization expenses or capital expenditures for the discontinued operations for the three and six months ended June 30, 2022 and 2021.

THE SHYFT GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

NOTE 3 – INVENTORIES

Inventories are summarized as follows:

	June 30, 2022	December 31, 2021
Finished goods	$ 3,729	$ 2,990
Work in process	7,169	2,471
Raw materials and purchased components	91,112	61,723
Total inventories	$ 102,010	$ 67,184

NOTE 4 – DEBT

Short-term debt consists of the following:

	June 30, 2022	December 31, 2021
Chassis pool agreements	$ 23,636	$ 9,926
Total short-term debt	$ 23,636	$ 9,926

Chassis Pool Agreements

The Company obtains certain vehicle chassis for its walk-in vans, truck bodies and specialty vehicles directly from the chassis manufacturers under converter pool agreements. Chassis are obtained from the manufacturers based on orders from customers with receipt at our facilities dependent on manufacturer's production schedules. The agreements generally state that the manufacturer will provide a supply of chassis to be maintained at the Company's facilities with the condition that we will store such chassis and will not move, sell, or otherwise dispose of such chassis except under the terms of the agreement. In addition, the manufacturer typically retains the sole authority to authorize commencement of work on the chassis and to make certain other decisions with respect to the chassis including the terms and pricing of sales of the chassis to the manufacturer's dealers. The manufacturer also does not transfer the certificate of origin to the Company nor permit the Company to sell or transfer the chassis to anyone other than the manufacturer (for ultimate resale to a dealer).

Although the Company is party to related finance agreements with manufacturers, the Company has not historically settled any related obligations in cash, nor does it expect to do so in the future. Instead, the obligation is settled by the manufacturer upon reassignment of the chassis to an accepted dealer, and the dealer is invoiced for the chassis by the manufacturer. The Company has included this financing agreement on the Company's Condensed Consolidated Balance Sheets within *Other receivables – chassis pool agreements* and *Short-term debt – chassis pool agreements*. Typically, chassis are converted and delivered to customers within 90 days of the receipt of the chassis by the Company. The chassis converter pool is a non-cash arrangement and is offsetting between Current assets and Current liabilities on the Company's Condensed Consolidated Balance Sheets.

Long-term debt consists of the following:

	June 30, 2022	December 31, 2021
Line of credit revolver	$ 55,000	$ -
Finance lease obligation	455	450
Other	-	540
Total debt	55,455	990
Less current portion of long-term debt	(192)	(252)
Total long-term debt	$ 55,263	$ 738

(Dollar amounts in thousands, except per share data)

Line of Credit Revolver

On November 30, 2021, we entered into an Amended and Restated Credit Agreement (the "Credit Agreement") by and among us and certain of our subsidiaries as borrowers, Wells Fargo Bank, N.A. ("Wells Fargo"), as administrative agent, and the lenders party thereto consisting of Wells Fargo, JPMorgan Chase Bank, N.A., PNC Bank, National Association and Bank of America, N.A. (the "Lenders"). Certain of our other subsidiaries have executed guaranties guarantying the borrowers' obligations under the Credit Agreement.

Under the Credit Agreement, we may borrow up to $400,000 from the Lenders under a secured revolving credit facility which matures November 30, 2026. We may also request an increase in the facility of up to $200,000 in the aggregate, subject to customary conditions. The credit facility is also available for the issuance of letters of credit of up to $20,000 and swing line loans of up to $10,000, subject to certain limitations and restrictions. This revolving credit facility carries an interest rate of either (i) the highest of prime rate, the federal funds effective rate from time to time plus 0.5%, or the one month adjusted LIBOR plus 1.0%; or (ii) adjusted LIBOR, in each case plus a margin based upon our ratio of debt to earnings from time to time. The applicable borrowing rate including the margin was 2.78% (or one-month LIBOR plus 1.00%) at June 30, 2022. The credit facility is secured by security interests in, and liens on, all assets of the borrowers and guarantors, other than real property and certain other excluded assets. At June 30, 2022 and December 31, 2021, we had outstanding letters of credit totaling $1,110 and $760, respectively, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled $199,357 and $376,776 at June 30, 2022 and December 31, 2021, respectively. The Credit Agreement requires us to maintain certain financial ratios and other financial covenants; prohibits us from incurring additional indebtedness; limits certain acquisitions, investments, advances or loans; limits our ability to pay dividends in certain circumstances; and restricts substantial asset sales, all subject to certain exceptions and baskets. At June 30, 2022 and December 31, 2021, we were in compliance with all covenants in our Credit Agreement.

NOTE 5 – REVENUE

Changes in our contract assets and liabilities for the six months ended June 30, 2022 and 2021 are summarized below:

	June 30, 2022	June 30, 2021
Contract Assets		
Contract assets, beginning of period	$ 21,483	$ 9,414
Reclassification of the beginning contract assets to receivables, as the result of rights to consideration becoming unconditional	(20,777)	(9,401)
Contract assets recognized, net of reclassification to receivables	41,662	15,357
Contract assets, end of period	$ 42,368	$ 15,370
Contract Liabilities		
Contract liabilities, beginning of period	$ 988	$ 756
Reclassification of the beginning contract liabilities to revenue, as the result of performance obligations satisfied	(988)	(740)
Cash received in advance and not recognized as revenue	1,359	361
Contract liabilities, end of period	$ 1,359	$ 377

The aggregate amount of the transaction price allocated to remaining performance obligations in existing contracts that are yet to be completed in the FVS and SV segments are $1,000,021 and $135,162, respectively.

THE SHYFT GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

In the following tables, revenue is disaggregated by primary geographical market and timing of revenue recognition. The tables also include a reconciliation of the disaggregated revenue with the reportable segments.

	Three Months Ended June 30, 2022		
	FVS	**SV**	**Total**
Primary geographical markets			
United States	$ 133,861	$ 95,273	$ 229,134
Other	3,036	25	3,061
Total sales	$ 136,897	$ 95,298	$ 232,195
Timing of revenue recognition			
Products transferred at a point in time	$ 10,716	$ 51,488	$ 62,204
Products and services transferred over time	126,181	43,810	169,991
Total sales	$ 136,897	$ 95,298	$ 232,195

	Three Months Ended June 30, 2021		
	FVS	**SV**	**Total**
Primary geographical markets			
United States	$ 160,581	$ 82,333	$ 242,914
Other	1,037	31	1,068
Total sales	$ 161,618	$ 82,364	$ 243,982
Timing of revenue recognition			
Products transferred at a point in time	$ 8,447	$ 49,158	$ 57,605
Products and services transferred over time	153,171	33,206	186,377
Total sales	$ 161,618	$ 82,364	$ 243,982

	Six Months Ended June 30, 2022		
	FVS	**SV**	**Total**
Primary geographical markets			
United States	$ 245,197	$ 189,456	$ 434,653
Other	4,397	28	4,425
Total sales	$ 249,594	$ 189,484	$ 439,078
Timing of revenue recognition			
Products transferred at a point in time	$ 20,271	$ 104,339	$ 124,610
Products and services transferred over time	229,323	85,145	314,468
Total sales	$ 249,594	$ 189,484	$ 439,078

(Dollar amounts in thousands, except per share data)

	Six Months Ended June 30, 2021		
	FVS	SV	Total
Primary geographical markets			
United States	$ 281,811	$ 156,378	$ 438,189
Other	3,631	50	3,681
Total sales	$ 285,442	$ 156,428	$ 441,870
Timing of revenue recognition			
Products transferred at a point in time	$ 15,248	$ 91,451	$ 106,699
Products and services transferred over time	270,194	64,977	335,171
Total sales	$ 285,442	$ 156,428	$ 441,870

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized by major classifications as follows:

	June 30, 2022	December 31, 2021
Land and improvements	$ 12,554	$ 9,810
Buildings and improvements	42,833	45,724
Plant machinery and equipment	52,647	49,305
Furniture and fixtures	15,705	20,421
Vehicles	2,093	2,607
Construction in process	7,897	12,700
Subtotal	133,729	140,567
Less accumulated depreciation	(67,560)	(79,510)
Total property, plant and equipment, net	$ 66,169	$ 61,057

We recorded depreciation expense of $2,626 and $1,899 during the three months ended June 30, 2022 and 2021, respectively, and $4,751 and $3,640 during the six months ended June 30, 2022 and 2021, respectively.

NOTE 7 – LEASES

We have operating and finance leases for land, buildings and certain equipment. Our leases have remaining lease terms of one year to 18 years, some of which include options to extend the leases for up to 15 years. Our leases do not contain residual value guarantees. Assets recorded under finance leases were immaterial (See "Note 4 – *Debt*").

Operating lease expenses are classified as Cost of products sold and Operating expenses on the Condensed Consolidated Statements of Operations. The components of lease expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating leases	$ 2,571	$ 1,982	$ 4,809	$ 3,936
Short-term leases(1)	19	128	57	166
Total lease expense	$ 2,590	$ 2,110	$ 4,866	$ 4,102

(1) Includes expenses for month-to-month equipment leases, which are classified as short-term as the Company is not reasonably certain to renew the lease term beyond one month.

THE SHYFT GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

The weighted average remaining lease term and weighted average discount rate were as follows:

	June 30,	
	2022	2021
Weighted average remaining lease term of operating leases (in years)	8.4	9.1
Weighted average discount rate of operating leases	2.7%	3.1%

Supplemental cash flow information related to leases was as follows:

	Six Months Ended June 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for operating leases	$ 4,287	$ 1,942
Right of use assets obtained in exchange for lease obligations:		
Operating leases	$ 15,331	$ 2,147
Finance leases	$ 202	$ 106

Maturities of operating lease liabilities as of June 30, 2022 are as follows:

Years ending December 31:	
2022(1)	$ 7,440
2023	9,693
2024	9,191
2025	8,286
2026	6,630
Thereafter	24,008
Total lease payments	65,248
Less: imputed interest	(9,354)
Total lease liabilities	$ 55,894

(1) Excluding the six months ended June 30, 2022.

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

At June 30, 2022, we and our subsidiaries were parties, both as plaintiff and defendant, to a number of lawsuits and claims arising out of the normal course of our businesses. In the opinion of management, our financial position, future operating results or cash flows will not be materially affected by the final outcome of these legal proceedings.

Warranty Related

We provide limited warranties against assembly/construction defects. These warranties generally provide for the replacement or repair of defective parts or workmanship for a specified period following the date of sale. The end users also may receive limited warranties from suppliers of components that are incorporated into our chassis and vehicles.

THE SHYFT GROUP, INC. AND SUBSIDIARIES
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(Dollar amounts in thousands, except per share data)

Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue can arise which is beyond the scope of our historical experience. We provide for any such warranty issues as they become known and are estimable. It is reasonably possible that additional warranty and other related claims could arise from disputes or other matters beyond the scope of our historical experience. An estimate of possible penalty or loss, if any, cannot be made at this time.

Changes in our warranty liability are summarized below:

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Balance of accrued warranty at January 1	$ 5,975	$ 5,633
Provisions for current period sales	2,151	1,950
Changes in liability for pre-existing warranties	(256)	938
Cash settlements	(2,274)	(1,898)
Balance of accrued warranty at June 30	$ 5,596	$ 6,623

Legal Proceedings Relating to Environmental Matters

As previously disclosed, in May 2020, the Company received an information request from the United States Environmental Protection Agency ("EPA") requesting certain information regarding emissions labels on chassis, vocational vehicles, and vehicles that the Company manufactured or imported into the U.S. between January 1, 2017 to the date the Company received the request in May 2020. The Company responded to the EPA's request and furnished the requested materials in the third quarter of 2020.

On April 6, 2022, the Company received a Notice of Violation from the EPA alleging a failure to secure certain certifications on manufactured chassis and a failure to comply with recordkeeping and reporting requirements related to supplier-provided chassis. The Company continues to investigate this matter, including potential defenses, and will continue discussions with the EPA regarding the allegations. At this time, it is not possible to estimate the potential fines or penalties that the Company may incur (if any) for this matter.

NOTE 9 – TAXES ON INCOME

Our effective income tax rate was 21.7% and 24.7% for the three months ended June 30, 2022 and 2021, respectively, compared to a tax benefit of (42.1%) and a tax expense of 24.1% for the six months ended June 30, 2022 and 2021, respectively.

The effective tax rates of 21.7% and 24.7% for the three months ended June 30, 2022 and 2021, respectively, are higher than the U.S. statutory tax rate of 21.0% primarily due to non-deductible executive compensation.

Our effective income tax rate was a tax benefit of (42.1%) in the first six months of 2022, compared to a tax expense of 24.1% in the first six months of 2021 primarily because of a discrete tax benefit related to the difference in stock compensation expense recognized for book purposes and tax purposes upon vesting.

NOTE 10 – BUSINESS SEGMENTS

We identify our reportable segments based on our management structure and the financial data utilized by our chief operating decision maker to assess segment performance and allocate resources among our operating units. We have two reportable segments: Fleet Vehicles and Services and Specialty Vehicles.

We evaluate the performance of our reportable segments based on Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) and it is calculated by excluding items that we believe to be infrequent or not indicative of our underlying operating performance, as well as certain non-cash expenses. We define Adjusted EBITDA as income from continuing operations before interest, income taxes, depreciation and amortization, as adjusted to eliminate the impact of restructuring charges, acquisition related expenses and adjustments, non-cash stock-based compensation expenses, and other gains and losses not reflective of our ongoing operations.

Our FVS segment manufactures commercial vehicles used in the e-commerce/last mile/parcel delivery, beverage and grocery delivery, laundry and linen, mobile retail, and trades industries. Our commercial vehicles are marketed under the Utilimaster brand name, which serves a diverse customer base and sells aftermarket parts and accessories for walk-in vans and other delivery vehicles. We also provide vocation-specific equipment upfit services.

Our Specialty Vehicles segment includes our Spartan RV chassis operations, Builtmore Contract Manufacturing operations, service body operations, vocation-specific equipment upfit services marketed under the Strobes-R-Us brand, and distribution of related aftermarket parts and accessories.

The accounting policies of the segments are the same as those described, or referred to, in "Note 1 – *Nature of Operations and Basis of Presentation*".

(Dollar amounts in thousands, except per share data)

Assets and related depreciation expense in the column labeled "Eliminations and Other" pertain to capital assets maintained at the corporate level. Eliminations for inter-segment sales are shown in the column labeled "Eliminations and Other". Adjusted EBITDA in the "Eliminations and Other" column contains corporate related expenses not allocable to the operating segments. Interest expense and Income tax expense (benefit) are not included in the information utilized by the chief operating decision maker to assess segment performance and allocate resources, and accordingly, are excluded from the segment results presented below.

	Three Months Ended June 30, 2022			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 126,181	$ -	$ -	$ 126,181
Motor home chassis sales	-	42,710	-	42,710
Other specialty vehicle sales	-	47,044	-	47,044
Aftermarket parts and accessories sales	10,716	5,544	-	16,260
Total sales	$ 136,897	$ 95,298	$ -	$ 232,195
Depreciation and amortization expense	$ 1,182	$ 1,953	$ 592	$ 3,727
Adjusted EBITDA	14,525	12,859	(13,695)	13,689
Segment assets	228,863	223,388	42,762	495,013
Capital expenditures	3,666	452	929	5,047

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	Three Months Ended June 30, 2021			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 153,171	$ -	$ -	$ 153,171
Motor home chassis sales	-	40,891	-	40,891
Other specialty vehicle sales	-	36,070	-	36,070
Aftermarket parts and accessories sales	8,447	5,403	-	13,850
Total sales	$ 161,618	$ 82,364	$ -	$ 243,982
Depreciation and amortization expense	$ 547	$ 1,743	$ 469	$ 2,759
Adjusted EBITDA	28,116	8,808	(8,354)	28,570
Segment assets	176,921	218,434	23,722	419,077
Capital expenditures	3,866	320	311	4,497

	Six Months Ended June 30, 2022			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 229,323	$ -	$ -	$ 229,323
Motor home chassis sales	-	87,601	-	87,601
Other specialty vehicle sales	-	91,750	-	91,750
Aftermarket parts and accessories sales	20,271	10,133	-	30,404
Total sales	$ 249,594	$ 189,484	$ -	$ 439,078
Depreciation and amortization expense	$ 1,930	$ 3,614	$ 1,152	$ 6,696
Adjusted EBITDA	13,654	22,958	(23,566)	13,046
Segment assets	228,863	223,388	42,762	495,013
Capital expenditures	7,799	686	2,007	10,492

	Six Months Ended June 30, 2021			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 270,197	$ -	$ -	$ 270,197
Motor home chassis sales		76,159		76,159

Motor home chassis sales	-	76,159	-	76,159
Other specialty vehicle sales	-	70,798	-	70,798
Aftermarket parts and accessories sales	15,245	9,471	-	24,716
Total sales	$ 285,442	$ 156,428	$ -	$ 441,870
Depreciation and amortization expense	$ 1,061	$ 3,457	$ 812	$ 5,330
Adjusted EBITDA	45,982	16,168	(14,409)	47,741
Segment assets	176,921	218,434	23,722	419,077
Capital expenditures	8,008	3,325	603	11,936

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Shyft Group, Inc. was organized as a Michigan corporation and is headquartered in Novi, Michigan. We are a niche market leader in specialty vehicle manufacturing and assembly for the commercial vehicle (including last-mile delivery, specialty service and vocation-specific upfit segments) and recreational vehicle industries. Our products include walk-in vans and truck bodies used in e-commerce/parcel delivery, upfit equipment used in the mobile retail and utility trades, service and vocational truck bodies, luxury Class A diesel motor home chassis and contract manufacturing and assembly services. We also supply replacement parts and offer repair, maintenance, field service and refurbishment services for the vehicles that we manufacture as well as truck accessories.

Our vehicles, parts and services are sold to commercial users, original equipment manufacturers (OEMs), dealers, individual end users, and municipalities and other governmental entities. Our diversification across several sectors provides numerous opportunities while reducing overall risk as the various markets we serve tend to have different cyclicality. We have an innovative team focused on building lasting relationships with our customers by designing and delivering market leading specialty vehicles, vehicle components, and services. Additionally, our business structure is agile and able to quickly respond to market needs, take advantage of strategic opportunities when they arise and correctly size and scale operations to ensure stability and growth. Our growing opportunities that we have capitalized on in last mile delivery as a result of the rapidly changing e-commerce market is an excellent example of our ability to generate growth and profitability by quickly fulfilling customer needs.

We believe we can best carry out our long-term business plan and obtain optimal financial flexibility by using a combination of borrowings under our credit facilities, as well as internally or externally generated equity capital, as sources of expansion capital.

Executive Overview

- Sales of $232.2 million for the second quarter of 2022, a decrease of 4.8% compared to $244.0 million for the second quarter of 2021.
- Gross Margin of 18.1% for the second quarter of 2022, compared to 21.3% for the second quarter of 2021.
- Operating expense of $34.3 million, or 14.8% of sales for the second quarter of 2022, compared to $29.7 million, or 12.2% of sales for the second quarter of 2021.
- Operating income of $7.7 million for the second quarter of 2022, compared to $22.2 million for the second quarter of 2021.
- Income tax expense of $1.5 million for the second quarter of 2022, compared to $5.6 million for the second quarter of 2021.
- Income from continuing operations of $5.3 million for the second quarter of 2022, compared to $17.0 million for the second quarter of 2021.
- Diluted earnings per share from continuing operations of $0.15 for the second quarter of 2022, compared to $0.44 for the second quarter of 2021.
- Order backlog of $1,135.2 million at June 30, 2022, an increase of $383.8 million or 51.1% from our backlog of $751.4 million at June 30, 2021.

We believe we are well positioned to take advantage of long-term opportunities and continue our efforts to bring product innovations to each of the markets that we serve. Some of our recent innovations, strategic developments and strengths include:

- In March 2022, we announced Blue Arc™ EV Solutions, a new go-to-market brand alongside a trio of initial product offerings—an industry-first commercial grade purpose-built EV chassis; a fully reimagined from the ground up all-electric Class 3 delivery walk-in van; and a fully portable, remote-controlled charging station, the Power Cube™.

  - The proprietary battery-powered chassis features customizable length and wheelbase, making it well-suited to serve a wide range of medium-duty trucks and end uses. The chassis' modular design will accommodate multiple weight ratings and classifications, based on build-out and usage. The lithium-ion battery packs provide an approximate range of 150 to 175 miles with the opportunity to enhance range through expanded battery options.

  - The Blue Arc delivery van is a 100% battery-powered Class 3 electric commercial delivery vehicle, designed for high-frequency, last-mile delivery fleets. A spacious cargo area features 635-800 cubic feet of storage and offers a choice of vocational packages specifically designed for functionality.

  - The Blue Arc ecosystem also includes the Power Cube, a fully portable remote-controlled charging station with onboard energy storage to serve a variety of commercial vehicle needs. Understanding that lack of EV infrastructure is one of the roadblocks to adoption, the Power Cube offers a unique solution, providing a mobile, customizable, commercial grade EV charger that does not need to be connected to the grid.

- The Velocity lineup of last-mile delivery vehicles span GVWR class sizes 2 and 3 and are available on Ford Transit, Mercedes Sprinter, and RAM Promaster chassis. The Velocity combines fuel efficiency, comfort, and maneuverability with the cargo space, access, and load capacity similar to a traditional walk-in van.

- Royal Truck Body's new Severe Duty body, built to fit General Motors' medium duty truck class and Ford's Super Duty truck class, includes more standard features than any other service body on the market. With its fortress five-point lock system, 10-gauge steel box tops treated with a protective Polyeurea coating and 3/8″ tread plate steel floors, this work truck is built to last and is ideal for contractors and business owners that need heavy-duty work trucks.

- The K3 and K4 motorhome chassis are equipped with Spartan Connected Coach™, a technology bundle featuring the new digital dash display and keyless push-button start. It also features the Spartan Advanced Protection System®, a collection of safety systems that includes collision mitigation with adaptive cruise control, electronic stability control, automatic traction control, Spartan Safe Haul™, factory chassis-integrated air supply for tow vehicle braking systems, tire pressure monitoring system with integrated controls with Spartan Connected Coach's™ digital dash display, Premier Steer steering assist system, woodgrain and leather SMART steering wheel with integrated radio controls and a Passive Steer Tag Axle.

- The strength of our balance sheet and access to working capital through our revolving line of credit.

The following section provides a narrative discussion about our financial condition and results of operations. Certain amounts in the narrative may not sum due to rounding. The comments should be read in conjunction with our Condensed Consolidated Financial Statements and related Notes thereto included in Item 1 of this Form 10-Q and in conjunction with our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2022.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the components of the Company's Condensed Consolidated Statements of Operations as a percentage of sales (percentages may not sum due to rounding):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2022	**2021**	**2022**	**2021**
Sales	100.0	100.0	100.0	100.0
Cost of products sold	81.9	78.7	84.5	79.2
Gross profit	18.1	21.3	15.5	20.8
Operating expenses:				
Research and development	3.3	0.4	2.8	0.4
Selling, general and administrative	11.6	11.8	12.2	12.1
Operating income	3.3	9.1	0.5	8.3
Other income (expense), net	(0.4)	0.1	(0.3)	0.1
Income from continuing operations before income taxes	2.9	9.2	0.2	8.5
Income tax expense (benefit)	0.6	2.3	(0.1)	2.0
Income from continuing operations	2.3	6.9	0.3	6.4
Income from discontinued operations, net of income taxes	-	-	-	-
Non-controlling interest	-	0.4	-	0.2
Net income attributable to The Shyft Group, Inc.	2.3	6.5	0.3	6.2

Three Months June 30, 2022 Compared to the Three Months Ended June 30, 2021

Sales

For the quarter ended June 30, 2022, we reported consolidated sales of $232.2 million, compared to $244.0 million for the second quarter of 2021, a decrease of $11.8 million or (4.8%). This decrease reflects lower sales volumes in our Fleet Vehicles and Services ("FVS") segment due to supply chain constraints, partially offset by strong demand in our Specialty Vehicles ("SV") segment and favorable pricing implemented to offset material and labor inflation.

Cost of Products Sold

Cost of products sold was $190.1 million in the second quarter of 2022, compared to $192.1 million for the second quarter of 2021, a decrease of $2.0 million or (1.0%). Cost of products sold decreased $24.6 million due to volume and mix, partially offset by $16.5 million in higher material and labor costs, and $6.1 million due to lower productivity and other costs in locations impacted by supply chain constraints.

Gross Profit

Gross profit was $42.1 million for the second quarter of 2022, compared to $51.9 million for the second quarter of 2021, a decrease of $9.8 million or (18.9%). Gross profit decreased $16.5 million due to higher material and labor costs, $6.1 million due to lower productivity in locations impacted by supply chain constraints and $7.7 million in volume and other costs, partially offset by price and mix increases of $20.5 million.

Operating Expenses

Operating expenses were $34.4 million for the second quarter of 2022, compared to $29.7 million for the second quarter of 2021, an increase of $4.7 million or 16.0%. Research and development expense for the second quarter of 2022 was $7.6 million, compared to $0.9 million in the second quarter of 2021, an increase of $6.7 million primarily related to the electric vehicle development initiatives. Selling, general and administrative expense was $26.9 million for the second quarter of 2022, compared to $28.7 million for the second quarter of 2021, a decrease of $1.8 million, primarily driven by cost reduction actions.

Other Income (Expense)

Interest expense was $0.5 million for the second quarter of 2022, compared to $0.3 million for the second quarter of 2021, driven by higher borrowing costs. Other expense was $0.5 million for the second quarter of 2022, compared to income of $0.5 million for the second quarter of 2021.

Income Tax Expense (Benefit)

Our effective income tax rate was 21.7% in the second quarter of 2022, compared to 24.7% in the second quarter of 2021. The effective tax rates for 2022 and 2021 reflect the impact of current statutory income tax rates on our Income before taxes and non-deductible executive compensation affected favorably by a discrete tax benefit related to vested stock compensation. The rate in 2022 is lower as compared to the 2021 rate primarily due to an increase in the tax benefit of research credits.

Income from Continuing Operations

Income from continuing operations for the second quarter of 2022 decreased by $11.7 million to $5.3 million compared to $17.0 million for the second quarter of 2021. On a diluted per share basis, Income from continuing operations decreased $0.29 to $0.15 for the second quarter of 2022 compared to earnings of $0.44 per share for the second quarter of 2021. Driving this decrease were the factors noted above.

Income from Discontinued Operations

There was no Income from discontinued operations, net of income taxes for the second quarter of 2022 or 2021.

Adjusted EBITDA

Our consolidated Adjusted EBITDA for the second quarter of 2022 was $13.7 million, compared to $28.6 million for the second quarter of 2021, a decrease of $14.9 million or (52.1%).

The table below describes the changes in Adjusted EBITDA for the three months ended June 30, 2022 compared to the same period for 2021 (in millions):

Adjusted EBITDA three months ended June 30, 2021	$	28.6
Product pricing and mix		20.5
Material and labor costs		(18.1)
EV development costs		(7.0)
Sales volume and other		(12.2)
General and administrative costs and other		1.9
Adjusted EBITDA three months ended June 30, 2022	$	13.7

Six Months Ended June 30, 2022 Compared to the Six Months Ended June 30, 2021

Sales

For the six months ended June 30, 2022, we reported consolidated sales of $439.1 million, compared to $441.9 million for the six months ended June 30, 2021, a decrease of $2.8 million or (0.6%). This decrease reflects lower sales volumes in our FVS segment due to supply chain constraints, partially offset by strong demand in our SV segment and favorable pricing implemented to offset material and labor inflation.

Cost of Products Sold

Cost of products sold was $371.0 million for the six months ended June 30, 2022, compared to $350.0 million for the six months ended June 30, 2021, an increase of $21.1 million or 6.0%. Cost of products sold increased $32.1 million due to higher material and labor costs, $14.3 million due to lower productivity and other costs in locations impacted by supply chain constraints, partially offset by lower volume and mix of $25.3 million.

Gross Profit

Gross profit was $68.1 million for the six months ended June 30, 2022, compared to $91.9 million for the six months ended June 30, 2021, a decrease of $23.8 million or (25.9%). Gross profit decreased $32.1 million due to higher material and labor costs, $14.3 million due to lower productivity in locations impacted by supply chain constraints, and $8.8 million in volume and other costs, partially offset by price and mix increases of $31.4 million.

Operating Expenses

Operating expenses were $65.9 million for the six months ended June 30, 2022, compared to $55.0 million for the six months ended June 30, 2021, an increase of $10.9 million or 19.8%. Research and development expense for the six months ended June 30, 2022 was $12.5 million, compared to $1.7 million for the six months ended June 30, 2021, an increase of $10.8 million primarily related to the electric vehicle development initiatives. Selling, general and administrative expense was $53.4 million for the six months ended June 30, 2022, compared to $53.3 million for the six months ended June 30, 2021, an increase of $0.1 million, primarily driven by an increase in compensation expense related to growth and expenses related to electric vehicle development initiatives.

Other Income (Expense)

Interest expense was $0.6 million for the six months ended June 30, 2022, compared to $0.1 million for the six months ended June 30, 2021, driven by higher borrowing costs. Other expense was $0.5 million for the six months ended June 30, 2022, compared to income of $0.7 million for the six months ended June 30, 2021.

Income Tax Expense (Benefit)

Our effective income tax rate was a tax benefit of (42.1%) in the first six months of 2022, compared to a tax expense of 24.1% in the first six months of 2021. The effective tax rate for 2022 reflects the favorable impact of the excess of the discrete tax benefit related to vested stock compensation over the impact of current statutory income tax rates on our Income before taxes. The effective tax rate for 2021 reflects the impact of current statutory income tax rates on our Income before taxes partially offset by a discrete tax benefit of $0.7 million related to the difference in stock compensation expense recognized for book purposes and tax purposes upon vesting.

Income from Continuing Operations

Income from continuing operations for the six months ended June 30, 2022 decreased by $27.1 million to $1.4 million compared to income of $28.5 million for the six months ended June 30, 2021. On a diluted per share basis, Income from continuing operations decreased $0.72 to $0.04 for the six months ended June 30, 2022, compared to earnings of $0.76 per share for the six months ended June 30, 2021. Driving this increase were the factors noted above.

Income from Discontinued Operations

Income from discontinued operations, net of income taxes for the six months ended June 30, 2022 decreased by $0.1 million to none compared to $0.1 million for the six months ended June 30, 2021, primarily attributable to 2021 winddown activities subsequent to the ERV divestiture not repeated in 2022.

Adjusted EBITDA

Our consolidated Adjusted EBITDA for the six months ended June 30, 2022 was $13.0 million, compared to $47.7 million for the six months ended June 30, 2021, a decrease of $34.7 million or (72.7%).

The table below describes the changes in Adjusted EBITDA for the six months ended June 30, 2022 compared to the same period for 2021 (in millions):

Adjusted EBITDA six months ended June 30, 2021	$	47.7
Product pricing and mix		31.4
Material and labor costs		(39.9)
EV development costs		(11.4)
Sales volume and other		(15.4)
General and administrative costs and other		0.6
Adjusted EBITDA six months ended June 30, 2022	$	13.0

Order Backlog

Our order backlog by reportable segment is summarized in the following table (in thousands):

		June 30, 2022		June 30, 2021
Fleet Vehicles and Services	$	1,000,021	$	652,642
Specialty Vehicles		135,162		98,782
Total consolidated	$	1,135,183	$	751,424

The consolidated backlog at June 30, 2022, totaled $1,135.2 million, up 51.1%, compared to $751.4 million at June 30, 2021, which reflects strong demand for vehicles across the Company’s product portfolio.

Our Fleet Vehicles and Services backlog increased by $347.4 million, or 53.2%, which reflects strong demand for vehicles across the segment’s walk in van, Velocity and Truck Body products. Our Specialty Vehicles segment backlog increased by $36.4 million, or 36.8%, due to increased motor home chassis and service body orders.

Orders in the backlog are subject to modification, cancellation or rescheduling by customers. Although the backlog of unfilled orders is one of many indicators of market demand, several factors, such as changes in production rates, available capacity, new product introductions, supply of chassis, and competitive pricing actions, may affect actual sales. Accordingly, a comparison of backlog from period-to-period is not necessarily indicative of eventual actual shipments.

Reconciliation of Non-GAAP Financial Measures

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

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

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

The following table reconciles Income from continuing operations to Adjusted EBITDA for the periods indicated.

Financial Summary (Non-GAAP)
Consolidated
(In thousands, Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Income from continuing operations	$ 5,283	$ 16,953	$ $ 1,431	$ 28,483
Net (income) attributable to non-controlling interest	-	(990)	-	(1,025)
Add (subtract):				
Interest expense	463	227	617	57
Depreciation and amortization expense	3,727	2,759	6,696	5,330
Income tax expense (benefit)	1,461	5,552	(424)	9,042
Restructuring and other related charges	354	505	461	505
Acquisition related expenses and adjustments	341	71	557	214
Non-cash stock based compensation expense	2,060	2,850	3,708	4,492
Loss from liquidation of JV	-	643	-	643
Adjusted EBITDA	$ 13,689	$ 28,570	$ 13,046	$ 47,741

Our Segments

We identify our reportable segments based on our management structure and the financial data utilized by our chief operating decision maker to assess segment performance and allocate resources among our operating units. We have two reportable segments: FVS and SV.

For certain financial information related to each segment, see "Note 10 – *Business Segments*," of the Notes to Condensed Consolidated Financial Statements appearing in Item 1 of this Form 10-Q.

Fleet Vehicles and Services

	Financial Data (Dollars in Thousands) Three Months Ended June 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Sales	$ 136,897	100.0%	$ 161,618	100.0%
Adjusted EBITDA	14,525	10.6%	28,116	17.4%

Sales in our FVS segment were $136.9 million for the second quarter of 2022, compared to $161.6 million for the second quarter of 2021, a decrease of $24.7 million or (15.3%). This decrease was primarily attributable to a sales volume decrease due to supply chain constraints, partially offset by pricing actions.

Adjusted EBITDA in our FVS segment for the second quarter of 2022 was $14.5 million compared to $28.1 million for the second quarter of 2021, a decrease of $13.6 million or (48.3%). This decrease was primarily attributable to $14.7 million lower volume and productivity due to supply chain constraints and $8.4 million in material and labor inflation. These costs were partially offset by pricing and mix of $8.5 million and lower manufacturing and other costs of $1.0 million.

	Financial Data (Dollars in Thousands) Six Months Ended June 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Sales	$ 249,594	100.0%	$ 285,442	100.0%
Adjusted EBITDA	13,654	5.5%	45,982	16.1%

Sales in our FVS segment were $249.6 million for the six months ended June 30, 2022, compared to $285.4 million for six months ended June 30, 2021, a decrease of $35.8 million or (12.6%). This decrease was primarily attributable to a sales volume decrease due to supply chain constraints, partially offset by pricing actions.

Adjusted EBITDA in our FVS segment for the six months ended June 30, 2022 was $13.7 million compared to $46.0 million for the six months ended June 30, 2021, a decrease of $32.3 million or (70.3%). This decrease was primarily attributable to $21.8 million lower volume and productivity due to supply chain constraints, $16.5 million in material and labor inflation, and $5.0 million in manufacturing and other costs. These decreases were partially offset by pricing and mix of $11.0 million.

Specialty Vehicles

	Financial Data (Dollars in Thousands) Three Months Ended June 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Sales	$ 95,298	100.0%	$ 82,364	100.0%
Adjusted EBITDA	12,859	13.5%	8,808	10.7%

Sales in our SV segment were $95.3 million in the second quarter of 2022, compared to $82.4 million for the second quarter of 2021, an increase of $12.9 million or 15.7%. This increase was due to strong sales volume growth coupled with pricing actions to offset material and labor inflation.

Adjusted EBITDA for our SV segment for the second quarter of 2022 was $12.9 million, compared to $8.8 million for the second quarter of 2021, an increase of $4.1 million or 46.0%. This increase was primarily attributable to favorable pricing and mix of $12.0 million, volume and productivity of $0.4 million, offset by material and labor costs of $8.1 million and increased operating expenses of $0.2 million.

	Financial Data (Dollars in Thousands) Six Months Ended June 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Sales	$ 189,484	100.0%	$ 156,428	100.0%
Adjusted EBITDA	22,958	12.1%	16,168	10.3%

Sales in our SV segment were $189.5 million for the six months ended June 30, 2022, compared to $156.4 million for the six months ended June 30, 2021, an increase of $33.1 million or 21.1%. This increase was due to strong sales volume growth coupled with pricing actions to offset material and labor inflation.

Adjusted EBITDA for our SV segment for the six months ended June 30, 2022 was $23.0 million, compared to $16.2 million for the six months ended June 30, 2021, an increase of $6.8 million or 42.0%. This increase was primarily attributable to favorable pricing and mix of $20.8 million, volume and productivity of $3.0 million, offset by material and labor costs of $15.6 million and increased operating expenses of $1.4 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash and cash equivalents decreased by $30.6 million from December 31, 2021, to a balance of $6.6 million as of June 30, 2022. These funds, in addition to cash generated from future operations and availability under our existing credit facilities, are expected to be sufficient to finance our foreseeable liquidity and capital needs, including potential future acquisitions.

Cash Flow from Operating Activities

We used $36.7 million of cash from operating activities during the six months ended June 30, 2022, a decrease of $39.9 million from $3.2 million of positive cash flow during the six months ended June 30, 2021. The decrease is primarily due to a $26.5 million decrease in net income (loss) adjusted for non-cash charges to operations and a $13.4 million decrease in the change in net working capital. The change in net working capital is primarily attributable to a $12.8 million decrease in the change in inventories, a $20.4 decrease in the change in payables, a $6.8 million decrease in the change in accrued compensation, partially offset by a $29.8 million increase in the change in receivables and contract assets.

As of June 30, 2022, receivables decreased by $8.0 million compared to the prior year end, primarily due to improved timing of cash receipts. Inventories increased by $34.8 million primarily due to increased raw material inventories relative to finished goods due to industry wide supply chain interruptions. Payables increased by $7.8 million primarily due to the Company’s continued focus on extending payment terms with suppliers. Contract assets increased $20.9 million primarily due to increased work in process production resulting from industry wide supply chain constraints.

Cash Flow from Investing Activities

We used $9.9 million in investing activities during the six months ended June 30, 2022, a decrease in cash used of $2.1 million from $12.0 million used during the six months ended June 30, 2021. The decrease in cash used in investing activities is primarily due to a $2.4 million decrease in the purchases of property, plant and equipment.

Cash Flow from Financing Activities

We generated $16.0 million of cash through financing activities during the six months ended June 30, 2022, an increase in cash generated of $24.1 million from $8.1 million used during the six months ended June 30, 2021. The increase in cash provided by financing activities is primarily attributable to $70.0 million of increased proceeds from long-term debt, partially offset by $15.0 million of increased payments on long-term debt, a $23.4 million increase in the purchase and retirement of common stock and a $5.6 million increase in issuance and vesting of stock awards.

Debt

On November 30, 2021, we entered into an Amended and Restated Credit Agreement (the "Credit Agreement") by and among us and certain of our subsidiaries as borrowers, Wells Fargo Bank, N.A. ("Wells Fargo"), as administrative agent, and the lenders party thereto consisting of Wells Fargo, JPMorgan Chase Bank, N.A., PNC Bank, National Association and Bank of America, N.A. (the "Lenders"). Certain of our other subsidiaries have executed guaranties guarantying the borrowers' obligations under the Credit Agreement.

Under the Credit Agreement, we may borrow up to $400.0 million from the Lenders under a secured revolving credit facility which matures November 30, 2026. We may also request an increase in the facility of up to $200.0 million in the aggregate, subject to customary conditions. The credit facility is also available for the issuance of letters of credit of up to $20.0million and swing line loans of up to $10.0 million, subject to certain limitations and restrictions. This revolving credit facility carries an interest rate of either (i) the highest of prime rate, the federal funds effective rate from time to time plus 0.5%, or the one month adjusted LIBOR plus 1.0%; or (ii) adjusted LIBOR, in each case plus a margin based upon our ratio of debt to earnings from time to time. The applicable borrowing rate including the margin was 2.78% (or one-month LIBOR plus 1.00%) at June 30, 2022. The credit facility is secured by security interests in, and liens on, all assets of the borrowers and guarantors, other than real property and certain other excluded assets. At June 30, 2022 and December 31, 2021, we had outstanding letters of credit totaling $1.1 million and $0.8 million, respectively, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled $199.4 million and $376.8 million at June 30, 2022 and December 31, 2021, respectively. The Credit Agreement requires us to maintain certain financial ratios and other financial covenants; prohibits us from incurring additional indebtedness; limits certain acquisitions, investments, advances or loans; limits our ability to pay dividends in certain circumstances; and restricts substantial asset sales, all subject to certain exceptions and baskets. At June 30, 2022 and December 31, 2021, we were in compliance with all covenants in our Credit Agreement.

Equity Securities

On February 17, 2022, our Board of Directors authorized the repurchase of up to $250.0 million of our common stock in open market transactions. In the first quarter of 2022, we repurchased 607,306 shares for $26.8 million and made no repurchases in the second quarter of 2022. We believe that we have sufficient resources to fund any potential stock buyback in which we may engage.

Dividends

The amounts or timing of any dividends are subject to earnings, financial condition, liquidity, capital requirements and such other factors as our Board of Directors deems relevant. We declared dividends on our outstanding common shares in 2022 and 2021 as shown in the table below.

Date dividend declared	**Record date**	**Payment date**	**Dividend per share ($)**	
May 2, 2022	May 17, 2022	June 17, 2022	$	0.050
Feb. 16, 2022	Feb. 17, 2022	Mar. 17, 2022	$	0.050
Nov. 5, 2021	Nov. 6, 2021	Dec. 16, 2021	$	0.025
Aug. 6, 2021	Aug. 18, 2021	Sep. 15, 2021	$	0.025
May 7, 2021	May 18, 2021	June 18, 2021	$	0.025
Feb. 15, 2021	Feb. 25, 2021	Mar. 25, 2021	$	0.025

Effect of Inflation

Inflation affects us in two principal ways. First, our revolving credit agreement is generally tied to the prime and LIBOR interest rates so that increases in those interest rates would be translated into additional interest expense. Second, general inflation impacts prices paid for labor, parts and supplies. Whenever possible, we attempt to cover increased costs of production and capital by adjusting the prices of our products. However, we generally do not attempt to negotiate inflation-based price adjustment provisions into our contracts. We have limited ability to pass on cost increases to our customers on a short-term basis. In addition, the markets we serve are competitive in nature, and competition limits our ability to pass through cost increases in many cases. We strive to minimize the effect of inflation through cost reductions and improved productivity. Refer to the *Commodities Risk* section in Item 3 of this Form 10-Q for further information regarding commodity cost fluctuations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risks related to changes in interest rates and the effect of such a change on outstanding variable rate short-term and long-term debt. At June 30, 2022, we had $55.0 million debt outstanding under our revolving line of credit agreement. An increase of 100 basis points in interest rates would result in $0.6 million of incremental interest expense on an annualized basis. We believe that we have sufficient financial resources to accommodate this hypothetical increase in interest rates. We do not enter into market-risk-sensitive instruments for trading or other purposes.

The interest rate charged on our outstanding borrowings pursuant to our credit facility is currently based on LIBOR, as described in Part 1, Item 1, "Note 4 – Debt" of this Form 10-Q. On July 27, 2017, the Financial Conduct Authority in the U.K. announced that it would phase out LIBOR by the end of 2021. On November 30, 2020, the ICE Benchmark Administration Limited (ICE) announced plans to delay the phase out of LIBOR to June 30, 2023. The U.S. Federal Reserve is considering replacing U.S. dollar LIBOR with a newly created index called the Secured Overnight Funding Rate (SOFR), a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. Our credit facility provides for the transition to a replacement for LIBOR, and it also provides for an alternative to LIBOR. When LIBOR ceases to exist, our interest expense is not expected to increase materially. It is also possible that the overall financing market may be disrupted as a result of the phase-out or replacement of LIBOR with SOFR or any other reference rate. Increased interest expense and/or disruption in the financial market could have a material adverse effect on our business, financial condition, or results of operations.

Commodities Risk

We are also exposed to changes in the prices of raw materials, primarily steel and aluminum, along with components that are made from these raw materials. We generally do not enter into derivative instruments for the purpose of managing exposures associated with fluctuations in steel and aluminum prices. We do, from time to time, engage in pre-buys of components that are impacted by changes in steel, aluminum and other commodity prices in order to mitigate our exposure to such price increases and align our costs with prices quoted in specific customer orders. We also actively manage our material supply sourcing and may employ various methods to limit risk associated with commodity cost fluctuations due to normal market conditions and other factors including tariffs. See Management’s Discussion and Analysis of Financial Condition and Results of Operations included in Part 1, Item 2 of this Form 10-Q for information on the impacts of changes in input costs during the three and six months ended June 30, 2022.

We do not believe that there has been a material change in the nature or categories of the primary market risk exposures or in the particular markets that present our primary risk of loss. As of the date of this report, we do not know of or expect any material changes in the general nature of our primary market risk exposure in the near term. In this discussion, “near term” means a period of one year following the date of the most recent balance sheet contained in this report.

Prevailing interest rates, interest rate relationships and commodity costs are primarily determined by market factors that are beyond our control. All information provided in response to this item consists of forward-looking statements. Reference is made to the section captioned “Forward-Looking Statements” before Part I of this Quarterly Report on Form 10-Q for a discussion of the limitations on our responsibility for such statements.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report. Based on the evaluation of our disclosure controls and procedures as of June 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes during the quarter ended June 30, 2022, in our internal control over financial reporting that have materially affected, or are likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

An effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error or overriding of controls, and therefore can provide only reasonable assurance with respect to reliable financial reporting. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements, including the possibility of human error, the circumvention or overriding of controls, or fraud. Effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See “Note 8 – *Commitments and Contingent Obligations,*” included in Part I, Item 1, “Notes to Unaudited Consolidated Financial Statements,” within this quarterly report on Form 10-Q.

Item 1A. Risk Factors

We have included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, a description of certain risks and uncertainties that could affect our business, future performance or financial condition (the “Risk Factors”). There have been no material changes from the disclosure provided in the Form 10-K for the year ended December 31, 2021 with respect to the Risk Factors. Investors should consider the Risk Factors prior to making an investment decision with respect to our stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

On February 17, 2022, our Board of Directors authorized the repurchase of up to $250.0 million of our common stock in open market transactions. In the first quarter of 2022, we repurchased 607,306 shares for $26.8 million. During the second quarter of 2022, no shares were repurchased under this authorization. We believe that we have sufficient resources to fund any potential stock buyback in which we may engage.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under Announced Plans or Programs(1) (In millions)
April 1 to April 30	9,183	$ 29.41	-	$ 242.1
May 1 to May 31	3,010	20.77	-	242.1
June 1 to June 30	-	-	-	242.1
Total	12,193		-	

(1) This column reflects the number of shares that may yet be purchased pursuant to the February 17, 2022 Board of Directors authorization described above.

During the quarter ended June 30, 2022, 12,193 shares were delivered by associates in satisfaction of tax withholding obligations that occurred upon the vesting of restricted shares.

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Item 6. Exhibits.

(a) Exhibits. The following exhibits are filed as a part of this report on Form 10-Q:

Exhibit No.	Document
10.9.1	Form of Restricted Stock Unit Agreement (2022 LTI)*
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. § 1350.
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)

*Management contract or compensatory plan or arrangement

SIGNATURES

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

Date: July 28, 2022	THE SHYFT GROUP, INC.	
	By	/s/ Jonathan C. Douyard
		Jonathan C. Douyard
		Chief Financial Officer

Non-Employee Directors

THE SHYFT GROUP, INC.
RESTRICTED STOCK UNIT AGREEMENT

This RESTRICTED STOCK UNIT AGREEMENT (the "Agreement") is made and entered into as of __________ ___, 2022 (the "Grant Date"), by and between **The Shyft Group, Inc.**, a Michigan corporation (the "Company") and [●] (the "Director").

Background

A. The Company has adopted The Shyft Group, Inc.'s Stock Incentive Plan of 2016, as amended and restated to date (the "Plan") pursuant to which awards of Restricted Stock Units may be granted.

B. The Committee has determined that it is in the best interests of the Company and its shareholders to grant the award of Restricted Stock Units provided for in this Agreement.

Agreement

Therefore, the parties, intending to be legally bound, agree as follows:

1. **Grant of Restricted Stock Units**. Pursuant to the Plan, the Company has granted to the Director on the Grant Date an Incentive Award consisting of, in the aggregate, [●] Restricted Stock Units (the "RSUs"). Each RSU represents the right to receive one share of Common Stock on the terms and conditions and subject to the restrictions set forth in this Agreement and the Plan. The RSUs shall be credited to a separate account maintained for the Director on the books and records of the Company (the "Account"). Capitalized terms that are used but not defined in this Agreement have the meanings assigned to them in the Plan.

2. **Consideration**. The grant of the RSUs is made in consideration of the services to be rendered by the Director to the Company during the applicable vesting period.

3. **Restricted Period; Vesting**. Except as otherwise provided in this Agreement, provided there is no termination of Director's status as a director (as determined in accordance with Section 7.2 of the Plan) as of the applicable vesting date, the RSUs will vest in accordance with the following schedule:

Vesting Date	Number of RSUs That Vest
First anniversary of Grant Date	100% of RSUs

The period over which the RSUs vest is referred to as the "Restricted Period." Once vested, the RSUs become "Vested Units."

4. **Restrictions**. Subject to any exceptions set forth in this Agreement or the Plan, during the Restricted Period and until such time as the RSUs are settled in accordance with Section 8 below, neither the RSUs nor the rights relating to the RSUs may be assigned, alienated, pledged, attached, sold, or otherwise transferred or encumbered by the Director. Any attempt to assign, alienate, pledge, attach, sell, or otherwise transfer or encumber the RSUs or the rights relating to the RSUs shall be wholly ineffective.

5. **Termination of Director Status**.

(a) Except as otherwise expressly provided in this Agreement, if the Director's status as a director of the Company terminates for any reason at any time before all of the Director's RSUs have vested, the Director's unvested RSUs shall be automatically forfeited upon such termination of director status, and neither the Company nor any Subsidiary shall have any further obligations to the Director under this Agreement. For purposes of this Section 5, termination of director status shall be determined in accordance with Section 7.2 of the Plan.

(b) Notwithstanding Section 5(a) above, if the Director's status as a director of the Company terminates during the Restricted Period as a result of the Director's death or if the Director becomes Disabled, all of the RSUs shall immediately become vested in full.

6. **Effect of a Change in Control**. Notwithstanding anything to the contrary in this Agreement, if a Change in Control occurs during the Restricted Period, then immediately prior to the Change in Control and without any action by the Committee or the Board, all of the RSUs that are not then vested shall become immediately vested.

7. **Rights as Shareholder; Dividend Equivalents**.

(a) The Director shall not have any rights of a shareholder with respect to the shares of Common Stock underlying the RSUs unless and until the RSUs vest and are settled by the issuance of such shares of Common Stock.

(b) Upon and following the settlement of the RSUs, the Director shall be the record owner of the shares of Common Stock underlying the RSUs unless and until such shares are sold or otherwise disposed of, and as record owner shall be entitled to all rights of a shareholder of the Company (including voting rights).

(c) Until such time as the RSUs vest, the Director's Account shall be credited with an amount equal to all cash and stock dividends ("Dividend Equivalents") that would have been paid to the Director if one share of Common Stock had been issued on the Grant Date for each RSU granted to the Director as set forth in this Agreement. Dividend Equivalents shall be credited to the Director's Account and interest may be credited on the amount of cash Dividend Equivalents credited to the Director's Account at a rate and subject to such terms as determined by the Committee. Dividend Equivalents shall be subject to the same vesting restrictions as the RSUs to which they are attributable and shall be paid on the same date that the RSUs to which they are attributable are settled in accordance with Section 8 below. Dividend Equivalents credited to a Director's Account shall be distributed in cash or, at the discretion of the Committee, in shares of Common Stock having a fair market value equal to the amount of the Dividend Equivalents and interest, if any.

8. **Settlement of RSUs**. Subject to any withholding for applicable taxes pursuant to the Plan, promptly following the vesting date, and in all events no later than March 15 of the calendar year following the calendar year in which such vesting occurs, the Company shall (a) issue and deliver to the Director the number of shares of Common Stock equal to the number of Vested Units and cash equal to any Dividend Equivalents credited with respect to such Vested Units or, at the discretion of the Committee, shares of Common Stock having a fair market value equal to such Dividend Equivalents; and (b) enter the Director's name on the books of the Company as the shareholder of record with respect to the shares of Common Stock delivered to the Director. Notwithstanding the foregoing, the Committee shall have the discretion to settle vested RSUs in cash using the fair market value of the shares of Common Stock underlying the vested RSUs as of the applicable settlement date. If the Director is a "specified employee" within the meaning of Section 409A of the Code and a payment subject to Section 409A of the Code (and not excepted therefrom) is due upon separation from service, such payment to the extent necessary to comply with Section 409A of the Code shall be delayed until six months after the date of separation from service (or if earlier the Director's death).

9. **No Right to Continued Service**. Neither the Plan nor this Agreement shall confer upon the Director any right to be retained in any position, as an employee, consultant, or director of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Director's service to or status with the Company at any time, with or without cause.

10. **Adjustments**. If any change is made to the outstanding Common Stock or the capital structure of the Company, if required, the RSUs shall be adjusted or terminated in any manner as contemplated by Section 4.3 of the Plan (the RSUs and this Agreement are subject to mandatory adjustment pursuant to the terms of Section 4.3 of the Plan).

11. **Compliance with Law**. The issuance and transfer of shares of Common Stock shall be subject to compliance by the Company and the Director with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

12. **Legends**. A legend may be placed on any certificate(s) or other document(s) delivered to the Director indicating restrictions on transferability of the RSUs or the shares of Common Stock issuable upon settlement of the RSUs pursuant to this Agreement or any other restrictions that the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any applicable federal or state securities laws, or any stock exchange on which the shares of Common Stock are then listed or quoted.

13. **Notices**. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Director under this Agreement shall be in writing and addressed to the Director at the Director's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

14. **Governing Law**. This Agreement will be construed and interpreted in accordance with the laws of the State of Michigan without regard to conflict of law principles.

15. **Interpretation**. Any dispute regarding the interpretation of this Agreement shall be submitted by the Director or the Company to the Committee for review. The resolution of such dispute by the Committee (excluding any participation by the Director if he or she then serves on the Committee) shall be final and binding on the Director and the Company.

16. **RSUs Subject to Plan**. This Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated in this Agreement by reference. In the event of a conflict between any term or provision contained in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

17. **Successors and Assigns**. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement, this Agreement will be binding upon the Director and the Director's beneficiaries, executors, and administrators.

18. **Severability**. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

19. **Discretionary Nature of Plan**. The Plan is discretionary and may be amended, cancelled, or terminated by the Company at any time, in its discretion. The grant of the RSUs in this Agreement does not create any contractual right or other right to receive any RSUs or other Incentive Awards in the future. Future Incentive Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Director's membership on the Board.

20. **Section 409A**. This Agreement is intended to qualify for the short-term deferral exception under Section 409A of the Code and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A of the Code. In all events, payment in respect of the PSUs shall be made within the short-term deferral period specified under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A of the Code, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Grantee on account of non-compliance with Section 409A of the Code.

21. **Counterparts**. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

22. **Acceptance**. The Director hereby acknowledges receipt of a copy of the Plan and this Agreement. The Director has read and understands the terms and provisions of the Plan and this Agreement, and accepts the RSUs subject to all of the terms and conditions of the Plan and this Agreement. The Director acknowledges that there may be adverse tax consequences upon the grant, vesting, or settlement of the RSUs or disposition of the underlying shares and that the Director has been advised to consult a tax advisor prior to such grant, vesting or disposition. The Company respects the Director's privacy. In order to administer the Director's equity award, the Company collects and uses certain personal information about the Director, including the Director's prior equity grant information where applicable. If the Director is a California resident, the Director should refer to the Company's California Consumer Privacy Act Notice for more information about the personal information the Company collects about the Director and the purposes for which the Company will use such data.

INTENDING TO BE LEGALLY BOUND, the parties have executed this Restricted Stock Unit Agreement as of the Grant Date.

COMPANY: **The Shyft Group, Inc.**	DIRECTOR:
____________________________ By: Its:	____________________________

EXHIBIT 31.1

CERTIFICATION

I, Daryl M. Adams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Shyft Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2022

/s/ Daryl M. Adams
Daryl M. Adams
President and Chief Executive Officer
The Shyft Group, Inc.

EXHIBIT 31.2

CERTIFICATION

I, Jonathan C. Douyard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Shyft Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2022

/s/ Jonathan C. Douyard
Jonathan C. Douyard
Chief Financial Officer
The Shyft Group, Inc.

EXHIBIT 32

CERTIFICATION

Each of the undersigned hereby certifies in his capacity as an officer of The Shyft Group, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that:

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition at the end of such period and results of operations of the Company for such period.

Dated: July 28, 2022	/s/ Daryl M. Adams Daryl M. Adams President and Chief Executive Officer
Dated: July 28, 2022	/s/ Jonathan C. Douyard Jonathan C. Douyard Chief Financial Officer