

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2023

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**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**38-2078923**  
(I.R.S. Employer Identification No.)

**41280 Bridge Street**  
**Novi, Michigan**  
(Address of Principal Executive Offices)

**48375**  
(Zip Code)

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

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on which Registered</u>
<b>Common Stock</b>	<b>SHYF</b>	<b>The NASDAQ Stock Market LLC</b>

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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.

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Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based on the last sales price of such stock on NASDAQ Global Select Market on June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter: \$754,096,182

The number of shares outstanding of the registrant's Common Stock as of February 16, 2024: 34,314,252 shares

#### **Documents Incorporated by Reference**

Portions of the definitive proxy statement for the registrant's May 15, 2024 annual meeting of shareholders, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2023 are incorporated by reference in Part III.

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## FORWARD-LOOKING STATEMENTS

This Form 10-K 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 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. The list in Item 1A below includes the primary risks our management believes could materially affect the potential results described by forward-looking statements contained in this Form 10-K. 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-K 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-K 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-K 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K are, to our knowledge, the property of their respective owners.

PART I

Item 1. Business.

General

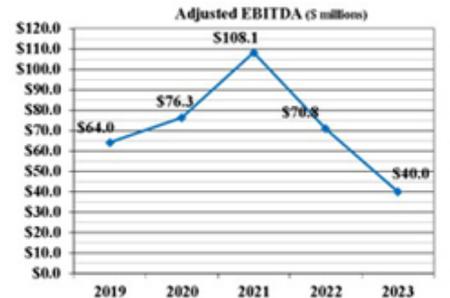
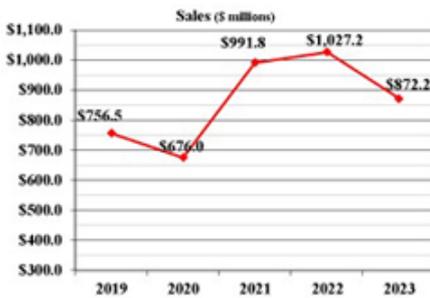
As used herein, the term “Company”, “we”, “us” or “our” refers to The Shyft Group, Inc. and its subsidiaries unless designated or identified otherwise.

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, truck bodies, and cargo van and pick-up truck upfits used in e-commerce/parcel delivery, upfit equipment used in the mobile retail and utility trades, as well as luxury Class A diesel motorhome custom 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. Our operating activities are conducted through our wholly-owned operating subsidiary, The Shyft Group USA, Inc., with locations in Novi, Charlotte, Plymouth and Wixom, Michigan; Bristol, Indiana; Waterville, Maine; Landisville, Pennsylvania; Pompano Beach and West Palm Beach, Florida; Kansas City, Missouri; Carson and McClellan Park, California; Mesa, Arizona; Dallas and Weatherford, Texas; Lebanon; Tennessee; and Saltillo, Mexico.

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 provides agility 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.

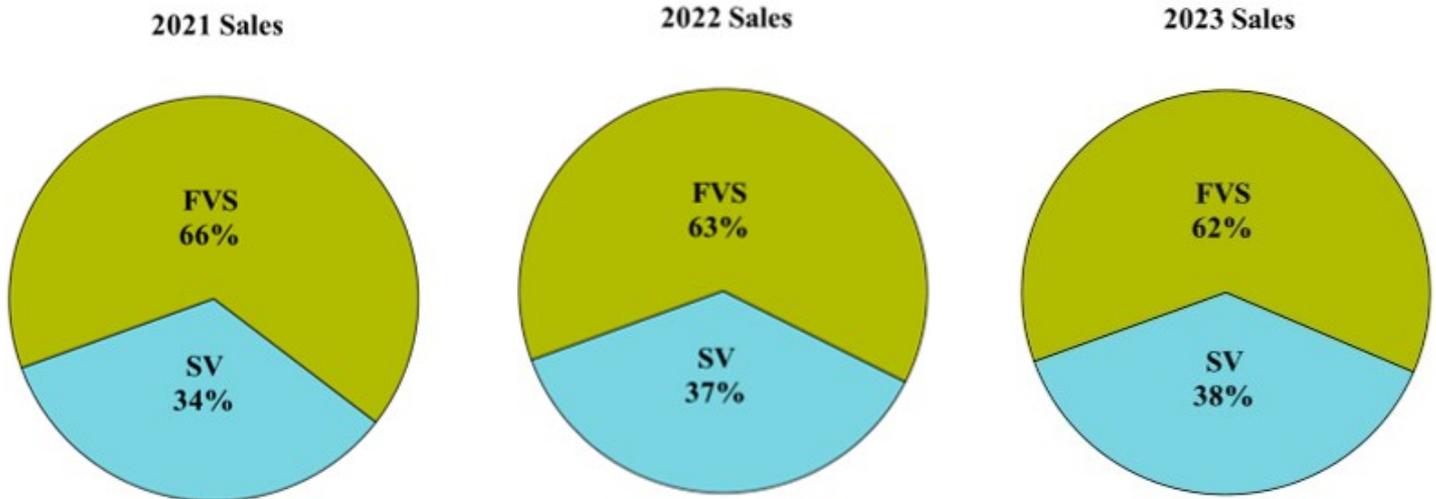
Performance Overview

Unless noted otherwise, the data in this Form 10-K reflects our continuing operations and, therefore, excludes the performance of our previously divested Emergency Response Vehicles (“ERV”) business. Over the past five years our sales have increased by \$115.7 million, a compound annual growth rate (“CAGR”) of 3.6%, while income from continuing operations has declined by \$30.3 million, a CAGR of (35.2%), and Adjusted EBITDA has declined by \$24.0 million, a CAGR of (11.1%). Please see the reconciliation of income from continuing operations to Adjusted EBITDA near the end of Item 1 of this Form 10-K.



## 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: Fleet Vehicles and Services (“FVS”) and Specialty Vehicles (“SV”). Sales by segment are as follows:



## Fleet Vehicles and Services Segment

We manufacture commercial vehicles used in the e-commerce/last mile/parcel delivery, beverage and grocery delivery, laundry and linen, mobile retail, and trades and construction 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, through our manufacturing operations. Our Fleet Vehicles and Services segment employed approximately 1,500 employees and 300 contractors as of December 31, 2023.

We offer fleet vehicles in Gross Vehicle Weight Rating (“GVWR”) Class 1 through Class 7, the largest range of product offerings amongst our competitors.



## Innovation

Our Solution Experts employ a customer-centric approach by working with customers through a process of listening and learning, needs assessment, and design innovation through building and implementing solutions designed with our customers and their end customers in mind. Innovations implemented by our Solution Experts include efficiency improvements and cost saving solutions for the service segment, utility industry, food and beverage delivery, and mobile retail industry, such as safe loading equipment, keyless entry and cargo access systems, backup camera systems, and refrigeration solutions. Our teams can deliver product customization ranging from out-of-the-box to 100% custom solutions, based on customer needs and business requirements.

## Products



### *Walk-in Vans*

Assembled on a de-contented or “stripped” truck chassis supplied with engine and drive train components, our walk-in vans are used across a variety of vocations for multiple delivery and mobile service options. The vehicles feature a durable and lightweight aluminum body with a highly modularized cargo area, featuring extensive driver ergonomics options and a low step-in height for easy entry and egress.



### *Truck Bodies*

Utilimaster dry van truck bodies are the industry standard for heavy-duty commercial delivery and are installed on chassis from a variety of manufacturers, which are supplied with a finished cab. They feature a highly customizable cargo area for maximum versatility and are manufactured with anti-rust galvanized steel, Utiliplat, and aluminum component parts. Available with cargo lengths from 10 to 28 feet and interior heights ranging from 72 to 108 inches.



### *Cutaway*

Utilimaster cutaway truck bodies are the industry standard for medium-duty commercial delivery and are installed on chassis from a variety of manufacturers that are supplied with a finished cab. The highly configurable design can be configured with a set-back walk-through bulkhead allowing access to the cargo area from the cab. Available with cargo lengths from 10 to 18 feet and interior heights ranging from 72 to 90 inches.



### *Velocity®*

A nimble, fuel efficient, and ergonomically designed walk-in van lineup built on commercial cargo van chassis across OEMs is designed to combine the cargo capacity of a traditional walk-in-van with the drivability of a smaller format vehicle. The Velocity lineup makes large product/package deliveries easy, with lower entry/egress height and 3-point grab rails at side and rear doors. Economical to operate, the Velocity features lower operating costs than that of a traditional walk-in van.



### *Specialty Upfit*

We install specialty interior and exterior upfit equipment for walk-in vans, truck bodies, cargo vans, and light duty pick-up trucks for added safety, cargo handling efficiency, and vocational functionality.



### *Parts and Accessories*

We provide a full line of parts and accessories for our walk-in vans and truck bodies. We are solution focused and design and integrate a full line of parts and accessories to meet customer needs.

## **Marketing**

We market our commercial vehicles, including walk-in vans, cutaway vans, and truck bodies, under the Aeromaster®, Velocity, Trademaster®, and Utilivan® product brand names. We sell our fleet vehicles to leasing companies, national and fleet accounts (national accounts typically have 1,000+ vehicle fleets and fleet accounts typically have 100+ vehicle fleets), and through a network of independent truck dealers in the U.S. and Canada. We also market our truck bodies direct to retail customers in select markets. We provide aftermarket support, including parts sales and field services, to all of our fleet vehicle customers through our Customer Service Department located in Bristol, Indiana.

## **Manufacturing**

We employ lean manufacturing and continuous improvement in all of our fleet vehicle facilities in order to maximize efficiency and reduce costs. Our facilities are aligned with our commercial and OEM customers for the installation of upfit equipment. Our walk-in vans and truck bodies are manufactured on non-automated assembly lines utilizing a combination of high-skilled tradespeople and assemblers. Our upfit facilities utilize teams of workers requiring minimal capital investment for efficient and timely installation of a variety of equipment for various vocations.

## **Specialty Vehicles Segment**

Our Specialty Vehicles segment includes a portfolio of business that provides service bodies, RV chassis, vocational upfit and contract manufacturing products and services. We manufacture and assemble truck bodies for a variety of trades and vocations. Our specialty vehicle products are manufactured to customer specifications upon receipt of confirmed purchase orders. As a specialty chassis and vehicle manufacturer, we believe we hold a unique position for continued growth due to the high quality and performance of our products, our proactive engineering, manufacturing expertise and flexibility, and the scalability of our operations. Our specialty vehicle products are generally sold through original equipment manufacturers in the case of chassis and vehicles and to dealers, distributors or directly to consumers for service bodies and aftermarket parts and accessories. The Specialty Vehicles segment employed approximately 1,000 employees and less than 100 contractors as of December 31, 2023.

## **Innovation**

At trade shows and motorhome rallies, we engage with a diverse group of motorhome owners to understand their needs and ensure our motorhome and specialty chassis incorporate the latest technology and highest quality. Our innovations include new lines of Magnum truck accessories including a cross-body toolbox and ladder rack as well as a new steel XP service body that is precision engineered to eliminate water, salt and chemical traps and features a proprietary high-endurance coating system for a glossy and durable finish to seal out weather and wear. We strategically sell our aftermarket truck products to enthusiasts, dealerships and distributors. We continue to expand our product portfolio and execute innovations in that segment.

## **Products**



### *Service Bodies*

We manufacture and assemble truck bodies for a variety of trades and vocations. Those body configurations include utility bodies, stake bodies, contractor bodies, dump/landscape bodies and vocational dry freight bodies under the Royal Truck Body and DuraMag brand names.



#### *Motorhome Chassis*

We custom manufacture diesel chassis for luxury Class A motorhome to the individual specifications of our motorhome OEM customers under the Spartan RV Chassis brand name. These specifications vary based on specific interior and exterior design specifications, gross vehicle weight, horsepower, and electrical needs of the motorhome bodies to be attached to our chassis. Our motorhome chassis feature diesel engines of 360 to 605 horsepower and are used in motorhomes ranging from 34 to 45 feet.



#### *Contract Manufacturing*

We provide final assembly services for Isuzu N-gas and F-series chassis for the North American market under the Builtmore Contract Manufacturing brand name. These class 3 and class 5 chassis are utilized in a variety of final configurations for light duty freight hauling and industrial uses. We have an efficient, flexible and a highly skilled team of assembly workers and management, which, along with a dedication to lean manufacturing and continuous improvement, allow us to deliver superior quality and value in contract manufacturing.



#### *Specialty Upfit*

We design and install custom lighting and upfit solutions to meet the unique needs of certain fleet industries including a range of specialty industries such as law enforcement, municipalities, security companies, and providers of utility services. We provide durable, reliable, and high-quality product installations for any vehicle requiring specialty exterior and interior accessory upfits.



#### *Parts and Accessories*

We provide truck accessories under our Magnum brand and provide a full line of parts and accessories as well as maintenance and repair services for our motorhome and specialty chassis.

### **Marketing**

We sell our service bodies through a commercial dealer network and through OEM pools, and we actively participate in a variety of regional and national trade shows that promote our products. We sell our Class A diesel motorhome chassis to OEMs for use in the manufacturing of luxury motorhomes. We actively participate in a variety of trade shows and motorhome rallies that promote our products and Red Diamond aftermarket solutions in addition to providing an opportunity to communicate with our end customers to showcase our latest innovations and identify needs and opportunities for continuous improvement of our chassis. We also provide vocation-specific equipment upfit services, which are marketed and sold under the Strokes-R-Us brand. We are expanding the marketing of Magnum accessories beyond work trucks to include outdoor enthusiasts and truck owners.

### **Manufacturing**

Our motorhome chassis, service body, and specialty manufacturing operations employ lean manufacturing, and continuous improvement to bring efficiency and cost reduction throughout our Specialty Vehicles segment. We engineer, manufacture, and assemble Spartan RV chassis, as well as other specialty vehicles on non-automated assembly lines. We assemble both the Isuzu N-gas and F-series chassis on high-volume assembly lines that utilize a variety of state-of-the-art automation and testing equipment. Our upfit facilities utilize teams of workers requiring minimal capital investment for efficient and timely installation of a variety of equipment.

### **Competition**

The principal methods we use to build competitive advantages include custom design capability, high product quality, superior customer service and quick delivery. We employ a solutions-based approach to offer specialized products tailored to customer needs across the spectrum of our products. We compete with companies that manufacture for similar markets, including some divisions of large diversified organizations that have total sales and financial resources exceeding ours. Our competition in the fleet vehicle market ranges from one large manufacturer in the walk-in van market to a number of smaller manufacturers in the truck body and equipment upfit markets. Our competitors in the specialty vehicle market are principally large multi-product line manufacturers of specialty and heavy-duty vehicles. In addition to established mature competitors, we also face competition from new market entrants including technology companies.

## **Suppliers**

We are dedicated to establishing long-term and mutually beneficial relationships with our suppliers. Through these relationships, we benefit from new innovations, higher quality, reduced lead times, smoother/faster manufacturing ramp-up of new vehicle introductions and lower total costs of doing business. Our accelerating growth and company-wide supply chain management initiatives allow us to benefit from economies of scale and maximize focus on a common vision.

The single largest commodity directly utilized in production is aluminum, which we purchase under purchase agreements based on forecasted production requirements. To a lesser extent we are dependent upon suppliers of lumber, fiberglass and steel for our manufacturing. We have initiated long-term supplier agreements and are consolidating suppliers where beneficial to gain pricing advantages, good quality and delivery. There are several readily available sources for the majority of these raw materials. However, we are heavily dependent on specific component part products from a few single source vendors. We maintain a qualification, on-site inspection, assistance, and performance measurement system to control risks associated with reliance on suppliers. We normally do not carry inventories of such raw materials or components in excess of those reasonably required to meet production and shipping schedules. Material and component cost increases are passed on to our customers whenever possible. There can be no assurance that there will not be any supply issues over the long-term.

In the assembly of certain of our vehicles, we use chassis supplied by third parties, and we generally do not purchase these chassis for inventory. For this market, we typically accept shipment of truck chassis owned by dealers or end users, for the purpose of installing and/or manufacturing our specialized commercial vehicles on such chassis, but from time to time we do purchase chassis for use in fulfilling certain customer orders.

## **Research and Development**

Our success depends on our ability to innovate and add new products and features ahead of changing market demands and new regulatory requirements. Thus, we emphasize research and development and commit significant resources to develop and adapt new products and production techniques. Our engineering group's goal throughout the company: to deliver world class products and manufacturing processes regardless of product line or location. Results are accomplished with the appropriate blend of predictive analysis and physical property testing in our Research and Development facilities along with ride-and-drive analysis. Our efforts range from executing special orders for current production; to new production development for new functionality and product improvements; to exciting technologies that are new to the markets we serve, like vehicle electrification. Our engineering actions are driven by our firm commitment to safety, quality, delivery, and productivity. We spent \$25.2 million, \$25.3 million, and \$8.5 million on research and development in 2023, 2022, and 2021, respectively.

Shyft's Blue Arc™ EV Solutions brought forward an all-electric purpose-built Class 3, 4, and 5 chassis platform built from the ground up and designed to serve a wide array of medium-duty truck markets, from last mile parcel delivery fleets to work trucks, passenger busses, recreational vehicles, and more. The EV-powered chassis will feature customizable length and wheelbase, making it well-suited for a variety of vehicle types. The chassis' modular design can accommodate multiple GVWR classifications, based on build out and usage.

## **Product Warranties**

We provide limited warranties against assembly and construction defects. These warranties generally provide for the replacement or repair of defective parts or workmanship for specified periods, ranging from one year to twenty years, following the date of sale. With the use of validation testing, predictive analysis tools and engineering and design standards, we strive to continuously improve product quality and durability, and reduce our exposure to warranty claims. The end users also may receive limited warranties from suppliers of components that are incorporated into our chassis and vehicles. For more information concerning our product warranties, see "Note 9 – *Commitments and Contingent Liabilities*" of the Notes to Consolidated Financial Statements in Item 8 appearing in this Form 10-K.

### **Patents, Trademarks and Licenses**

We have 23 United States patents, which include rights to the design and structure of chassis and certain peripheral equipment, and we have 23 United States, Canada, and Patent Cooperation Treaty pending patent applications. The existing patents will expire on various dates from 2025 through 2042 and utility patents are subject to payment of required maintenance fees. We also own or license 73 federal and international trademark and service mark registrations. The trademark and service mark registrations are generally renewable under applicable laws, subject to payment of required fees and the filing of affidavits of use. In addition, we have 49 pending trademark applications.

Our products and services are identified by our trademarks and service marks. Our trademarks and service marks are valuable assets to both of our business segments. We are not aware of any infringing uses or any prior claims of ownership of our trademarks that could materially affect our business. It is our policy to pursue registration of our primary marks whenever possible and to vigorously defend our patents, trademarks and other proprietary marks against infringement or other threats to the extent practicable under applicable laws.

### **Human Capital Management**

We believe people are the most critical component in our continued success, and we strive to attract high-performing talent. As of December 31, 2023, we employed approximately 3,000 employees and contractors. Approximately 11% of our total workforce consists of contractors, including all personnel at our Saltillo, Mexico operation. Our production processes leverage a combination of skilled tradespeople and high-touch assemblers working in body, electrical, mechanical, paint, and assembly operations. We strive to create a workplace of choice to attract, retain, and develop top talent to achieve our vision and deliver shareholder results.

In our locations, we compete with many local companies for talent. We have implemented talent strategies and market competitive wages and benefits to support talent acquisition and retention. In addition to these actions, we have implemented employee surveys and focus groups that encourage our employees to share their opinions and feedback on the culture of our company. The results of the surveys are analyzed and measured to learn how we can enhance and accelerate improvements in the attraction and retention in a difficult talent environment.

We adhere to a philosophy that includes, among other things, commitments to create ongoing job opportunities, pay fair wages, and protect worker health and safety. Fundamental to these commitments are our Company's core values of honesty and integrity, accountability, trust, and performance excellence. Management considers relations with the Company's workforce to be positive.

### **Compensation and Benefits**

We believe the structure of our compensation packages provides the appropriate incentives to attract, retain and motivate our employees. We provide base pay that is competitive and that aligns with employee positions, skill levels, experience and geographic location. In addition to base pay, we seek to reward employees with incentive awards, recognition programs, educational opportunities, paid time off, and equity awards for employees in certain roles.

### **Diversity and Inclusion**

We value and advance the diversity and inclusion of the people with whom we work. We are committed to equal opportunity and are intolerant of discrimination and harassment. We strive to maintain workplaces that are free from discrimination or harassment on the basis of race, sex, color, national or social origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression, political opinion or any other status protected by applicable law.

The basis for recruitment, hiring, placement, development, training, compensation and advancement at the Company includes qualifications, performance, skills and experience.

We do not tolerate disrespectful or inappropriate behavior, unfair treatment or retaliation of any kind. Harassment is not tolerated in the workplace and in any work-related circumstance outside the workplace.

### **Customer Base**

We serve customers ranging from municipalities to OEMs to commercial customers and vehicle dealers throughout our product lines. Sales to our top 10 customers in 2023 accounted for 54.3% of our sales. No customer individually exceeded 10% of our consolidated sales for 2023. Sales to customers that individually exceeded 10% of our consolidated sales for 2022 and 2021 are detailed in the chart below.

Year	Customer	Sales (\$ millions)	Percentage of consolidated sales	Segment
2022	Amazon	\$ 153.6	15.0%	FVS
2022	Newmar	\$ 107.7	10.5%	SV
2021	Amazon	\$ 248.6	25.1%	FVS

We do have other significant customers which, if the relationship changes significantly, could have a material adverse impact on our financial position and results of operations. We believe that we have developed strong relationships with our customers and continually work to develop new customers and markets. See related risk factors in Item 1A of this Form 10-K.

Sales to customers outside the United States were \$24.7 million, \$7.7 million, and \$11.7 million for the years ended December 31, 2023, 2022 and 2021, respectively, or 2.8%, 0.7%, and 1.2%, respectively, of sales for those years. Substantially all of our long-lived assets are located in the United States.

### **Order Backlog**

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

	December 31, 2023	December 31, 2022	Decrease
FVS	\$ 325,003	\$ 736,690	\$ (411,687)
SV	84,269	96,023	(11,754)
Total consolidated	\$ 409,272	\$ 832,713	\$ (423,441)

Our FVS backlog decreased by \$411.7 million, or 55.9%. Our SV segment backlog decreased by \$11.8 million, or 12.2%.

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 chassis and component availability, changes in production rates, available capacity, new product introductions 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.

### **Non-GAAP Financial Measure**

This Form 10-K 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.

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

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

	2023	2022	2021	2020	2019
Income from continuing operations	\$ 6,464	\$ 36,558	\$ 69,974	\$ 38,289	\$ 36,790
Net (income) loss attributable to non-controlling interest	32	-	(1,230)	(347)	(140)
Interest expense	6,527	2,833	414	1,293	1,839
Income tax expense (benefit)	(5,768)	7,368	14,506	9,867	10,355
Depreciation and amortization	16,953	14,774	11,356	13,903	6,073
Restructuring and other related charges	1,741	757	505	1,873	316
Acquisition related expenses and adjustments	440	884	1,585	1,332	3,531
Non-cash stock-based compensation expense	7,834	7,619	8,745	7,706	5,281
Loss from write-off of assets	1,872	-	-	2,430	-
Legacy legal matters	956	-	-	-	-
Non-recurring professional fees	288	-	1,568	-	-
CEO transition	2,629	-	-	-	-
Loss from liquidation of JV	-	-	643	-	-
Adjusted EBITDA	<u>\$ 39,968</u>	<u>\$ 70,793</u>	<u>\$ 108,066</u>	<u>\$ 76,346</u>	<u>\$ 64,045</u>

#### **Available Information**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports (and amendments thereto) filed or furnished pursuant to Section 13(a) of the Securities Exchange Act are available, free of charge, on our internet website ([www.TheShyftGroup.com](http://www.TheShyftGroup.com)) as soon as reasonably practicable after we electronically file or furnish such materials with the Securities and Exchange Commission ("SEC").

The SEC maintains an internet website ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

### **Information About our Executive Officers**

The executive officers of the Company, their business experience and their ages as of February 1, 2024, are as follows:

Name	Position	Business Experience	Age	Executive Officer Since
John Dunn	President and Chief Executive Officer	President and Chief Executive Officer and Director, since October 2023. President, Shyft Fleet Vehicles and Services from January to October 2023. President and CEO, North and South America of Plastic Omnium, Clean Energy Systems from April 2014 to December 2022. President, Brose North America from July 2012 to April 2014.	57	2023
Jonathan C. Douyard	Chief Financial Officer	Chief Financial Officer since March 2020. Vice President and Chief Financial Officer, Fluke Corporation from June 2016 to February 2020. Prior roles included finance leadership positions with Commercial Systems & Services business unit, Sikorsky Aircraft (United Technologies) and General Electric subsidiaries.	44	2020
Jacob Farmer	President, Fleet Vehicles and Services	President, Fleet Vehicles and Services since January 2024. President, Specialty Vehicles from July 2023 to January 2024. President and Chief Executive Officer, Trialon Corporation from January 2020 to July 2023. Global Vice President & General Manager, Cooper Standard from July 2018 to December 2019 and Managing Director from October 2014 to July 2018.	46	2023
Joshua A. Sherbin	Chief Legal Officer, Chief Compliance Officer and Corporate Secretary	Chief Legal Officer, Chief Compliance Officer and Corporate Secretary since May 2021. Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary, TriMas Corporation from March 2016 to May 2021.	60	2021
Colin Hindman	Chief Human Resources Officer	Chief Human Resources Officer since June 2020. Chief Human Resources Officer, Dayco Products LLC from March 2017 to June 2020. Vice President, Human Resources, TriMas Corporation from March 2010 to November 2016.	49	2022

#### **Item 1A. Risk Factors.**

Our financial condition, results of operations and cash flows are subject to various risks, many of which are not exclusively within our control that may cause actual performance to differ materially from historical or projected future performance. The risks described below are the primary risks known to us that we believe could materially affect our business, financial condition, results of operations, or cash flows. However, these risks may not be the only risks we face. Our business could also be affected by additional factors that are not presently known to us, factors we currently consider to be immaterial to our operations, or factors that emerge as new risks in the future. Readers should not interpret the disclosure of any risk factor to imply that the risk has not already materialized.

#### **Risks Related to Global Events**

**Uncertain global macro-economic and political conditions could materially adversely affect our business, financial condition, results of operations, or cash flows.**

Global and local business conditions include inflation, recession, interest rates, availability of capital, energy and commodity prices, trade laws and the effects of governmental initiatives to manage economic conditions. We have experienced, and are continuing to experience, challenges and increases in costs for logistics and in our supply chains, such as increased port congestion, intermittent supplier delays, and volatility in prices of commodities such as base metals and raw materials. Further unfavorable conditions such as a general slowdown of the U.S. economy, uncertainty and volatility in the financial markets, uncertainty or volatility in commodity prices or additional inflationary factors and rising interest rates could result in higher operating costs and expenses for our Company as well as softer demand for our products from customers and could make it more difficult and expensive for us or our customers to obtain financing.

Ongoing military conflicts, such as in the Middle East and Ukraine, for example, could lead to sanctions or other market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions for equipment, which could have an adverse impact on our business, financial condition, results of operations, or cash flows.

These challenges also impact our suppliers, and we have experienced supply chain disruptions as a result. Our inability to obtain raw materials, chassis and other supplies on a timely basis negatively impacts our ability to fulfill customer orders, which may have a material adverse impact on our results of operations, financial condition, and liquidity.

### **Risks Related to Our Company and Business**

#### **Any negative change in our relationship with our major customers could have significant adverse effects on revenues and profits.**

Our financial success is directly related to the willingness of our customers to continue to purchase our products. Failure to fill customers' orders in a timely manner or on the terms and conditions they may impose could harm our relationships with our customers. The importance of maintaining excellent relationships with our major customers may also give these customers leverage in our negotiations with them, including pricing and other supply terms, as well as post-sale disputes. This leverage may lead to increased costs to us. Furthermore, if any of our major customers experience a significant downturn in their business or fail to remain committed to our products or brands, then these customers may reduce or discontinue purchases from us, which could have an adverse effect on our business, results of operations and financial condition. Sales to our top 10 customers in 2023 accounted for 54.3 percent of our sales in the aggregate. In addition, a key customer owns a significant share of a new entrant competitor, and our business may be adversely affected if the customer's ownership of or our competitive relationship in the marketplace with our competitor results in a decline or discontinuation of the customer's purchases from us.

#### **We may not be able to remain competitive in the rapidly changing markets in which we compete.**

The markets we serve are undergoing rapid transformation, particularly with respect to parcel delivery services and electric vehicle ("EV") technologies. Our current and potential competitors include companies that have significantly greater financial, technical, manufacturing, marketing and other resources than we do, including OEMs and certain of our customers, and which are highly motivated by market opportunities to deploy those resources to the design, development, manufacturing, distribution, promotion, sale and support of their products, including their EVs. In addition to these established, mature competitors, we also face competition from new market entrants, including technology companies. As a result of these market opportunities, OEMs and other companies have taken actions to reduce costs, including through in-sourcing and supply base consolidation. We expect these trends to continue and even accelerate. We expect competition for EVs to intensify due to increased demand and a regulatory push for alternative fuel vehicles, continuing globalization, and consolidation in the worldwide vehicle industry. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in downward price pressure and adversely affect our business, financial condition, operating results, and prospects. Our business will be adversely affected if we are unable to adequately respond to these pressures or otherwise continue to compete in these markets.

#### **Amounts included in order backlog may not result in actual revenue and are an uncertain indicator of our future revenue.**

Backlog is generally comprised of agreements and purchase orders from customers that are subject to modification, cancellation, or rescheduling. While realization of revenue related to order backlog has not been a major issue in the past, we cannot assure that we will recognize revenue with respect to each order included in order backlog. Should a cancellation occur, our order backlog and anticipated revenue would be reduced unless we are able to replace the cancelled order. As a result, the order backlog may not be indicative of future sales and can vary significantly from period to period. Reductions in our order backlog could negatively impact our future results of operations.

We evaluate our order backlog at least quarterly to determine if the orders continue to meet our criteria for inclusion in order backlog. We may adjust our reported order backlog to account for any changes, including those arising from continued customer intent and ability to fulfill order, supply base capacity, and changes in our ability, or the methodology used, to determine whether an order is likely to be completed. We cannot assure that our order backlog will result in revenue on a timely basis or at all, or that any cancelled contracts will be replaced.

As a result, the order backlog may not be indicative of future sales and can vary significantly from period to period. In addition, it is possible that the methodology for determining the order backlog may not be comparable to methods used by other companies.

**The integration of businesses or assets we have acquired or may acquire in the future involves challenges that could disrupt our business and harm our financial condition.**

As part of our growth strategy, we have pursued and expect we will continue to selectively pursue acquisitions of businesses or assets in order to diversify, expand our capabilities, enter new markets, or increase our market share. Integrating any newly acquired business or assets can be expensive and can require a great deal of management time and other resources. We cannot guarantee that we will be able to identify attractive acquisition targets or assets. If we are unable to successfully integrate the newly acquired businesses with our existing business, we may not realize the synergies we expect from the acquisition and our business and results of operations may be adversely impacted.

**Re-configuration or relocation of our production operations could negatively impact our earnings.**

We may, from time to time, reconfigure our production lines or relocate production of products between buildings or locations or to new locations to maximize the efficient utilization of our existing production capacity or take advantage of opportunities to increase manufacturing efficiencies. Costs incurred to affect these reconfigurations or relocations may exceed our estimates, and efficiencies gained may be less than anticipated, each of which may have a negative impact on our results of operations and financial position.

**Disruptions within our dealer network could adversely affect our business.**

We rely, for certain of our products, on a network of independent dealers to market, stock, deliver, provide training for, and service our products to and for customers. Our business is influenced by our ability to initiate and manage new and existing relationships with dealers.

From time to time, we or an individual dealer may choose to terminate the relationship, or the dealership could face financial difficulty leading to failure or difficulty in transitioning to new ownership. In addition, our competitors could engage in a strategy to attempt to acquire or convert our dealers to carry their products. We do not believe our business is dependent on any single dealer, the loss of which would have a sustained material adverse effect upon our business.

However, disruption of dealer coverage within a specific local market could have an adverse impact on our business within the affected market. The loss or termination of a significant number of dealers could cause difficulties in marketing and distributing our products and have an adverse effect on our business, operating results or financial condition. In the event that a dealer in a strategic market experiences financial difficulty, we may choose to provide financial support such as extending credit to a dealership, reducing the risk of disruption, but increasing our financial exposure.

**We may not be able to successfully implement and manage our growth strategy.**

Our growth strategy includes expanding existing market share through product innovation, continued expansion into industrial and global markets and merger or acquisition related activities. We believe our future success depends in part on our research and development and engineering efforts, our ability to manufacture or source the products and customer acceptance of our products. As it relates to new markets, our success also depends on our ability to create and implement local supply chain, sales and distribution strategies to reach these markets.

The potential inability to successfully implement and manage our growth strategy could adversely affect our business and our results of operations. The successful implementation of our growth strategy will depend, in part, on our ability to integrate operations with acquired companies.

We also make investments in new business development initiatives which could have a relatively high failure rate. We limit our investments in these initiatives and establish governance procedures to contain the associated risks, but losses could result and may be material. Our growth strategy also may involve acquisitions, joint venture alliances and additional arrangements of distribution. We may not be able to enter into acquisitions or joint venture arrangements on acceptable terms, and we may not successfully integrate these activities into our operations. We also may not be successful in implementing new distribution channels, and changes could create discord in our existing channels of distribution.

**Increased costs, including costs of raw materials, component parts and labor costs, potentially impacted by changes in labor rates and practices, disruptions in supply chains and/or new or increased tariffs or similar restrictions, could reduce our operating income.**

Our results of operations may be significantly affected by the availability and pricing of manufacturing components and labor, changes in labor rates and practices, and increases in tariffs or similar restrictions on materials we import. Increases in costs of raw materials used in our products could affect the cost of our supply materials and components, as rising steel and aluminum prices as well as increased tariffs have impacted the cost of certain of our manufacturing components. In addition, a growth in popularity of EVs without a significant expansion in battery cell production capacity could result in shortages, which could result in increased materials costs to us and could adversely impact our projected manufacturing and delivery timelines. Although we attempt to mitigate the effect of any escalation in components, labor costs, and tariffs by negotiating with current or new suppliers and by increasing productivity or, where possible, by increasing the sales prices of our products, we cannot be certain that we will be able to do so without it having an adverse impact on the competitiveness of our products and, therefore, our sales volume. If we cannot successfully offset increases in our manufacturing costs, this could have a material adverse impact on our margins, operating income and cash flows. Our profit margins may decrease if prices of purchased component parts, labor rates, and/or tariffs increase, and we are unable to pass on those increases to our customers.

**Implementing new information systems could interfere with our business or operations.**

We are in the process of implementing new information systems infrastructure and applications that impact multiple locations. These projects require significant investment of capital and human resources, the re-engineering of many processes of our business, and the attention of many employees and managers who would otherwise be focused on other aspects of our business. Should the systems not be implemented successfully, we may incur impairment charges that could materially impact our financial results. If the systems do not perform in a satisfactory manner once implementation is complete, our business and operations could be disrupted and our results of operations negatively affected, including our ability to report accurate and timely financial results.

**Our EVs will rely on software and hardware that is highly technical, and if these systems contain errors, bugs, vulnerabilities, or design defects, or if we are unsuccessful in addressing or mitigating technical limitations in our systems, our EV business could be adversely affected.**

Our EVs will rely on software and hardware that is highly technical and complex and will require modification and updates over the life of the vehicles. Our software and hardware may contain errors, bugs, vulnerabilities or design defects, and our systems are subject to certain technical limitations that may compromise our ability to meet our objectives. Some errors, bugs, vulnerabilities, or design defects inherently may be difficult to detect and may only be discovered after the product has been released. Although we will attempt to remedy any issues we observe in our vehicles effectively and rapidly, such efforts may not be timely, may hamper production or may not be to the satisfaction of our customers.

If we are unable to prevent or effectively remedy errors, bugs, vulnerabilities or defects in our software and hardware, or fail to deploy updates to our software properly, we would suffer damage to our reputation, loss of customers, loss of revenue or liability for damages, any of which could adversely affect our business, prospects, financial condition, results of operations, and cash flows.

**There are complex software and technology systems that need to be developed by us and in coordination with vendors and suppliers to reach mass production for our EVs, and there can be no assurance such systems will be successfully developed or integrated.**

Our EVs and EV operations will use a substantial amount of complex third-party and in-house software and hardware. The development and integration of such advanced technologies are inherently complex, and we will need to coordinate with our vendors and suppliers to reach mass production for our EVs. Defects and errors may be revealed over time and our control over the performance of third-party services and systems may be limited. Thus, our potential inability to develop and integrate the necessary software and technology systems may adversely affect our EV business.

We rely on third-party suppliers to develop a number of emerging technologies for use in our EVs, including battery technology and the use of different battery cell chemistries. Certain of these technologies and chemistries are not today, and may not ever be, commercially viable. There can be no assurances that our suppliers will be able to meet the technological requirements, production timing, and volume requirements to support our business plan. Furthermore, if we experience delays by our third-party suppliers (including due to their financial viability or technology), we could experience delays in delivering on our timelines. In addition, the technology may not comply with the cost, performance useful life, and warranty characteristics we anticipate in our business plan. As a result, our business plan could be significantly impacted and we may incur significant liabilities under warranty claims which could materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows.

**Our EVs will make use of lithium-ion battery cells, which, if not appropriately managed and controlled, have been observed to catch fire or vent smoke and flame.**

The battery packs within our EVs will make use of lithium-ion cells. If not properly managed or subject to environmental stresses, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. While the battery pack is designed to contain any single cell's release of energy without spreading to neighboring cells, a field or testing failure of battery packs in our vehicles could occur, which could result in bodily injury or death and could subject us to lawsuits, field actions (including product recalls), or redesign efforts, all of which would be time consuming and expensive and could harm our brand image. Also, negative public perceptions regarding the suitability of lithium-ion cells for automotive applications, the social and environmental impacts of mineral mining or procurement associated with the constituents of lithium-ion cells, or any future incident involving lithium-ion cells, such as a vehicle or other fire, could materially and adversely affect our reputation and business, prospects, financial condition, results of operations, and cash flows.

**Disruption of our supply base could affect our ability to obtain component parts.**

We increasingly rely on component parts from global sources in order to manufacture our products. Disruption of this supply base due to international political events, natural disasters or adverse weather conditions (including any disasters or weather conditions caused by climate change), or other factors could affect our ability to obtain component parts at acceptable prices, or at all, and have a negative impact on our sales, results of operations and financial position.

**When we introduce new products, we may incur expenses that we did not anticipate, such as recall expenses, resulting in reduced earnings.**

The introduction of new products is critical to our future success. We have additional costs when we introduce new products, such as initial labor or purchasing inefficiencies, but we may also incur unexpected expenses. For example, we may experience unexpected engineering or design issues that will force a recall of a new product or increase production costs of the product above levels needed to ensure profitability. In addition, we may make business decisions that include offering incentives to stimulate the sales of products not adequately accepted by the market, or to stimulate sales of older or less marketable products. The costs resulting from these types of problems could be substantial and have a significant adverse effect on our earnings.

**We depend on a small group of suppliers for some of our components, and the loss of any of these suppliers could affect our ability to obtain components at competitive prices, which would decrease our sales or earnings.**

Most chassis and specialty vehicle commodity components are readily available from a variety of sources. However, a few proprietary or specialty components are produced by a small group of suppliers.

In addition, we generally do not purchase chassis for our delivery vehicles. Rather, we accept shipments of vehicle chassis owned by dealers or end-users for the purpose of installing and/or manufacturing our specialized truck bodies on such chassis. There are four primary sources for commercial chassis, and we have established relationships with all major chassis manufacturers.

Changes in our relationships with these suppliers, shortages, production delays, their ability to secure components required for chassis production or work stoppages by the employees of such suppliers could have a material adverse effect on our ability to timely manufacture our products and secure sales. If we cannot obtain an adequate supply of components or commercial chassis, this could result in a decrease in our sales and earnings.

**Our business could be adversely affected by the decision of our employees to unionize.**

Currently, none of our U.S. employees are represented by a collective bargaining agreement. If in the future our employees decide to unionize, this would increase our operating costs and potentially force us to alter the way we operate causing an adverse effect on our operating results.

**The ability to hire or retain management and other key personnel is critical to our continued success, and the loss of or inability to hire such personnel could have a material adverse effect on our business, financial condition and results of operations.**

Our ability to sustain and grow our business requires us to hire, retain and develop a highly skilled and diverse management team and workforce. Overall, there is intense competition for qualified and skilled employees. As all key personnel devote their full time to our business, the loss of any member of our management team, or other key persons, or the inability to hire key persons, could have an adverse effect on us. If we lose key members of our senior management team or are unable to effect successful transitions from one executive to another as part of our succession plan, we may not be able to effectively manage our current operations or meet ongoing and future business challenges, and this could have a material adverse effect on our business, financial condition and results of operations.

**Risks associated with international sales and contracts could have a negative effect on our business.**

In 2023, 2022, and 2021, we derived 2.8%, 0.7%, and 1.2% of our revenue from sales to, or related to, end customers outside the United States. We face numerous risks associated with conducting international operations, any of which could negatively affect our financial performance, including changes in foreign country regulatory requirements, the strength of the U.S. dollar compared to foreign currencies, import/export restrictions, the imposition of foreign tariffs and other trade barriers and disruptions in the shipping of exported products.

Additionally, as a public company, we are subject to the Foreign Corrupt Practices Act, which may place us at a competitive disadvantage to foreign companies that are not subject to similar regulations.

#### **More General Risks Applicable to Our Industry**

**General economic, market, and/or political conditions, whether on a global, national, or more regional scale, could have a negative effect on our business.**

Wars, acts of terrorism, armed conflicts, natural disasters (including those caused by climate change), budget shortfalls, cyber events, civil unrest, governmental actions, and epidemics have in the past and could in the future create significant uncertainties that may have material and adverse effects on consumer demand, shipping and transportation, the availability of manufacturing components, commodity prices and our ability to engage in overseas markets as tariffs are implemented. An economic recession, whether resulting from one of these events or others, would have a material adverse impact on our financial condition and results of operations.

**If there is a rise in the frequency and size of product liability, warranty and other claims against us, including wrongful death claims, our business, results of operations and financial condition may be harmed.**

We are frequently subject, in the ordinary course of business, to litigation involving product liability and other claims, including wrongful death claims, related to personal injury and warranties. We insure our product liability claims in the commercial insurance market. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us. Any increase in the frequency and size of these claims, as compared to our experience in prior years, may cause the premiums that we are required to pay for such insurance to rise significantly. It may also increase the amounts we pay in punitive damages, which may not be covered by our insurance. In addition, a major product recall or increased levels of warranty claims could have a material adverse effect on our results of operations.

**Changes to laws and regulations governing our business could have a material impact on our operations.**

Our manufactured products and the industries in which we operate are subject to extensive federal and state regulations. Changes to any of these regulations or the implementation of new regulations could significantly increase the costs of manufacturing, purchasing, operating or selling our products, managing our data and systems, and could have a material adverse effect on our results of operations. Our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of sales or production, or cessation of operations.

Certain U.S. tax laws currently afford favorable tax treatment for financing the purchase of recreational vehicles that are used as the equivalent of second homes. These laws and regulations have historically been amended frequently, and it is likely that further amendments and additional regulations will be applicable to us and our products in the future. Amendments to these laws and regulations and the implementation of new regulations could have a material adverse effect on our results of operations.

Our operations are subject to a variety of federal and state environmental regulations relating to noise pollution and the use, generation, storage, treatment, emission and disposal of hazardous materials and wastes. Our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of production or operations, alterations to the manufacturing process, costly cleanup or capital expenditures. Climate change regulations at the federal, state or local level could require us to change our manufacturing processes or product portfolio or undertake other activities that may require us to incur additional expense, which may be material.

Our vehicles are subject to motor vehicle safety standards, and the failure to satisfy such mandated safety standards could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

All vehicles sold must comply with international, federal, and state motor vehicle safety standards. In the United States, vehicles that meet or exceed all federally mandated safety standards are self-certified by the manufacturer under the federal regulations. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. Other jurisdictions outside the United States require us to meet Type Approval requirements proving to regulators that our vehicles meet those relevant safety standards in effect in those countries. Failure by us to maintain compliance of our current vehicles or obtain certification of compliance for any future vehicle, including future EV models, with motor vehicle safety standards in the United States, Canada or other jurisdictions could have a material adverse effect on our business, prospects, financial condition, results of operations, and cash flows.

**Our operating results may fluctuate significantly on a quarter-to-quarter basis.**

Our quarterly operating results depend on a variety of factors including the timing and volume of orders, the completion of product inspections and acceptance by our customers, and various restructuring initiatives that may be undertaken from time to time. As an example, our Fleet Vehicles and Services segment experiences seasonality whereby product shipments in the first and fourth quarters are generally lower than other quarters as a result of the busy holiday delivery operations experienced by some of its largest customers. Accordingly, our financial results may be subject to significant and/or unanticipated quarter-to-quarter fluctuations.

**Our businesses are cyclical, and this can lead to fluctuations in our operating results.**

The industries in which we operate are highly cyclical and there can be substantial fluctuations in our manufacturing, shipments and operating results, and the results for any prior period may not be indicative of results for any future period. Companies within these industries are subject to volatility in operating results due to external factors such as economic, demographic and political changes. Factors affecting the manufacture of chassis, specialty vehicles, delivery vehicles and other of our products include but are not limited to:

- Commodity prices;
- Fuel availability and prices.
- Unemployment trends;
- International tensions and hostilities;
- General economic conditions;
- Various tax incentives;
- Strength of the U.S. dollar compared to foreign currencies;
- Overall consumer confidence and the level of discretionary consumer spending;
- Dealers' and manufacturers' inventory levels; and
- Interest rates and the availability of financing.

**Economic, legal and other factors could impact our customers' ability to pay accounts receivable balances due from them.**

In the ordinary course of business, customers are granted terms related to the sale of goods and services delivered to them. These terms typically include a period between when the goods and services are tendered for delivery to the customer and when the customer needs to pay for these goods and services. The amounts due under these payment terms are listed as accounts receivable on our balance sheet. Prior to collection of these accounts receivable, our customers could encounter drops in sales, unexpected increases in expenses, or other factors which could impact their ability to continue as a going concern and which could affect the collectability of these amounts. Writing off uncollectible accounts receivable could have a material adverse effect on our earnings and cash flow as we have major customers with material accounts receivable balances at any given time.

**Our business operations could be disrupted if our information technology systems fail to perform adequately or experience a cybersecurity incident.**

We rely on our information technology systems to effectively manage our business data, communications, supply chain, product engineering, manufacturing, accounting and other business processes. If these systems are damaged, cease to function properly or are subject to a cybersecurity breach such as ransomware, phishing, infection with viruses or intentional attacks aimed at theft or destruction of sensitive data, we may suffer an interruption in our ability to manage and operate the business, and our results of operations and financial condition may be adversely affected.

Like most corporations, our information systems are a target of attacks. In addition, third-party providers of data hosting or cloud services, as well as our suppliers, may experience cybersecurity incidents that may involve data we share with them. There can be no assurance that cybersecurity incidents, whether with respect to us or such third-party providers, will not have a material adverse effect on us in the future. In order to mitigate risks to our information systems, we continue to make investments in personnel, technologies and training of personnel.

**Fuel shortages, or higher prices for fuel, could have a negative effect on sales.**

Gasoline or diesel fuel is required for the operation of the specialty vehicles we manufacture. There can be no assurance that the supply of these petroleum products will continue uninterrupted, that rationing will not be imposed or that the price of or tax on these petroleum products will not significantly increase in the future. Increases in gasoline and diesel prices and speculation about potential fuel shortages have had an unfavorable effect on consumer demand for motorhome from time to time in the past and may continue to do so in the future. This, in turn, may have a material adverse effect on our sales volume. Increases in the price of oil also can result in significant increases in the price of many of the components in our products, which may have an adverse impact on margins or sales volumes.

**We could incur asset impairment charges for goodwill, intangible assets or other long-lived assets.**

We have a significant amount of goodwill, intangible assets and other long-lived assets. At least annually, we review goodwill and non-amortizing intangible assets for impairment. Identifiable intangible assets, goodwill and other long-lived assets are also reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. If the operating performance at one or more of our reporting units fails to meet future forecasts, or if future cash flow estimates decline, we could be required, under current U.S. accounting rules, to record impairment charges for our goodwill, intangible assets or other long-lived assets. Any write-off of a material portion of such assets could negatively affect our results of operations or financial position. See “Note 4 – *Goodwill and Intangible Assets*” of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further discussion of goodwill, intangibles and other long-lived assets.

**We may be unable to adequately protect our intellectual property.**

While we believe that our patents, trademarks, know-how and other intellectual property have significant value, it is uncertain that this intellectual property or any intellectual property acquired or developed by us in the future will provide a meaningful competitive advantage. Our patents or pending applications may be challenged, invalidated or circumvented by competitors or rights granted thereunder may not provide meaningful proprietary protection. Moreover, competitors may infringe on our patents or successfully avoid them through design innovation. Policing unauthorized use of our intellectual property is difficult and expensive, and we may not be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the U.S. The cost of protecting our intellectual property may be significant and have a material adverse effect on our financial condition and future results of operations.

**The unavailability, reduction, elimination or adverse application of government incentives could have an adverse effect on our business, prospects, financial condition and operating results.**

The growth of our EV business depends in part on the availability and amounts of government incentives. Any reduction, elimination or discriminatory application of government incentives because of budgetary challenges, policy changes, the reduced need for such incentives due to the perceived success of EVs or other reasons may result in the diminished price competitiveness of the alternative fuel vehicle industry, which could have an adverse effect on our business, prospects, financial condition and operating results.

**Expectations relating to environmental, social and governance considerations expose us to potential liabilities, increased costs, reputational harm and other adverse effects on our business.**

Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on environmental, social and governance (“ESG”) considerations relating to businesses, including climate change and greenhouse gas emissions, human capital and diversity, equity and inclusion. We make statements about our ESG goals and initiatives through information provided on our website, press statements and other communications, including through our Sustainability Report. Responding to these ESG considerations and implementation of these goals and initiatives involves risks and uncertainties, including those described under “Forward-Looking Statements,” requires investments and are impacted by factors that may be outside of our control. In addition, some stakeholders may disagree with our goals and initiatives and the focus of stakeholders may change and evolve over time. Stakeholders also may have very different views on where ESG focus should be placed, including differing views of regulators in various jurisdictions in which we operate. Any failure, or perceived failure, by us to achieve our goals, further our initiatives, adhere to our public statements, comply with federal, state or international ESG laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against us and materially adversely affect our business, reputation, results of operations, financial condition and stock price.

**Emerging issues related to the development and use of artificial intelligence (“AI”) could give rise to legal or regulatory action, damage our reputation or otherwise materially harm of our business.**

Our development and use of AI technology in our products and operations remains in the early phases. While we aim to develop and use AI responsibly and attempt to mitigate ethical and legal issues presented by its use, we may ultimately be unsuccessful in identifying or resolving issues before they arise. AI technologies are complex and rapidly evolving and the technologies that we develop or use may ultimately be flawed. Moreover, AI technology is subject to rapidly evolving domestic and international laws and regulations, which could impose significant costs and obligations on the company. For example, in 2023 the Biden Administration issued a new, executive order on safe, secure and trustworthy AI and the EU introduced the AI Act to establish rules for providers and users. Emerging regulations may pertain to data privacy, data protection, and the ethical use of AI, as well as clarifying intellectual property considerations. Our use of AI could give rise to legal or regulatory action, increased scrutiny or liability, damage our reputation or otherwise materially harm our business.

**Risk Applicable to Our Securities**

**Our stock price has been and may continue to be volatile, which may result in losses to our shareholders.**

The market price of our common stock has been and may continue to be subject to wide fluctuations in response to, among other things, quarterly fluctuations in operating results, a failure to meet published estimates of or changes in earnings estimates by securities analysts, sales of common stock by existing stockholders, loss of key personnel, market conditions in our industries, shortages of key product inventory components and general economic conditions.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 1C. Cybersecurity.**

We rely on information technology systems across our operations, including for management, supply chain and financial information and various other processes and transactions. Our ability to effectively manage our business depends on the security, reliability and capacity of these systems. We have established a range of security measures that are designed to protect against the unauthorized access to and misappropriation of our information, corruption of data, intentional or unintentional disclosure of confidential information, or disruption of operations. We have implemented additional controls, security processes and monitoring of our manufacturing systems. We have also implemented additional cloud security tools and governance processes for assessing, identifying and managing material risks from cybersecurity threats. In addition, we maintain an information security training program that encompasses the following areas: phishing and email security, password security, data handling security, cloud security, operational technology security processes, and cyber-incident response and reporting processes.

The oversight of our cybersecurity risk management process is integrated into our overall risk management process. Through our enterprise risk management process, which involves a broad cross-functional group across many areas of expertise and is structurally independent of our business lines, we identify and assess risk and risk-mitigation actions, including with respect to cybersecurity risks. Continuing oversight of our cybersecurity risk is addressed by a group of stakeholders that includes our information technology (“IT”) and cybersecurity leadership and IT leaders within our various facilities, with cybersecurity risk input provided from this team to our senior leadership team on a regular basis. In turn, our Chief Information Officer provides key updates on risk and mitigation strategies to the Audit Committee.

We rely on third-party service providers to execute certain business processes, maintain certain information systems and infrastructure, evaluate defenses, and implement recommendations. We periodically have external information security assessments performed by third parties to analyze our internal assessment results and to stay informed of information security risks. Additionally, we maintain a supplier validation process, which involves approval by our cybersecurity group for significant suppliers that will have access to any of our databases or technology. We also maintain processes to oversee and identify risks from cybersecurity threats associated with our use of third-party service providers.

While we have experienced cybersecurity incidents in the past, to date, none have materially affected, or reasonably likely to materially affect, the Company, including our business strategy, results of operations or financial position. We continue to invest in the cybersecurity and resiliency of our networks and to enhance our internal controls and processes, which are designed to help protect our systems and infrastructure, and the information they contain. For more information regarding the risks we face from cybersecurity threats, please see “Risk Factors-- More General Risks Applicable to Our Industry.”

**Governance**

The Board of Directors is responsible for overseeing risk for the Company and has delegated to the Audit Committee responsibility for overseeing the cybersecurity risk management strategy for the Company. The Audit Committee reviews how we are executing against our comprehensive cybersecurity framework, including reviewing our cybersecurity reporting protocol. The Audit Committee receives regular updates on cybersecurity risks from our Chief Information Officer (“CIO”). The Audit Committee also regularly receives updates on efforts regarding data loss prevention, regulatory compliance, data privacy, threat and vulnerability management, cyber-crisis management, and other topics as applicable. Additionally, management provides the Audit Committee with a cybersecurity dashboard, which the full Board of Directors can access as well.

The Company’s cybersecurity program is overseen by our CIO, who is responsible for assessing and managing material risks from cybersecurity threats, including monitoring the prevention, detection, mitigation and remediation of cybersecurity incidents. Our CIO has over 20 years of global automotive technology and cybersecurity experience and reports to our President and Chief Executive Officer.

The Company’s Security Manager reports to our CIO and is the head of our cybersecurity team. The Security Manager is responsible for assessing and managing our cyber risk management program, informs senior management, together with the CIO, regarding the prevention, detection, mitigation, and remediation of cybersecurity incidents and supervises such efforts. Our Security Manager has over 15 years of experience in technology and cybersecurity, a master’s degree in information security and industry certifications, including CISSP, CDPSE, ITIL, and COBIT.

**Item 2. Properties.**

We operate facilities in a total of 18 locations, 17 throughout the U.S. and one location in Mexico. The number of physical locations we operate is part of our strategy to develop coast-to-coast manufacturing and distribution capabilities.

Our Fleet Vehicles and Services segment operates facilities in Bristol, Indiana; Charlotte, Michigan; Landisville, Pennsylvania; and Kansas City, Missouri. All of these facilities are leased except for facilities in Charlotte, which are owned by the Company. FVS also operates facilities in Saltillo, Mexico.

Our Specialty Vehicles segment operates facilities in Charlotte, Michigan; Carson and McClellan Park, California; Dallas and Weatherford, Texas; Mesa, Arizona; Waterville, Maine; and Pompano Beach and West Palm Beach, Florida; Lebanon, Tennessee. All of these facilities are leased except for the Charlotte and Pompano Beach facilities, which are owned by the Company.

In addition, our corporate headquarters are located in an office building and showroom in Novi, Michigan, that we lease. We also have certain corporate functions that operate out of our campus in Charlotte, Wixom and Plymouth, Michigan.

We consider our properties to generally be in good condition, well maintained, and suitable and adequate to meet our business requirements for the foreseeable future. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

**Item 3. Legal Proceedings.**

At December 31, 2023, we were parties, both as plaintiff or defendant, to a number of lawsuits and claims arising out of the normal conduct of our businesses. Our management does not currently expect our financial position, future operating results or cash flows to be materially affected by the final outcome of these legal proceedings. The information contained in “Note 9 – Commitments and Contingent Liabilities” of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K is incorporated herein by reference.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

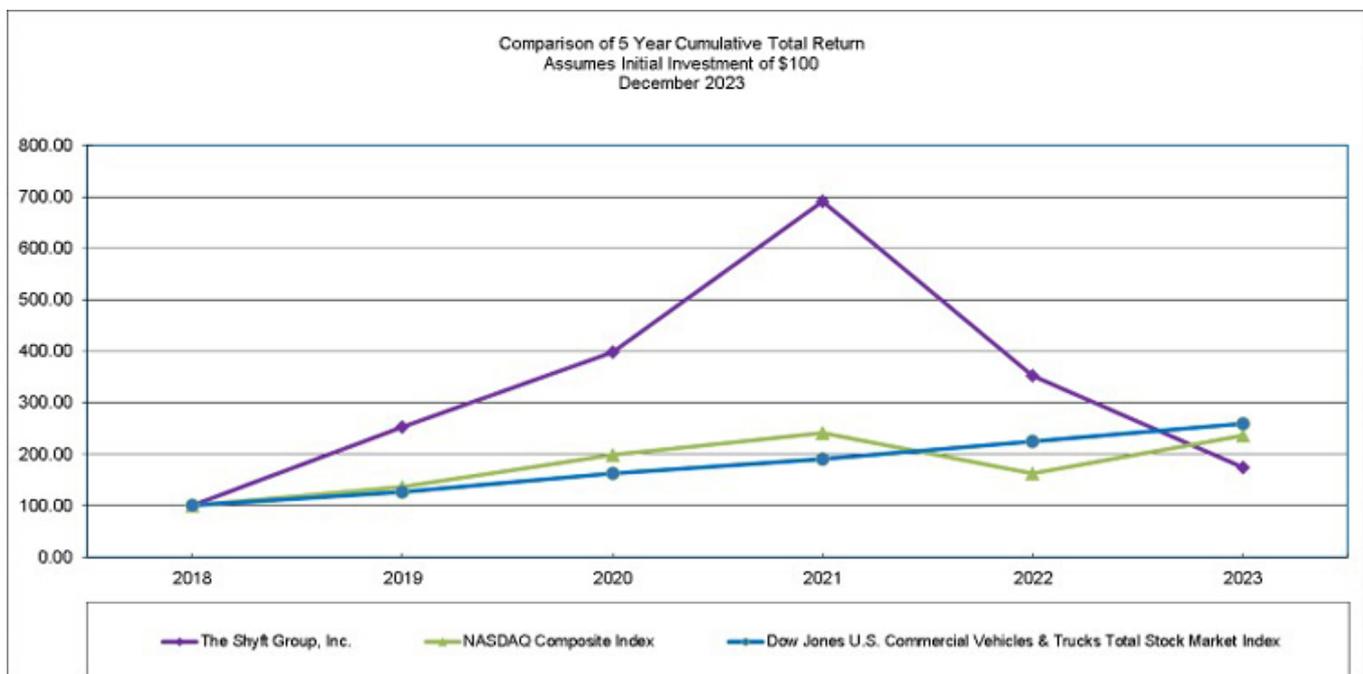
Our common stock is traded on the NASDAQ Global Select Market under the symbol "SHYF." The number of shareholders of record of our common stock on February 16, 2024 was 238. See Item 12 below for information concerning our equity compensation plans.

We paid dividends on our outstanding common shares in 2023 and 2022 as shown in the table below.

Date dividend declared	Record date	Payment date	Dividend per share (\$)
Oct. 31, 2023	Nov. 16, 2023	Dec. 15, 2023	0.05
Aug. 2, 2023	Aug. 17, 2023	Sep. 18, 2023	0.05
May 2, 2023	May 17, 2023	Jun. 20, 2023	0.05
Jan. 31, 2023	Feb. 17, 2023	Mar. 17, 2023	0.05
Nov. 1, 2022	Nov. 16, 2022	Dec. 15, 2022	0.05
Aug. 5, 2022	Aug. 17, 2022	Sep. 16, 2022	0.05
May 2, 2022	May 17, 2022	Jun. 17, 2022	0.05
Feb. 16, 2022	Feb. 17, 2022	Mar. 17, 2022	0.05

No assurance, however, can be given that any future dividends will be made or, if made, as to the amounts or timing of any future dividends as such dividends are subject to earnings, financial condition, liquidity, capital requirements, and such other factors as our Board of Directors deems relevant.

The following graph compares the cumulative total stockholder return on our common stock with the cumulative total return on the NASDAQ Composite Index and the Dow Jones U.S. Commercial Vehicles & Trucks Total Stock Market Index for the period beginning on December 31, 2018 and ending on the last day of 2023. The graph assumes an investment of \$100 in our stock, the NASDAQ Composite Index, and the Dow Jones U.S. Commercial Vehicles & Trucks Total Stock Market Index on December 31, 2018, and further assumes the reinvestment of all dividends. Stock price performance, presented for the period from December 31, 2018 to December 31, 2023, is not necessarily indicative of future results.



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
The Shyft Group, Inc.	\$ 100.00	\$ 252.16	\$ 397.99	\$ 690.68	\$ 351.93	\$ 174.97
NASDAQ Composite Index	\$ 100.00	\$ 136.69	\$ 198.10	\$ 242.03	\$ 163.28	\$ 236.17
Dow Jones U.S. Commercial Vehicles & Trucks Total Stock Market Index	\$ 100.00	\$ 126.19	\$ 162.53	\$ 191.21	\$ 224.54	\$ 258.68

The stock price performance graph and related information shall not be deemed “filed” with the Securities and Exchange Commission, nor shall such information be incorporated by reference by any general statement incorporating by reference this Form 10-K into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate this information by reference.

#### 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 2023, we repurchased 1,022,449 shares for \$19.1 million. We believe that we have sufficient resources to fund any potential stock buyback in which we may engage over the long term.

During the quarter ended December 31, 2023, no shares were repurchased under this authorization. A summary of our purchases of our common stock during the fourth quarter of 2023 is as follows:

Period	Total Number of Shares Purchased (1)	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 (2) (In millions)
October 2023	-	\$ -	-	\$ 223.0
November 2023	2,258	11.38	-	223.0
December 2023	193	\$ 12.55	-	\$ 223.0
Total	<u>2,451</u>			

(1) During the quarter ended December 31, 2023, 2,451 shares were delivered by employees in satisfaction of tax withholding obligations that occurred upon the vesting of restricted shares. These shares are not repurchased pursuant to the Board of Directors authorization disclosed above.

(2) This column reflects the number of shares that may yet be purchased pursuant to the Board of Directors authorization described above.

**Item 6.** [Reserved]

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

**General**

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 motorhome 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 cyclicalities. 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.

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, and internally or externally generated equity capital, as sources of expansion capital.

**Executive Overview**

- Sales of \$872.2 million in 2023, compared to \$1,027.2 million in 2022
- Gross margin of 17.2% in 2023, compared to 17.6% in 2022
- Operating expense of \$143.6 million (\$25.2 million related to research and development), or 16.5% of sales in 2023, compared to \$132.9 million (\$25.3 million related to research and development), or 12.9% of sales in 2022
- Operating income of \$6.8 million in 2023, compared to \$47.5 million in 2022
- Income tax benefit of \$5.8 million in 2023, compared to income tax expense of \$7.4 million in 2022
- Income from continuing operations of \$6.5 million in 2023, compared to \$36.6 million in 2022
- Diluted earnings per share from continuing operations of \$0.19 in 2023, compared to \$1.03 in 2022
- Operating cash flow of \$56.2 million in 2023, compared to \$(18.8) million in 2022,
- Order backlog of \$409.3 million at the end of 2023, compared to \$832.7 million at the end of 2022

The following table shows our sales by market for the years ended December 31, 2023, 2022 and 2021 as a percentage of total sales:

	2023	2022	2021
Fleet vehicles sales	55.8%	58.9%	63.0%
Motorhome chassis sales	12.0%	17.0%	17.0%
Other specialty vehicles sales	23.5%	18.1%	14.6%
Aftermarket parts and accessories sales	8.7%	6.0%	5.4%
Total sales	100.0%	100.0%	100.0%

We continue to seek out opportunities to grow the business, both organically and by acquisition, by expanding relationships with existing customers, seeking out new business wins, and pursuing acquisitions in a strategic fashion.

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 we serve. Some of our recent innovations and strategic developments include:

- In March 2022, we announced Blue Arc™ Electric Vehicle (“EV”) Solutions, a new go-to-market brand alongside two initial product offerings—an industry-first commercial grade purpose-built EV chassis and a fully reimaged from the ground up all-electric delivery walk-in van.
  - 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.
  - Leveraging a scalable design, the full Blue Arc EV portfolio is available in Class 3, 4 and 5 walk-in van configurations with body length options from 12 to 22 feet. Designed for high-frequency, last-mile delivery fleets, these vehicles are powered by lithium-ion battery packs that can deliver 150 mile range at 50% payload in parcel mode with optional extended range packs available. With these options, Shyft customers can maximize productivity and minimize cost of ownership, including fuel and maintenance costs.
- The Velocity lineup of last-mile delivery vehicles span Gross Vehicle Weight Rating 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 Polyurea 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.
- Feature motorhome chassis are equipped with the Spartan® RV Chassis Connected Coach®, featuring the new 15-inch anti-glare digital dash that is custom designed for the RV customer to meet their specific display or operational needs. Integrating with the digital dash is the new Tri-Pod Steering Wheel, which places driving features and instrumentation right at the driver’s fingertips, enabling a more effortless engagement with driving features and controls.

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 Consolidated Financial Statements and related Notes thereto appearing in Item 8 of this Form 10-K.

## Results of Operations

The discussion of our 2022 consolidated operating results compared to our 2021 consolidated operating results is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of our [2022 Annual Report on Form 10-K filed February 23, 2023](#) and is incorporated by reference into this MD&A.

The following table sets forth, for the periods indicated, the components of our consolidated statements of operations, as a percentage of sales (percentages may not sum due to rounding):

	Year Ended December 31,	
	2023	2022
Sales	100.0	100.0
Cost of products sold	82.8	82.4
Gross profit	17.2	17.6
Operating expenses:		
Research and development	2.9	2.5
Selling, general and administrative	13.6	10.5
Operating income	0.7	4.6
Other expense, net	(0.7)	(0.3)
Income from continuing operations before income taxes	-	4.3
Income tax expense (benefit)	(0.7)	0.7
Income from continuing operations	0.7	3.6
Non-controlling interest	-	-
Net income attributable to The Shyft Group, Inc.	0.7	3.6

### Sales

Consolidated sales for the year ended December 31, 2023 decreased by \$155.0 million, or 15.1% to \$872.2 million from \$1,027.2 million in 2022. This decrease reflects lower sales volumes in our FVS segment primarily attributable to lower walk-in van sales partially offset by higher truck body sales including \$34.1 million in pass-through chassis sales, lower sales volumes in our SV segment primarily attributable to lower motorhome chassis demand partially offset by higher service body and contract manufacturing volume and favorable pricing implemented to offset material and labor inflation. These changes in sales are discussed more fully in the discussion of our segments below.

### Cost of Products Sold

Cost of products sold decreased by \$124.9 million, or 14.7%, to \$721.8 million for the year ended December 31, 2023 from \$846.7 million in 2022. The decrease was due to \$155.4 million in lower volume and mix and \$8.3 million due to higher productivity, partially offset by \$34.1 million in pass-through chassis costs, and \$4.7 million in higher material, labor, and other costs. As a percentage of sales, cost of products sold increased to 82.8% in 2023, compared to 82.4% in 2022.

### Gross Profit

Gross profit decreased by \$30.0 million, or 16.7%, to \$150.4 million in 2023 from \$180.4 million in 2022. The decrease was due to \$33.6 million lower volume and mix net of favorable pricing and \$4.7 million in higher material and labor and other costs, partially offset by \$8.3 million in higher productivity. Gross margin decreased to 17.2% in 2023 from 17.6% over 2022 due to the items mentioned above.

### Operating Expenses

Operating expenses for the year ended December 31, 2023 increased by \$10.7 million, or 8.0%, to \$143.6 million from \$132.9 million in 2022. Research and development expense decreased \$0.1 million in 2023 primarily related to EV development initiatives including materials and components associated with building prototype vehicles. Selling, general and administrative expense increased by \$10.8 million, or 10.1%, to \$118.4 million in 2023 from \$107.6 million in 2022 primarily driven by \$2.6 million of CEO transition costs, \$1.0 million of severance related cost reduction initiatives, \$3.2 million of EV program management costs and \$4.0 million of other employee costs.

### Other Income and Expense

Interest expense for the year ended December 31, 2023 increased by \$3.7 million to \$6.5 million from \$2.8 million in 2022. The increase was due to additional borrowings and higher borrowing costs on our variable rate debt. Other income was \$0.5 million for the year ended December 31, 2023 compared to other expense of \$0.8 million for the year ended December 31, 2022.

### Income Tax Expense (Benefit)

Income tax expense (benefit) from continuing operations for the year ended December 31, 2023 was a benefit of (\$5.8) million as compared to the prior year expense of \$7.4 million. The year-over-year change was mainly due to a reduction in pre-tax income, a \$2.5 million tax benefit related to reductions in unrecognized tax benefits and a \$3.6 million tax benefit for research and development credits.

### Income from Continuing Operations

Income from continuing operations for the year ended December 31, 2023 decreased by \$30.1 million, or 82.3%, to \$6.5 million compared to \$36.6 million in 2022. On a diluted per share basis, income from continuing operations decreased \$0.84 to \$0.19 in 2023 compared to \$1.03 per share in 2022. Driving this decrease were the factors noted above.

## **Our Segments**

This Form 10-K presents Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), which is a non-GAAP financial measure when presented on a consolidated basis. 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.

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

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Income from continuing operations	\$ 6,464	\$ 36,558
Net loss attributable to non-controlling interest	32	-
Interest expense	6,527	2,833
Income tax expense (benefit)	(5,768)	7,368
Depreciation and amortization expense	16,953	14,774
Restructuring and other related charges	1,741	757
Acquisition related expenses and adjustments	440	884
Non-cash stock-based compensation expense	7,834	7,619
Loss from write-off of assets	1,872	-
Legacy legal matters	956	-
Non-recurring professional fees	288	-
CEO transition	2,629	-
Adjusted EBITDA	<u>\$ 39,968</u>	<u>\$ 70,793</u>

Our FVS segment focuses on designing and manufacturing walk-in vans for the parcel delivery, mobile retail, and trades and construction industries; the production of commercial truck bodies, upfit services, and supply of related aftermarket parts and services under the Utilimaster brand name.

Our SV segment consists of service bodies operations, operations that engineer and manufacture motorhome chassis, other specialty chassis and distribution of related aftermarket parts and assemblies. We also provide vocation-specific equipment upfit services, which are marketed and sold under the Strobes-R-U's brand.

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.*" Interest expense and Taxes on income 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. Appropriate expense amounts are allocated to the two reportable segments and are included in their reported operating income or loss.

For certain financial information related to each segment, see "Note 15 – *Business Segments*" of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

## **Fleet Vehicles and Services**

### **Segment Financial Data**

(Dollars in Thousands)

	<b>Year Ended December 31,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Sales	\$ 541,638	100.0%	\$ 647,003	100.0%
Adjusted EBITDA	\$ 30,326	5.6%	\$ 65,719	10.2%
Segment assets	\$ 241,546		\$ 308,357	

Sales in our FVS segment decreased by \$105.4 million, or 16.3%, to \$541.6 million in 2023 from \$647.0 million in 2022. This decrease was primarily attributable to a sales volume decrease due to softening in the delivery van markets, partially offset by increased truck body sales volume, including \$34.1 million pass-through chassis sales.

Adjusted EBITDA in our FVS segment was \$30.3 million for the year ended December 31, 2023, a decrease of \$35.4 million compared to \$65.7 million for the year ended December 31, 2022. This decrease was primarily attributable to \$26.5 million in lower volume and \$20.1 million unfavorable mix net of pricing, partially offset by \$6.2 million of favorable material, labor costs and other costs and \$5.0 million of favorable productivity.

FVS segment assets decreased \$66.8 million primarily attributable to a \$64.1 million decrease in accounts receivable and contract assets driven by decreased sales and the completion of in-process orders.

Order backlog for our FVS segment decreased by \$411.7 million, or 55.9%, to \$325.0 million at December 31, 2023 compared to \$736.7 million at December 31, 2022. This decrease was primarily due to softer parcel delivery vehicle demand. Our backlog enables visibility into future sales which can normally range from two to twelve months depending on the product, however more recently this range has extended to greater than one year for certain product lines due to increased inventories in the dealer network.

## Specialty Vehicles

### Segment Financial Data

(Dollars in Thousands)

	Year Ended December 31,			
	2023		2022	
	Amount	Percentage	Amount	Percentage
Sales	\$ 334,743	100.0%	\$ 386,644	100.0%
Adjusted EBITDA	\$ 66,186	19.8%	\$ 54,413	14.1%
Segment assets	\$ 213,509		\$ 220,768	

Sales in our SV segment decreased by \$51.9 million or 13.4%, to \$334.7 million in 2023 compared to \$386.6 million in 2022. This decrease was primarily attributable to lower motorhome chassis market demand, partially offset by higher service body sales.

Adjusted EBITDA for our SV segment was \$66.2 million for the year ended December 31, 2023, an increase of \$11.8 million compared to \$54.4 million for the year ended December 31, 2022. This increase was primarily attributable to \$26.6 million of favorable pricing and mix and \$4.4 million of favorable productivity, partially offset by \$14.2 million due to lower volume and \$5.0 million due to material, labor and other costs.

SV segment assets decreased \$7.3 million primarily attributable to a \$12.0 million decrease in accounts receivable driven by lower sales, a \$3.6 million decrease in intangible assets driven by amortization, a \$2.6 million net decrease in right-of-use operating assets driven by amortization, partially offset by a \$14.7 million increase in Other receivables - chassis pool agreements.

Order backlog for our SV segment decreased by \$11.7 million, or 12.2%, to \$84.3 million at December 31, 2023 compared to \$96.0 million at December 31, 2022. This decrease was due to lower motorhome orders, partially offset by strong demand for service bodies. Our backlog enables visibility into future sales which can normally range from less than one month to twelve months depending on the product.

### Liquidity and Capital Resources

#### Cash Flows

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows appearing in Item 8 of this Form 10-K, are summarized in the following table (in thousands):

	Year Ended December 31,	
	2023	2022
Cash provided by (used in):		
Operating activities	\$ 56,244	\$ (18,843)
Investing activities	(21,114)	(20,416)
Financing activities	(36,721)	13,649
Net decrease in cash and cash equivalents	<u>\$ (1,591)</u>	<u>\$ (25,610)</u>

During 2023, cash and cash equivalents decreased by \$1.6 million to a balance of \$9.9 million as of December 31, 2023. These funds, in addition to cash generated from future operations and available 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 generated \$56.2 million of cash from operating activities during the year ended December 31, 2023, an increase in cash provided of \$75.0 million from \$18.8 million of cash used by operating activities during the year ended December 31, 2022. The \$56.2 million of cash generated in 2023 was driven by a \$31.5 million net inflow related to the change in net working capital and a \$24.7 million net inflow related to income adjusted for non-cash charges to operations. The change in working capital in 2023 was driven by a \$72.9 million inflow related to decreased receivables and contract assets primarily attributable to the completion of in process vehicles, partially offset by a \$28.0 million outflow related to decreased payables primarily attributable to timing of payments within the period and a \$13.4 million net outflow related to a net increase in remaining other assets and liabilities, including inventory, accrued compensation and warranty.

### *Cash Flow from Investing Activities*

We used \$21.1 million in investing activities during the year ended December 31, 2023, a \$0.7 million increase compared to the \$20.4 million used during the year ended December 31, 2022. The increase in cash used in investing activities is primarily attributable to business acquisition costs.

### *Cash Flow from Financing Activities*

We used \$36.7 million of cash through financing activities during the year ended December 31, 2023, compared to \$13.6 million generated during the year ended December 31, 2022. The \$50.3 million increase in cash used by financing activities is primarily attributable to \$62.0 million of increased repayments on long-term debt net of borrowings partially offset by \$7.7 million of decreased purchase and retirement of common stock and \$4.0 million of decreased exercise and vesting of stock incentive awards.

### Effect of Inflation

Inflation affects us in two principal ways. First, our revolving credit facility is generally tied to the prime and Secured Overnight Financing Rate ("SOFR") 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 sales 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 7A of this Form 10-K for further information regarding commodity cost fluctuations.

### Contingent Liabilities

#### *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 is continuing to discuss the allegations with the EPA. At this time, it is not possible to estimate the potential fines or penalties that the Company may incur for this matter.

## 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., as administrative agent, and the lenders party thereto consisting of Wells Fargo, N.A., JPMorgan Chase Bank, N.A., PNC Bank, N.A. and Bank of America, N.A. (the "Lenders"). Certain of our other subsidiaries have executed guaranties guarantying the borrowers' obligations under the Credit Agreement.

On May 31, 2023, the Company amended the Credit Agreement to effectuate the transition of the underlying variable interest rate from LIBOR to the Secured Overnight Financing Rate ("SOFR"). 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.

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 revolving credit facility is also available for the issuance of letters of credit of up to \$20.0 million and swing line loans of up to \$10.0 million, subject to certain limitations and restrictions. The 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 SOFR including a credit spread adjustment plus 1.0%; or (ii) adjusted SOFR, 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 6.45% (or one-month SOFR including a credit spread adjustment plus 1.00%) at December 31, 2023. The revolving 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 December 31, 2023 and December 31, 2022, we had outstanding letters of credit totaling \$1.6 million and \$1.2 million, respectively, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled \$83.2 million and \$187.2 million at December 31, 2023 and December 31, 2022, 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 December 31, 2023 and December 31, 2022, we were in compliance with all covenants in our Credit Agreement.

## Material Cash Requirements

We are party to contractual obligations involving commitments to make payments to third parties, and such commitments require a material amount of cash. As part of our normal course of business, we enter into contracts with suppliers for purchases of certain raw materials, components, and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements.

Our current cash position, available borrowing capacity on our credit facilities, and the cash flows we expect to generate from continuing operations are expected to be sufficient to finance our operating and capital needs, including day to day operations, capital expenditures, research and development, investments in information technology systems, dividends and potential future acquisitions, for at least the next twelve months and the foreseeable future thereafter.

Our future contractual obligations, as described above, are summarized below.

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Debt (1)	\$ 59,675	3,225	56,450	-	-
Operating lease obligations	52,198	10,475	17,824	9,532	14,367
Purchase obligations	2,300	2,300	-	-	-
<b>Total contractual obligations</b>	<b>\$ 114,173</b>	<b>\$ 16,000</b>	<b>\$ 74,274</b>	<b>\$ 9,532</b>	<b>\$ 14,367</b>

(1)Debt includes revolving credit facility estimated interest payments and payments on finance leases. The interest payments on the related variable rate debt were calculated using the effective interest rate of 6.45% at December 31, 2023.

## Equity Securities

February 22, 2022, we announced that our Board of Directors had authorized the repurchase of up to \$250.0 million of our common stock. The repurchase authorization does not have an expiration date. We believe that we have sufficient resources to fund any potential stock buyback in which we may engage over the long-term.

## Dividends

We paid dividends on our outstanding common shares in 2023 and 2022 as shown in the table below.

Date dividend declared	Record date	Payment date	Dividend per share (\$)
Oct. 31, 2023	Nov. 16, 2023	Dec. 15, 2023	0.05
Aug. 2, 2023	Aug. 17, 2023	Sep. 18, 2023	0.05
May 2, 2023	May 17, 2023	Jun. 20, 2023	0.05
Jan. 31, 2023	Feb. 17, 2023	Mar. 17, 2023	0.05
Nov. 1, 2022	Nov. 16, 2022	Dec. 15, 2022	0.05
Aug. 5, 2022	Aug. 17, 2022	Sep. 16, 2022	0.05
May 2, 2022	May 17, 2022	Jun. 17, 2022	0.05
Feb. 16, 2022	Feb. 17, 2022	Mar. 17, 2022	0.05

## **Critical Accounting Policies and Estimates**

The following discussion of critical accounting policies and estimates is intended to supplement “Note 1 – *Nature of Operations and Basis of Presentation*” of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K. These policies were selected because they are broadly applicable within our operating units and they involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related statement of income, asset and/or liability amounts.

### Revenue Recognition

Essentially all of our revenue is generated through contracts with our customers. We may recognize revenue over time or at a point in time when or as obligations under the terms of a contract with our customer are satisfied, depending on the terms and features of the contract and the products supplied. Our contracts generally do not have any significant variable consideration. The collectability of consideration on the contract is reasonably assured before revenue is recognized. On certain vehicles, payment may be received in advance of us satisfying our performance obligations. Such payments are recorded in Contract liabilities on the Consolidated Balance Sheets. The corresponding performance obligations are generally satisfied within one year of the contract inception. We have elected to utilize the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred because the amortization period for the prepaid costs that would have otherwise been deferred and amortized is one year or less. We use an observable price to allocate the stand-alone selling price to separate performance obligations within a contract or a cost-plus margin approach when an observable price is not available. The estimated costs to fulfill our base warranties are recognized as expense when the products are sold.

Revenue for parts sales for both segments is recognized at the time that control and risk of ownership has passed to the customer, which is generally, when the ordered part is shipped to the customer. Historical return rates on parts sales have been immaterial.

Revenue for upfit and field service contracts and walk-in vans and truck bodies built on a chassis owned and controlled by the customer is recognized over time, as equipment is installed in the customer’s vehicle, repairs and enhancements are made to the customer’s vehicles, or as the vehicles are built.

For certain of our vehicles and chassis, we sell separately priced service contracts that provide roadside assistance or extend certain warranty coverage beyond our base warranty agreements. These separately priced contracts range from one to six years from the date of the shipment of the related vehicle or chassis. We receive payment with the shipment of the related vehicle or at the inception of the extended service contract, if later, and recognize revenue over the coverage term of the agreement, generally on a straight-line basis, which approximates the pattern of costs expected to be incurred in satisfying the obligations under the contract.

## Business Combinations

When acquiring other businesses, we recognize identifiable assets acquired and liabilities assumed at their acquisition date estimated fair values, and separately from any goodwill that may be required to be recognized. Goodwill, when recognizable, is measured as the excess amount of any consideration transferred, which is measured at fair value, over the acquisition date fair values of the identifiable assets acquired and liabilities assumed. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

Accounting for such acquisitions requires us to make significant assumptions and estimates and are adjusted during the measurement period for a period of up to one year after the acquisition date. Costs incurred to effect an acquisition, such as legal, accounting, valuation or other third-party costs, as well as internal general and administrative costs incurred are charged to expense in the periods incurred.

## Goodwill and Other Indefinite-Lived Intangible Assets

In accordance with authoritative guidance on goodwill and other indefinite-lived intangible assets, such assets are tested for impairment at least annually, and written down when and to the extent impaired. We perform our annual impairment test for goodwill and indefinite-lived intangible assets as of October 1 of each year, or more frequently if an event occurs or conditions change that would more likely than not reduce the fair value of the asset below its carrying value.

As of October 1, 2023, the most recent annual goodwill impairment assessment date, two reporting units were determined for goodwill impairment testing: Fleet Vehicles and Services and Specialty Vehicles. We qualitatively assessed goodwill assigned to the Fleet Vehicles and Services and Specialty Vehicles reporting units and found no indicators of impairment.

We first assess qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and current and forecasted financial performance to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, we are not required to calculate the fair value of a reporting unit. We have the option to bypass this qualitative assessment and proceed to a quantitative goodwill impairment assessment. If we elect to bypass the qualitative assessment, or if after completing the assessment it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying value, we perform an impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of the reporting unit is determined by estimating the future cash flows of the reporting unit to which the goodwill relates, and then discounting the future cash flows at a market-participant-derived weighted-average cost of capital ("WACC"). In determining the estimated future cash flows, we consider current and projected future levels of income based on our plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to the excess, up to the value of the goodwill.

We evaluate the recoverability of our indefinite lived intangible assets by comparing the estimated fair value of the trade names with their carrying values. We estimate the fair value of our trade names based on estimates of future royalty payments that are avoided through our ownership of the trade name, discounted to their present value. In determining the estimated fair value of the trade names, we consider current and projected future levels of revenue based on our plans for branded products, business trends, prospects and market and economic conditions.

Significant judgments inherent in these analyses include assumptions about appropriate sales growth rates, WACC and the amount of expected future net cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the reporting units and trade name.

See "Note 4 – *Goodwill and Intangible Assets*" in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further details on our goodwill and indefinite-lived intangible assets.

## Warranties

Our policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale, and periodically adjust the warranty liability to reflect actual experience. The amount of warranty liability accrued reflects actual historical warranty cost, which is accumulated on specific identifiable units. From that point, there is a projection of the expected future cost of honoring our obligations under the warranty agreements. Historically, the cost of fulfilling our warranty obligations has principally involved replacement parts and labor for field retrofit campaigns and recalls, which increase the reserve. Our estimates are based on historical experience, the number of units involved, and the extent of features and components included in product models. See “Note 9 – *Commitments and Contingent Liabilities*” in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further information regarding warranties.

## Provision for Income Taxes

We account for income taxes under a method that requires deferred income tax assets and liabilities to be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Authoritative guidance also requires deferred income tax assets, which include state tax credit carryforwards, operating loss carryforwards and deductible temporary differences, be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

We evaluate the likelihood of realizing our deferred income tax assets by assessing our valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include our forecast of future taxable income, the projected reversal of temporary differences and available tax planning strategies that could be implemented to realize the net deferred income tax assets.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. Although management believes the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

Interest and penalties attributable to income taxes are recorded as a component of income taxes.

The Organization Economic Co-operation and Development (“OECD”) introduced the Base Erosion and Profit Shifting (“BEPS”) Pillar Two rules that impose a global minimum tax rate of 15%. Numerous countries, including European Union member states, have enacted or are expected to enact legislation to be effective as early as January 1, 2024, with general implementation of a global minimum tax by January 1, 2025. We are currently evaluating the potential impact on our consolidated financial statements and related disclosures and do not anticipate an impact from Pillar Two to the Company.

## **New and Pending Accounting Policies**

See “Note 1 – *Nature of Operations and Basis of Presentation*” in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

**Item 7A. 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 December 31, 2023, we had \$50.0 million debt outstanding under our revolving credit facility. An increase of 100 basis points in interest rates would result in \$0.5 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.

On May 31, 2023, the Company amended the Credit Agreement to effectuate the transition of the underlying variable interest rate from LIBOR to SOFR. The interest rate charged on our outstanding borrowings pursuant to our revolving credit facility is currently based on SOFR, as described in Part 2, Item 8, "Note 11 – Debt" of this Form 10-K. 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 7 of this Form 10-K for information on the impacts of changes in input costs during the year ended December 31, 2023.

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 Form 10-K for a discussion of the limitations on our responsibility for such statements.

**Item 8. Financial Statements and Supplementary Data.**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of The Shyft Group, Inc.

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of The Shyft Group, Inc. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

**Basis for Opinions**

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### Qualitative assessment of goodwill impairment – Refer to Notes 1 and 4 to the consolidated financial statements

#### *Critical Audit Matter Description*

The Company performs its annual impairment test for goodwill as of October 1 of each year, or more frequently if an event occurs or conditions change that would more likely than not reduce the fair value of the asset below its carrying value. The Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative assessment involves significant use of management's judgment and assumptions including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and current and forecasted financial performance. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge, or both.

The Company's goodwill balance was \$48.9 million as of December 31, 2023, of which \$15.3 million was allocated to the Fleet Vehicles and Services reporting unit ("FVS") and \$33.6 million was allocated to the Specialty Vehicles reporting unit ("SV") (collectively referred to as the "reporting units"). The Company concluded there were no indications that the fair value of any reporting unit was less than the carrying amount, therefore a quantitative assessment was not performed, and no impairment was recognized.

We identified the Company's qualitative assessment that concluded that it is not more likely than not that the fair value of each reporting unit was less than its carrying amount as a critical audit matter because of the significant judgments and assumptions used in the qualitative assessment. Auditing management's judgments related to the impact of macroeconomic conditions, industry and market considerations, overall financial performance, entity and reporting unit specific events, capital markets pricing, and most recent fair value estimates required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to management's qualitative assessment of goodwill for the FVS and SV reporting units included the following, among others:

- We tested the effectiveness of controls over goodwill, including those over management's judgments and assumptions related to macroeconomic conditions, industry and market considerations, overall financial performance, entity and reporting unit specific events, capital markets pricing, the Company's most recent fair value estimate and carrying amount.
- We performed breakeven sensitivity analyses over management's projections to evaluate sensitivity of key assumptions and their effect on fair value.
- With the assistance of fair value specialists, we compared the qualitative factors used by management to current macroeconomic conditions, industry conditions, analyzed current breakeven valuation multiples from guideline public companies and changes of revenue and operating profits as compared to the Company's most recent fair value estimate, and other relevant factors including contrary evidence.
- We considered the completeness of management's identification of qualitative factors effecting the reporting units by considering other information obtained in our review of board minutes and inquiries with management.

/s/ Deloitte & Touche LLP

Detroit, Michigan  
February 22, 2024

We have served as the Company's auditor since 2021.

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

	December 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 9,957	\$ 11,548
Accounts receivable, less allowance of \$276 and \$246	79,573	115,742
Contract assets	50,305	86,993
Inventories	105,135	100,161
Other receivables – chassis pool agreements	34,496	19,544
Other current assets	7,462	11,779
<b>Total current assets</b>	<b>286,928</b>	<b>345,767</b>
<b>Property, plant and equipment, net</b>	<b>83,437</b>	<b>70,753</b>
<b>Right of use assets – operating leases</b>	<b>45,827</b>	<b>53,386</b>
<b>Goodwill</b>	<b>48,880</b>	<b>48,880</b>
<b>Intangible assets, net</b>	<b>45,268</b>	<b>49,078</b>
<b>Net deferred tax assets</b>	<b>17,300</b>	<b>10,390</b>
<b>Other assets</b>	<b>2,409</b>	<b>2,227</b>
<b>TOTAL ASSETS</b>	<b>\$ 530,049</b>	<b>\$ 580,481</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 99,855	\$ 124,309
Accrued warranty	7,231	7,161
Accrued compensation and related taxes	13,526	14,434
Contract liabilities	4,756	5,255
Operating lease liability	10,817	10,888
Other current liabilities and accrued expenses	11,965	19,452
Short-term debt – chassis pool agreements	34,496	19,544
Current portion of long-term debt	185	189
<b>Total current liabilities</b>	<b>182,831</b>	<b>201,232</b>
<b>Other non-current liabilities</b>	<b>8,184</b>	<b>10,033</b>
<b>Long-term operating lease liability</b>	<b>36,724</b>	<b>44,256</b>
<b>Long-term debt, less current portion</b>	<b>50,144</b>	<b>56,266</b>
<b>Total liabilities</b>	<b>277,883</b>	<b>311,787</b>
<b>Commitments and contingent liabilities</b>		
<b>Shareholders' equity:</b>		
Preferred stock, no par value: 2,000 shares authorized (none issued)	-	-
Common stock, no par value: 80,000 shares authorized; 34,303 and 35,066 outstanding	93,705	92,982
Retained earnings	158,461	175,611
<b>Total Shyft Group, Inc. shareholders' equity</b>	<b>252,166</b>	<b>268,593</b>
Non-controlling interest	-	101
<b>Total shareholders' equity</b>	<b>252,166</b>	<b>268,694</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 530,049</b>	<b>\$ 580,481</b>

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2023	2022	2021
Sales	\$ 872,198	\$ 1,027,164	\$ 991,792
Cost of products sold	721,840	846,731	792,527
<b>Gross profit</b>	<b>150,358</b>	<b>180,433</b>	<b>199,265</b>
Operating expenses:			
Research and development	25,185	25,324	8,541
Selling, general and administrative	118,420	107,600	106,672
Total operating expenses	143,605	132,924	115,213
<b>Operating income</b>	<b>6,753</b>	<b>47,509</b>	<b>84,052</b>
Other income (expense):			
Interest expense	(6,527)	(2,833)	(414)
Other income (expense)	470	(750)	842
Total other income (expense)	(6,057)	(3,583)	428
Income from continuing operations before income taxes	696	43,926	84,480
Income tax expense (benefit)	(5,768)	7,368	14,506
Income from continuing operations	6,464	36,558	69,974
Income from discontinued operations, net of income taxes	-	-	181
Net income	6,464	36,558	70,155
Less: net income (loss) attributable to non-controlling interest	(32)	-	1,230
<b>Net income attributable to Shyft Group, Inc.</b>	<b>\$ 6,496</b>	<b>\$ 36,558</b>	<b>\$ 68,925</b>
<b>Basic earnings per share</b>			
Continuing operations	\$ 0.19	\$ 1.04	\$ 1.94
Discontinued operations	-	-	0.01
Basic earnings per share	\$ 0.19	\$ 1.04	\$ 1.95
<b>Diluted earnings per share</b>			
Continuing operations	\$ 0.19	\$ 1.03	\$ 1.91
Discontinued operations	-	-	-
Diluted earnings per share	\$ 0.19	\$ 1.03	\$ 1.91
Basic weighted average common shares outstanding	34,721	35,073	35,333
Diluted weighted average common shares outstanding	34,861	35,494	36,097

See accompanying Notes to Consolidated Financial Statements

**THE SHYFT GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands, except per share data)

	Number of Shares	Common Stock	Retained Earnings	Non- Controlling Interest	Total Shareholders' Equity
Balance at January 1, 2021	35,344	\$ 91,044	\$ 109,286	\$ (171)	\$ 200,159
Issuance of common stock and tax impact of stock incentive plan	11	(2,950)	-	-	(2,950)
Dividends declared (\$0.10 per share)	-	-	(3,744)	-	(3,744)
Purchase and retirement of common stock	(100)	(260)	(3,088)	-	(3,348)
Purchase of non-controlling interest	-	(1,204)	-	(958)	(2,162)
Issuance of restricted stock, net of cancellation	161	-	-	-	-
Stock-based compensation expense	-	8,745	-	-	8,745
Net income	-	-	68,925	1,230	70,155
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	18	(8,414)	-	-	(8,414)
Dividends declared (\$0.20 per share)	-	-	(7,135)	-	(7,135)
Purchase and retirement of common stock	(607)	(1,598)	(25,191)	-	(26,789)
Issuance of restricted stock, net of cancellation	239	-	-	-	-
Stock-based compensation expense	-	7,619	-	-	7,619
Net income	-	-	36,558	-	36,558
Balance at December 31, 2022	35,066	\$ 92,982	\$ 175,611	\$ 101	\$ 268,694
Issuance of common stock and tax impact of stock incentive plan	21	(4,460)	-	-	(4,460)
Dividends declared (\$0.20 per share)	-	-	(7,101)	-	(7,101)
Purchase and retirement of common stock	(1,023)	(2,651)	(16,545)	-	(19,196)
Distribution to Non-controlling interest owner	-	-	-	(69)	(69)
Issuance of restricted stock, net of cancellation	239	-	-	-	-
Stock-based compensation expense	-	7,834	-	-	7,834
Net income (loss)	-	-	6,496	(32)	6,464
Balance at December 31, 2023	34,303	\$ 93,705	\$ 158,461	\$ -	\$ 252,166

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2023	2022	2021
<b>Cash flows from operating activities:</b>			
Net income	\$ 6,464	\$ 36,558	\$ 70,155
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>			
Depreciation and amortization	16,953	14,774	11,356
Non-cash stock based compensation expense	7,834	7,619	8,745
Deferred income taxes	(6,911)	(5,510)	880
Loss (gain) on disposal of assets	389	826	(110)
Changes in accounts receivable and contract assets	72,857	(93,989)	(34,522)
Changes in inventories	(4,975)	(32,977)	(20,756)
Changes in accounts payable	(27,963)	41,302	34,954
Changes in accrued compensation and related taxes	(908)	(4,630)	1,930
Changes in accrued warranty	70	1,186	53
Changes in other assets and liabilities	(7,566)	15,998	1,324
Net cash provided by (used in) operating activities	<u>56,244</u>	<u>(18,843)</u>	<u>74,009</u>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(20,733)	(20,564)	(23,002)
Proceeds from sale of property, plant and equipment	119	148	22
Acquisition of businesses, net of cash acquired	(500)	-	904
Net cash used in investing activities	<u>(21,114)</u>	<u>(20,416)</u>	<u>(22,076)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term debt	132,500	145,000	45,000
Payments on long-term debt	(138,500)	(89,000)	(67,400)
Payments of debt issuance costs	-	-	(1,360)
Payments of dividends	(7,109)	(7,148)	(3,551)
Purchase and retirement of common stock	(19,083)	(26,789)	(3,348)
Exercise and vesting of stock incentive awards	(4,460)	(8,414)	(2,949)
Distribution to non-controlling interest owner	(69)	-	(2,162)
Net cash provided by (used in) financing activities	<u>(36,721)</u>	<u>13,649</u>	<u>(35,770)</u>
Net increase (decrease) in cash and cash equivalents	(1,591)	(25,610)	16,163
Cash and cash equivalents at beginning of year	11,548	37,158	20,995
Cash and cash equivalents at end of year	<u>\$ 9,957</u>	<u>\$ 11,548</u>	<u>\$ 37,158</u>

See accompanying Notes to Consolidated Financial Statements.

**THE SHYFT GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO 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) 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 motorhome 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.

*Principles of Consolidation*

The consolidated financial statements include our accounts and the accounts of our wholly owned subsidiary, The Shyft Group USA, Inc. and its subsidiaries. All inter-company transactions have been eliminated.

Non-Controlling Interest. In the fourth quarter of 2023, the liquidation of the Spartan-Gimaex joint venture was completed. At December 31, 2022, The Shyft Group USA, Inc. held a 50% share in Spartan-Gimaex, however, due to the management and operational structure of the joint venture, The Shyft Group USA, Inc. was considered to have had the ability to control the operations of Spartan-Gimaex. Accordingly, Spartan-Gimaex was reported as a consolidated subsidiary of The Shyft Group, Inc. The joint venture was not active and the liquidation was substantially complete. In December 2021, the Company purchased the remaining 20% ownership interest in Strobes-R-U's (“SRUS”) for \$2,162 and, thus, there was no non-controlling interest in SRUS as of December 31, 2021.

Use of Estimates. In the preparation of our financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”), management uses estimates and makes judgments and assumptions that affect asset and liability values and the amounts reported as income and expense during the periods presented. Certain of these estimates, judgments and assumptions, such as the allowance for credit losses, warranty expenses, impairment assessments of tangible and intangible assets, and the provision for income taxes, are particularly sensitive. If actual results are different from estimates used by management, they may have a material impact on the financial statements.

Revenue Recognition. Essentially all of our revenue is generated through contracts with our customers. We may recognize revenue over time or at a point in time when or as obligations under the terms of a contract with our customer are satisfied, depending on the terms and features of the contract and the products supplied. Our contracts generally do not have any significant variable consideration. The collectability of consideration on the contract is reasonably assured before revenue is recognized. On certain vehicles, payment may be received in advance of us satisfying our performance obligations. Such payments are recorded in Contract liabilities on the Consolidated Balance Sheets. The corresponding performance obligations are generally satisfied within one year of the contract inception. In such cases, we have elected to apply the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component. The financing impact on contracts that contain performance obligations that are not expected to be satisfied within one year are expected to be immaterial to our consolidated financial statements.

We have elected to utilize the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred because the amortization period for the prepaid costs that would have otherwise been deferred and amortized is one year or less. We use an observable price to allocate the stand-alone selling price to separate performance obligations within a contract or a cost-plus margin approach when an observable price is not available. The estimated costs to fulfill our base warranties are recognized as expense when the products are sold (see “Note 9 – *Commitments and Contingent Liabilities*” for further information on warranties). Our contracts with customers do not contain a provision for product returns, except for contracts related to certain parts sales.

Revenue for parts sales for all segments is recognized at the time that control and risk of ownership has passed to the customer, which is generally when the ordered part is shipped to the customer. Historical return rates on parts sales have been immaterial.

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

For certain of our vehicles and chassis, we sell separately priced service contracts that provide roadside assistance or extend certain warranty coverage beyond our base warranty agreements. These separately priced contracts range from one to six years from the date of the shipment of the related vehicle or chassis. We receive payment with the shipment of the related vehicle or at the inception of the extended service contract, if later, and recognize revenue over the coverage term of the agreement, generally on a straight-line basis, which approximates the pattern of costs expected to be incurred in satisfying the obligations under the contract.

Distinct revenue recognition policies for our segments are as follows:

*Fleet Vehicles and Services ("FVS")*

Our walk-in vans and truck bodies are generally built on a chassis that is owned and controlled by the customer. Due to the customer ownership of the chassis, the performance obligation for these walk-in vans and truck bodies is satisfied as the vehicles are built. Accordingly, the revenue and corresponding cost of products sold associated with these contracts are recognized over time based on the inputs completed for a given performance obligation during the reporting period. Certain contracts will specify that a walk-in van or truck body is to be built on a chassis that we purchase and subsequently sell to the customer. The revenue on these contracts is recognized at the time that the performance obligation is satisfied, and control and risk of ownership has passed to the customer, which is generally upon shipment of the vehicle from our manufacturing facility to the customer or receipt of the vehicle by the customer, depending on contract terms. We have elected to treat shipping and handling costs subsequent to transfer of control as fulfillment activities and, accordingly, recognize these costs as the revenue is recognized.

Revenue for upfit and field service contracts is recognized over time, as equipment is installed in the customer's vehicle or as repairs and enhancements are made to the customer's vehicles. Revenue and the corresponding cost of products sold is estimated based on the inputs completed for a given performance obligation. Our receivables are generally collected in less than three months, in accordance with our underlying payment terms.

*Specialty Vehicles ("SV")*

We recognize revenue and the corresponding cost of products sold on the sale of motorhome chassis and service bodies where we own the chassis when the performance obligation is completed and control and risk of ownership of the chassis has passed to our customer, which is generally upon shipment of the chassis or vehicle to the customer. We have elected to treat shipping and handling costs subsequent to transfer of control as fulfillment activities and, accordingly, recognize these costs as the revenue is recognized.

Revenue for service bodies where the customer owns the chassis, upfit and field service contracts is recognized over time, as equipment is installed in the customer's vehicle or as repairs and enhancements are made to the customer's vehicles. Revenue and the corresponding cost of products sold is estimated based on the inputs completed for a given performance obligation. Our receivables are generally collected in less than three months, in accordance with our underlying payment terms.

**Business Combinations.** When acquiring other businesses, we recognize identifiable assets acquired and liabilities assumed at their acquisition date estimated fair values, and separately from any goodwill that may be required to be recognized. Goodwill, when recognizable, is measured as the excess amount of any consideration transferred, which is measured at fair value, over the acquisition date fair values of the identifiable assets acquired and liabilities assumed. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

Accounting for such acquisitions requires us to make significant assumptions and estimates and are adjusted during the measurement period for a period of up to one year after the acquisition date. Costs incurred to effect an acquisition, such as legal, accounting, valuation or other third-party costs, as well as internal general and administrative costs incurred are charged to expense in the periods incurred.

**Shipping and Handling of Products.** Costs incurred related to the shipment and handling of products are classified in cost of products sold. Amounts billed to customers for shipping and handling of products are included in sales.

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

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand, cash on deposit, treasuries and money market funds. We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable. Our receivables are subject to credit risk, and we do not typically require collateral on our accounts receivable. We perform periodic credit evaluations of our customers' financial condition and generally require a security interest in the products sold. Receivables generally are due within 30 to 60 days. We maintain an allowance for customer accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance for doubtful accounts consistent with it reflecting related lifetime expected credit losses, management considers relevant information about past events, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets.

Inventories. Inventories are stated at the lower of first-in, first-out cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to sell and considers our current assessment of general market and economic conditions, slow-moving inventory, and future demands.

Contract Assets. Contract assets arise upon the transfer of goods or services to a customer before the customer pays consideration. The Company presents the contract as either a contract asset or as a receivable, depending on the nature of the entity's right to consideration for its performance. Contract assets are a right to consideration in exchange for goods or services that the Company has transferred to a customer, when the right is conditioned on something other than the passage of time.

Property, Plant and Equipment. Property, plant and equipment is stated at cost and the related assets are depreciated over their estimated useful lives on a straight-line basis for financial statement purposes and an accelerated method for income tax purposes. Cost includes an amount of interest associated with significant capital projects. Estimated useful lives range from 20 years for buildings and improvements, three to 15 years for plant machinery and equipment, three to seven years for furniture and fixtures and three to five years for vehicles. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset. Maintenance and repair costs are charged to earnings, while expenditures that increase asset lives are capitalized. We review our property, plant and equipment, along with all other long-lived assets that have finite lives, including finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. See "Note 5 – *Property, Plant and Equipment*" for further information on our property and equipment.

Assets and Liabilities Held for Sale. We classify assets and liabilities (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

We initially measure a disposal group that is classified as held for sale at the lower of its carrying value or fair value less costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale. We assess the fair value of a disposal group each reporting period it remains classified as held for sale and any subsequent changes are reported as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group, if material, in the line items assets held for sale and liabilities held for sale in the Consolidated Balance Sheets. Depreciation is not recorded during the period in which the long-lived assets, included in the disposal group, are classified as held for sale.

Additionally, we report the reporting results for a disposal group in discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations if the disposal represents a strategic shift that has or will have a major effect on our operations and financial results.

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

Goodwill and Other Intangible Assets. Goodwill represents the excess of the cost of a business combination over the fair value of the net assets acquired. Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to impairment tests on an annual basis, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is allocated to the reporting unit from which it was created. A reporting unit is an operating segment or sub-segment to which goodwill is assigned when initially recorded. We review indefinite lived intangible assets annually for impairment by comparing the carrying value of those assets to their fair value.

Other intangible assets with finite lives are amortized over their estimated useful lives and are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

We perform our annual goodwill and indefinite lived intangible assets impairment test as of October 1 and monitor for interim triggering events on an ongoing basis. For goodwill we first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under authoritative guidance, we are not required to calculate the fair value of a reporting unit unless we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. We have the option to bypass the qualitative assessment and proceed to a quantitative impairment test.

If we elect to bypass the qualitative assessment for a reporting unit, or if after completing the assessment we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative impairment test, whereby we compare the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of the reporting unit is determined by estimating the future cash flows of the reporting unit to which the goodwill relates, and then discounting the future cash flows at a market-participant-derived weighted-average cost of capital (“WACC”). In determining the estimated future cash flows, we consider current and projected future levels of income based on our plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered to not be impaired. If the carrying amount of the reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to the excess, up to the carrying value of the goodwill.

We evaluate the recoverability of our indefinite lived intangible assets by comparing the estimated fair value of the trade names with their carrying values. We estimate the fair value of our trade names based on estimates of future royalty payments that are avoided through our ownership of the trade name, discounted to their present value. In determining the estimated fair value of the trade names, we consider current and projected future levels of sales based on our plans for those branded products, business trends, prospects and market and economic conditions.

Significant judgments inherent in these assessments and analyses include assumptions about macroeconomic and industry conditions, appropriate sales growth rates, WACC and the amount of expected future net cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change because of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the reporting units and trade names. See “Note 4 – *Goodwill and Intangible Assets*” for further details on our goodwill and other intangible assets.

Warranties. Our policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale, and periodically adjust the warranty liability to reflect actual experience. The amount of warranty liability accrued reflects management’s best estimate of the expected future cost of honoring our obligations under the warranty agreements. Expense related to warranty liabilities accrued for product sales, as well as adjustments to pre-existing warranty liabilities, are reflected within Cost of products sold on our Consolidated Statements of Operations. Our estimates are based on historical experience, the number of units involved, and the extent of features and components included in product models. See “Note 9 – *Commitments and Contingent Liabilities*” for further information regarding warranties.

Contract Liabilities. We sometimes receive advance payments from customers for product orders and record these amounts as liabilities. We accept such deposits when presented by customers seeking improved pricing in connection with orders that are placed for products to be manufactured and sold at a future date. Sales associated with these deposits are recognized over time based on the inputs completed for a given performance obligation during the reporting period or deferred and recognized upon shipment of the related product to the customer depending on the terms of the contract.

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

Research and Development. Our research and development costs, which consist of compensation costs, travel and entertainment, administrative expenses and new product development among other items, are expensed as incurred.

Taxes on Income. We recognize deferred income tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Deferred tax liabilities or assets are recognized for the estimated future tax effects attributable to temporary differences and carryforwards that result from events that have been recognized in either the financial statements or the tax returns, but not both.

We establish valuation allowances for deferred income tax assets in accordance with GAAP, which provides that such valuation allowances shall be established unless realization of the income tax benefits is more likely than not. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At each reporting period, we consider the scheduled reversal of deferred tax liabilities, available taxes in carryback periods, tax planning strategies and projected future taxable income in making this assessment.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

Interest and penalties attributable to income taxes are recorded as a component of income taxes. See “Note 7 – *Taxes on Income*” for further details on our income taxes.

Earnings Per Share. Basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings per share also include the dilutive effect of additional potential common shares issuable from stock-based awards and are determined using the treasury stock method. Basic earnings per share represents net earnings divided by basic weighted average number of common shares outstanding during the period. Diluted earnings per share represents net earnings divided by diluted weighted average number of common shares outstanding, which includes the average dilutive effect of all potentially dilutive securities that are outstanding during the period. Our unvested restricted stock units and performance stock units are included in the number of shares outstanding for diluted earnings per share calculations, unless a net loss is reported, in which situation unvested stock awards are excluded from the number of shares outstanding for diluted earnings per share calculations. See “Note 12 – *Stock-Based Compensation*” and “Note 14 – *Earnings Per Share*” for further details.

Stock-Based Compensation. Stock based compensation cost for equity-based awards is measured on the grant date based on the estimated fair value of the award at that date, and is recognized over the requisite service period, net of estimated forfeitures. Fair value of restricted stock awards, restricted stock units and performance stock units subject to a performance condition is based upon the quoted market price of the common stock on the date of grant. Fair value of performance stock units subject to a market condition is calculated using the Monte Carlo simulation model. Our stock-based compensation plans are described in more detail in “Note 12 – *Stock Based Compensation*”.

Fair Value. We are required to disclose the estimated fair value of our financial instruments. The carrying value at December 31, 2023 and 2022 of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short-term nature. The carrying value of variable rate debt instruments approximate their fair value based on their relative terms and market rates.

Segment Reporting. We identify our reportable segments based on our management structure and the financial data utilized by the 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. More detailed information about our reportable segments can be found in “Note 15 – *Business Segments*”.

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

Supplemental Disclosures of Cash Flow Information. Cash paid for interest was \$5,620, \$2,176 and \$592 for 2023, 2022, and 2021. Cash paid for income taxes, net of refunds, was \$5,585, \$1,319 and \$12,199 for 2023, 2022 and 2021. Non-cash investing included \$5,585 of capital expenditures in 2023, \$2,489 in 2022, and \$1,511 in 2021. The Company has Chassis Pool Agreements, where it participates in a chassis converter pool that is a non-cash arrangement and is offsetting between current assets and current liabilities on the Company's Consolidated Balance Sheets. See "Note 11 – *Debt*" for further information about the Chassis Pool Agreements.

New Accounting Standards. In November 2023, the FASB issued Accounting Standards Update No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 is intended to improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.

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

**NOTE 2 – REVENUE**

Contract Assets and Liabilities

The tables below disclose changes in contract assets and liabilities as of the periods indicated.

	December 31, 2023	December 31, 2022
<u>Contract Assets</u>		
Contract assets, beginning of year	\$ 86,993	\$ 21,483
Reclassification of the beginning contract assets to receivables, as the result of rights to consideration becoming unconditional	(86,627)	(21,483)
Contract assets recognized, net of reclassification to receivables	49,939	86,993
Contract assets, end of year	\$ 50,305	\$ 86,993
<u>Contract Liabilities</u>		
Contract liabilities, beginning of year	\$ 5,255	\$ 988
Reclassification of the beginning contract liabilities to revenue, as the result of performance obligations satisfied	(5,182)	(988)
Cash received in advance and not recognized as revenue	4,683	5,255
Contract liabilities, end of year	\$ 4,756	\$ 5,255

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 \$325,003 and \$84,269, respectively, with substantially all revenue expected to be recognized within one year as of December 31, 2023.

For performance obligations that are satisfied over time, revenue is expected to be recognized over the time period to complete the contract. For performance obligations that are satisfied at a point in time, revenue is expected to be recognized when the customer obtains control of the product, which is generally upon shipment from our facility. No amounts have been excluded from the transaction prices above related to the guidance on constraining estimates of variable consideration.

In the following tables, revenue is disaggregated by primary geographical market and timing of revenue recognition for the years ended December 31, 2023, 2022, and 2021. The tables also include a reconciliation of the disaggregated revenue with the reportable segments.

	Year Ended December 31, 2023				
	FVS	SV	Total Reportable Segments	Eliminations and Other	Total
<u>Primary geographical markets</u>					
United States	\$ 517,116	\$ 334,559	\$ 851,675	\$ (4,183)	\$ 847,492
Other	24,522	184	24,706	-	24,706
Total sales	\$ 541,638	\$ 334,743	\$ 876,381	\$ (4,183)	\$ 872,198
<u>Timing of revenue recognition</u>					
Products transferred at a point in time	\$ 54,566	\$ 147,766	\$ 202,332	\$ 467	\$ 202,799
Products and services transferred over time	487,072	186,977	674,049	(4,650)	669,399
Total sales	\$ 541,638	\$ 334,743	\$ 876,381	\$ (4,183)	\$ 872,198

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

	Year Ended December 31, 2022				
	FVS	SV	Total Reportable Segments	Eliminations and Other	Total
<u>Primary geographical markets</u>					
United States	\$ 639,441	\$ 386,536	\$ 1,025,977	\$ (6,483)	\$ 1,019,494
Other	7,562	108	7,670	-	7,670
Total sales	\$ 647,003	\$ 386,644	\$ 1,033,647	\$ (6,483)	\$ 1,027,164
<u>Timing of revenue recognition</u>					
Products transferred at a point in time	\$ 41,750	\$ 208,645	\$ 250,395	\$ -	\$ 250,395
Products and services transferred over time	605,253	177,999	783,252	(6,483)	776,769
Total sales	\$ 647,003	\$ 386,644	\$ 1,033,647	\$ (6,483)	\$ 1,027,164

	Year Ended December 31, 2021				
	FVS	SV	Total Reportable Segments	Eliminations and Other	Total
<u>Primary geographical markets</u>					
United States	\$ 647,842	\$ 332,293	\$ 980,135	\$ -	\$ 980,135
Other	11,590	67	11,657	-	11,657
Total sales	\$ 659,432	\$ 332,360	\$ 991,792	\$ -	\$ 991,792
<u>Timing of revenue recognition</u>					
Products transferred at a point in time	\$ 34,558	\$ 198,852	\$ 233,410	\$ -	\$ 233,410
Products and services transferred over time	624,874	133,508	758,382	-	758,382
Total sales	\$ 659,432	\$ 332,360	\$ 991,792	\$ -	\$ 991,792

**NOTE 3 – INVENTORIES**

Inventories are summarized as follows:

	December 31,	
	2023	2022
Finished goods	\$ 9,374	\$ 13,361
Work in process	2,543	5,200
Raw materials and purchased components	93,218	81,600
Total Inventories	\$ 105,135	\$ 100,161

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

**NOTE 4 – GOODWILL AND INTANGIBLE ASSETS**

Goodwill

We test goodwill for impairment at the reporting unit level on an annual basis as of October 1, or whenever an event or change in circumstances occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. See “Goodwill and Other Intangible Assets” within “Note 1 – Nature of Operations and Basis of Presentation” for a description of our accounting policies regarding goodwill and other intangible assets.

As of October 1, 2023, the most recent annual goodwill impairment assessment date, two reporting units were determined for goodwill impairment testing: Fleet Vehicles and Services and Specialty Vehicles. We qualitatively assessed goodwill assigned to the Fleet Vehicles and Services and Specialty Vehicles reporting units and found no indicators of impairment.

As discussed in “Note 1 – Nature of Operations and Basis of Presentation” there are significant judgments inherent in our impairment assessments and discounted cash flow analyses. These discounted cash flow analyses are most sensitive to the WACC assumption.

The change in the carrying amount of goodwill for the year ended December 31, 2023 and 2022 were as follows (in thousands):

	FVS		SV		Total	
	December 31,		December 31,		December 31,	
	2023	2022	2023	2022	2023	2022
Goodwill, beginning of year	\$ 15,323	\$ 15,323	\$ 33,557	\$ 33,557	\$ 48,880	\$ 48,880
Acquisition and measurement period adjustments	-	-	-	-	-	-
Goodwill, end of year	\$ 15,323	\$ 15,323	\$ 33,557	\$ 33,557	\$ 48,880	\$ 48,880

Other Intangible Assets

At December 31, 2023, we had other intangible assets, including customer and dealer relationships, non-compete agreements, trade names, trademarks, unpatented technology, patented technology. Certain non-compete agreements and certain other intangible assets are being amortized over their expected remaining useful lives based on the pattern of estimated after-tax operating income generated, or on a straight-line basis. Unpatented technology, patented technology and certain non-compete agreements are amortized utilizing a straight-line approach over the estimated useful lives. We amortize the customer relationships utilizing an accelerated approach over the estimated remaining life. The Royal, DuraMag, Magnum, Utilimaster, and Strobes-R-Us trade names and trademarks are considered to have indefinite lives and are not amortized.

We evaluate the recoverability of our indefinite lived intangible assets, which, as of October 1, 2023, consisted of our Royal, DuraMag, and Magnum trade names, by comparing the estimated fair value of the trade names with their carrying values. We estimate the fair value of our trade names based on estimates of future royalty payments that are avoided through our ownership of the trade name, discounted to their present value. In determining the estimated fair value of the trade names, we consider current and projected future levels of sales based on our plans for these trade name branded products, business trends, prospects and market and economic conditions. The fair value of our Royal, DuraMag, and Magnum trade names exceeded their carrying values, and therefore do not result in an impairment. We qualitatively assessed Utilimaster and Strobes-R-Us trade names and trademarks and found no indicators of impairment.

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The following table provides information regarding our other intangible assets:

	As of December 31, 2023			As of December 31, 2022		
	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer relationships	\$ 39,080	\$ 15,068	\$ 24,012	\$ 39,080	\$ 12,174	\$ 26,906
Unpatented technology	540	195	345	540	135	405
Patented technology	2,200	1,169	1,031	2,200	894	1,306
Non-compete agreements	2,980	2,490	490	2,980	1,909	1,071
Trade Names	19,390	-	19,390	19,390	-	19,390
	\$ 64,190	\$ 18,922	\$ 45,268	\$ 64,190	\$ 15,112	\$ 49,078

We recorded \$3,810, \$3,903, and \$3,405 of intangible asset amortization expense during 2023, 2022 and 2021.

The estimated remaining amortization associated with finite-lived intangible assets is expected to be expensed as follows:

	Amount
2024	\$ 3,477
2025	3,070
2026	2,944
2027	2,706
2028	2,391
Thereafter	11,290
Total	\$ 25,878

**NOTE 5 – PROPERTY, PLANT AND EQUIPMENT**

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

	December 31,	
	2023	2022
Land and improvements	\$ 12,578	\$ 12,314
Buildings and improvements	53,789	42,827
Plant machinery and equipment	60,517	55,969
Furniture and fixtures	19,474	18,334
Vehicles	2,015	2,083
Construction in process	10,570	9,946
Subtotal	158,943	141,473
Less accumulated depreciation	(75,506)	(70,720)
Total property, plant and equipment, net	\$ 83,437	\$ 70,753

We recorded depreciation expense of \$13,143, \$10,871, and \$7,977 during 2023, 2022, and 2021, respectively. There were no capitalized interest costs in 2023, 2022, or 2021.

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**NOTE 6 – LEASES**

We have operating and finance leases for land, buildings and certain equipment. Our leases have remaining lease terms of one year to 16 years, some of which include options to extend the leases for up to 15 years. Our leases do not contain residual value guarantees. As of December 31, 2023 and 2022, assets recorded under finance leases were immaterial (See “Note 11 – Debt”). Lease expense totaled \$12,673, \$10,603, and \$8,679 for the years ended December 31, 2023, 2022 and 2021, respectively.

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

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Operating leases	\$ 11,388	\$ 10,302	\$ 8,233
Short-term leases (1)	1,285	301	446
<b>Total lease expense</b>	<b>\$ 12,673</b>	<b>\$ 10,603</b>	<b>\$ 8,679</b>

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

	Year ended December 31, 2023	Year ended December 31, 2022
Weighted average remaining lease term of operating leases (in years)	7.2	8.0
Weighted average discount rate of operating leases	2.9%	2.7%

Supplemental cash flow information related to leases was as follows:

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>			
Operating cash flow for operating leases	\$ 11,041	\$ 9,500	\$ 7,958
<b>Right of use assets obtained in exchange for lease obligations:</b>			
Operating leases	\$ 7,025	\$ 19,159	\$ 7,137
Finance leases	\$ 95	\$ 304	\$ 271

Maturities of operating lease liabilities as of December 31, 2023 are as follows:

<b>Years ending December 31:</b>	
2024	\$ 10,475
2025	9,984
2026	7,840
2027	5,384
2028	4,148
Thereafter	14,367
Total lease payments	52,198
Less: imputed interest	(4,657)
<b>Total lease liabilities</b>	<b>\$ 47,541</b>

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**NOTE 7 – TAXES ON INCOME**

Income taxes consist of the following:

	Year Ended December 31,		
	2023	2022	2021
Taxes (benefit) on income from continuing operations	\$ (5,768)	\$ 7,368	\$ 14,506
Income tax expense from discontinued operations	-	-	62
<b>Total taxes (benefit) on income</b>	<b>\$ (5,768)</b>	<b>\$ 7,368</b>	<b>\$ 14,568</b>

Income taxes (benefit) from continuing operations consist of the following:

	Year Ended December 31,		
	2023	2022	2021
<b>Current (benefit):</b>			
Federal	\$ (610)	\$ 10,672	\$ 10,891
State	1,521	1,960	2,745
Foreign	231	175	286
<b>Total current</b>	<b>1,142</b>	<b>12,807</b>	<b>13,922</b>
<b>Deferred (benefit):</b>			
Federal	(5,828)	(4,976)	554
State	(1,082)	(463)	30
<b>Total deferred</b>	<b>(6,910)</b>	<b>(5,439)</b>	<b>584</b>
<b>Total taxes (benefit) on income</b>	<b>\$ (5,768)</b>	<b>\$ 7,368</b>	<b>\$ 14,506</b>

Differences between the expected income tax expense derived from applying the federal statutory income tax rate to earnings from continuing operations before taxes on income and the actual tax expense (benefit) are as follows:

	Year Ended December 31,		
	2023	2022	2021
Federal income taxes at the statutory rate	\$ 146	\$ 9,224	\$ 17,741
State tax expense, net of federal income tax benefit	509	1,132	2,481
<b>Increase (decrease) in income taxes resulting from:</b>			
Non-deductible compensation	422	851	958
Stock based compensation	(82)	(819)	(1,504)
Foreign-derived intangible income deduction	(515)	-	-
Valuation allowance adjustment	-	-	(82)
Unrecognized tax benefit adjustment	(2,234)	-	-
Federal research and development tax credit	(3,645)	(2,681)	(4,413)
Other	(369)	(339)	(675)
<b>Total</b>	<b>\$ (5,768)</b>	<b>\$ 7,368</b>	<b>\$ 14,506</b>

The 2023 tax benefit of \$5,768 includes a \$2,527 tax benefit related to reductions in unrecognized tax benefits and a \$3,645 tax benefit for research and development credits.

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Temporary differences which give rise to deferred income tax assets (liabilities) are as follows:

	December 31,	
	2023	2022
Deferred income tax assets:		
Operating lease liability	\$ 11,783	\$ 13,664
Research and development costs	19,937	12,066
Warranty reserve	1,164	1,592
Inventory costs and reserves	5,784	5,926
Contract assets	5,181	10,030
Stock-based compensation	1,699	1,261
Net operating loss carry-forwards, net of federal income tax benefit	504	556
Compensation related accruals	916	621
Credit carry-forwards net of federal income tax benefit	1,752	1,454
Other	857	879
Total deferred income tax assets	<u>\$ 49,577</u>	<u>\$ 48,049</u>
Deferred income tax liabilities:		
Cost offset method	\$ (8,304)	\$ (14,371)
Right of use assets	(11,231)	(13,121)
Depreciation	(8,551)	(7,901)
Intangible assets	(2,709)	(2,010)
Prepaid expenses	(1,482)	(256)
Total deferred income tax liabilities	<u>\$ (32,277)</u>	<u>\$ (37,659)</u>
Net deferred tax asset	<u>\$ 17,300</u>	<u>\$ 10,390</u>

Based upon an assessment of the available positive and negative evidence at December 31, 2023 and 2022, the total deferred income tax assets are more likely than not to be realized based on the consideration of deferred tax liability reversals and projected future taxable income. Therefore, no valuation allowance was recorded at December 31, 2023 and 2022.

At December 31, 2023 and 2022, we had state tax NOL carry-forwards of \$638 and \$704, respectively, which expire between years 2029-2043. At December 31, 2023 and 2022, we had state tax credit carry-forwards of \$2,938 and \$2,353, respectively, which expire between years 2026-2033.

A reconciliation of the change in the unrecognized tax benefits ("UTB") for the three years ended December 31, 2023, 2022 and 2021 is as follows:

	2023	2022	2021
Balance, beginning of year	\$ 5,748	\$ 5,247	\$ 1,234
Increase (decrease) related to prior year tax positions	362	(139)	2,935
Increase related to current year tax positions	679	775	1,161
Settlement	-	(97)	-
Expiration of statute	(2,125)	(38)	(83)
Balance, end of year	<u>\$ 4,664</u>	<u>\$ 5,748</u>	<u>\$ 5,247</u>

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As of December 31, 2023, we had an ending UTB balance of \$4,664 along with \$626 of interest and penalties, for a total liability of \$5,290, of which \$4,698 is recorded as a non-current liability and \$592 as a credit offsetting deferred tax assets. The change in interest and penalties amounted to a decrease of \$63 in 2023, an increase of \$160 in 2022, and an increase of \$199 in 2021, which were reflected in Income tax expense within our Consolidated Statement of Operations.

At December 31, 2023, 2022 and 2021, we had total amounts of UTB that, if recognized, would impact our effective tax rate of \$4,933, \$5,463 and \$4,989, respectively.

As of December 31, 2023, the U.S. federal statute of limitations for tax years 2020 and forward remains open. We also file tax returns in several states and those jurisdictions remain subject to audit in accordance with relevant state statutes. These audits can involve complex issues that may require an extended period of time to resolve and may cover multiple years.

We do not expect the total amount of UTB to significantly increase or decrease over the next twelve months.

**NOTE 8 – TRANSACTIONS WITH MAJOR CUSTOMERS**

Major customers are defined as those with sales greater than 10 percent of consolidated sales in a given year. No customer individually exceeded 10% of our consolidated sales for 2023. Sales to customers that individually exceeded 10% of our consolidated sales for 2022 and 2021 are as follows:

Year	Number of major customers	Combined percentage of consolidated sales	Segment
2022	2	25.4%	FVS and SV
2021	1	25.1%	FVS

**NOTE 9 – COMMITMENTS AND CONTINGENT LIABILITIES**

At December 31, 2023, 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.

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.

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Changes in our warranty liability during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Balance of accrued warranty, beginning of year	\$ 7,161	\$ 5,975
Provisions for current period sales	5,882	4,904
Cash settlements	(4,503)	(4,681)
Changes in liability for pre-existing warranties	(1,309)	963
Balance of accrued warranty, end of year	<u>\$ 7,231</u>	<u>\$ 7,161</u>

*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 is continuing to discuss the allegations with the EPA. At this time, it is not possible to estimate the potential fines or penalties that the Company may incur for this matter.

**NOTE 10 – DEFINED CONTRIBUTION PLANS**

We sponsor defined contribution retirement plans which cover all employees who meet length of service and minimum age requirements. Our matching contributions vest over five years and were \$3,631, \$3,291, and \$2,572 in 2023, 2022, and 2021, respectively. These amounts are expensed as incurred.

**NOTE 11 – DEBT**

Short-term debt consists of the following:

	December 31, 2023	December 31, 2022
Chassis pool agreements	\$ 34,496	\$ 19,544
Total short-term debt	<u>\$ 34,496</u>	<u>\$ 19,544</u>

*Chassis Pool Agreements*

The Company obtains certain vehicle chassis for its walk-in vans, service bodies and specialty vehicles directly from the chassis manufacturers under converter pool agreements. Chassis are obtained from the manufacturers based on orders from customers, and in some cases, for unallocated orders. 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).

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Although the Company is party to related finance agreements with manufacturers, the Company has not historically settled related obligations in cash, except as required under our credit agreement. 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. Accordingly, as of December 31, 2023 and December 31, 2022, the Company's outstanding chassis converter pool with manufacturers totaled \$34,496 and \$19,544, respectively, and the Company has included this financing agreement on the Company's 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 Consolidated Balance Sheets.

Long-term debt consists of the following:

	December 31, 2023	December 31, 2022
Revolving credit facility	\$ 50,000	\$ 56,000
Finance lease obligations	329	455
Total debt	50,329	56,455
Less current portion of long-term debt	(185)	(189)
Total long-term debt	<u>\$ 50,144</u>	<u>\$ 56,266</u>

*Revolving Credit Facility*

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., as administrative agent, and the lenders party thereto consisting of Wells Fargo, N.A., JPMorgan Chase Bank, N.A., PNC Bank, N.A. and Bank of America, N.A. (the "Lenders"). Certain of our other subsidiaries have executed guaranties guarantying the borrowers' obligations under the Credit Agreement.

On May 31, 2023, the Company amended the Credit Agreement to effectuate the transition of the underlying variable interest rate from LIBOR to the Secured Overnight Financing Rate ("SOFR"). 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.

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 revolving 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. The 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 SOFR including a credit spread adjustment plus 1.0%; or (ii) adjusted SOFR, 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 6.45% (or one-month SOFR including a credit spread adjustment plus 1.00%) at December 31, 2023. The revolving 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 December 31, 2023 and December 31, 2022, we had outstanding letters of credit totaling \$1,550 and \$1,200, respectively, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled \$83,243 and \$187,162 at December 31, 2023 and December 31, 2022, 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 December 31, 2023 and December 31, 2022, we were in compliance with all covenants in our Credit Agreement.

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**NOTE 12 – STOCK BASED COMPENSATION**

We have stock incentive plans covering certain employees and non-employee directors. Shares reserved for stock awards under these plans total 5,056,250. Total shares remaining available for stock incentive grants under these plans totaled 1,643,385 at December 31, 2023. We are currently authorized to grant new restricted stock, restricted stock units, performance stock units, stock options and stock appreciation rights under our Stock Incentive Plan of 2016.

Restricted Stock

We issue restricted stock, at no cash cost, to our key employees. Shares awarded entitle the shareholder to all rights of common stock ownership except that the shares are subject to the risk of forfeiture and may not be sold, transferred, pledged, exchanged or otherwise disposed of during the vesting period, which is three years. The unearned stock-based compensation related to restricted stock awards, using the market price on the date of grant, is being amortized to compensation expense over the applicable vesting periods.

We receive an excess tax benefit or liability during the period the restricted shares vest. The excess tax benefit (liability) is determined by the excess (shortfall) of the market price of the stock on date of vesting over (under) the grant date market price used to amortize the awards to compensation expense. As required, any excess tax benefits or liabilities are reported in the Consolidated Statements of Cash Flows as operating cash flows.

Restricted stock activity for the years ended December 31, 2023, 2022, and 2021, is as follows:

	Total Number of Non-vested Shares (000)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Vesting Life (Years)
Non-vested shares outstanding at January 1, 2021	370	\$ 10.02	1.0
Granted	85	36.76	
Vested	(230)	11.26	
Forfeited	(35)	20.45	
Non-vested shares outstanding at December 31, 2021	190	21.81	1.0
Vested	(91)	17.62	
Forfeited	(28)	21.98	
Non-vested shares outstanding at December 31, 2022	71	27.14	0.6
Vested	(47)	22.28	
Forfeited	(4)	36.31	
Non-vested shares outstanding at December 31, 2023	20	\$ 36.72	0.3

The weighted-average grant date fair value of non-vested shares granted was none, none, and \$36.76 for the years ended December 31, 2023, 2022 and 2021. During 2023, 2022 and 2021, we recorded compensation expense, net of cancellations, of \$790, \$1,189, and \$2,542, related to restricted stock awards and direct stock grants. The total income tax benefit related to restricted stock awards was \$196, \$275, and \$595 for 2023, 2022 and 2021. For the years ended December 31, 2023, 2022, and 2021, restricted shares vested with a fair market value of \$1,049, \$1,591, and \$1,929. As of December 31, 2023, we had unearned stock-based compensation of \$259 associated with these restricted stock grants, which will be recognized over a weighted average of 0.3 years.

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*Performance Stock Units*

During the year ended December 31, 2023, 2022, and 2021, we granted 294,191, 124,427, and 84,740 performance stock units (“PSUs”), respectively, to certain employees, which are earned over a three-year service period.

After completion of the performance period, the number of PSUs earned will be issued as shares of common stock. The aggregate number of shares of common stock that ultimately may be issued under PSUs where the performance period has not been completed can range from 0% to 200% of the target amount. The awards will generally be forfeited if a participant leaves the Company for reasons other than retirement, disability or death.

A dividend equivalent is calculated based on the actual number of units earned at the end of the performance period equal to the dividends that would have been payable on the earned units had they been held during the entire performance period as common stock. At the end of the performance period, the dividend equivalents are paid in the form of cash at the discretion of the Human Resources and Compensation Committee.

89,804, 49,769 and 30,770 of the PSUs granted in 2023, 2022, and 2021, respectively, are earned based on our three-year cumulative GAAP net income, subject to such adjustments as approved by the Company’s Human Resources and Compensation Committee in its sole discretion (“Net Income PSUs”), which is a performance condition. none, none, and 7,814 of the PSUs granted in 2023, 2022, and 2021, respectively, were based on certain performance criteria, subject to such adjustments as approved by the Company’s Human Resources and Compensation Committee in its sole discretion (“Exceptional Performance PSUs”), which is a performance condition. The number of shares that may be earned under the Net Income PSUs and Exceptional Performance PSUs can range from 0% to 200% of the target amount. The Net Income PSUs and Exceptional Performance PSUs are expensed and recorded in Common stock on the Consolidated Balance Sheets over the performance period based on the probability that the performance conditions will be met. The expense recorded will be adjusted as the estimate of the total number of Net Income PSUs and Exceptional Performance PSUs that will ultimately be earned changes. The grant date fair value per unit is equal to the closing price of the Company’s stock on the date of grant.

204,387, 74,658, and 46,156 of the PSUs granted in 2023, 2022, and 2021, respectively, are earned based on achievement of certain total shareholder return results relative to a comparison group of companies (“TSR PSUs”), which is a market condition. The number of shares that may be earned under the TSR PSUs can range from 0% to 200% of the target amount. The TSR PSUs are expensed and recorded in Common stock on the Consolidated Balance Sheets over the performance period.

The fair value of the TSR PSUs granted was calculated using the Monte Carlo simulation model which resulted in the weighted average grant date fair value for these TSR PSUs of \$24.35, \$43.41 and \$57.11 per unit in 2023, 2022, and 2021, respectively.

The Monte Carlo simulation was computed using the following assumptions:

	Granted in 2023	Granted in 2022	Granted in 2021
Risk-free rate of return (1)	4.15%	2.41%	0.29%
Expected term (in years)	2.8	2.7	2.8
Estimated volatility (2)	49.5%	55.6%	61.9%

(1) Based on the U.S. government bond benchmark on the grant date.

(2) Represents the historical price volatility of the Company’s common stock for the three-year period preceding the grant date.

The total PSU expense and associated tax benefit for all outstanding awards for the year ended December 31, 2023 was \$2,790 and \$70, respectively, for the year ended December 31, 2022 was \$3,176 and \$197, respectively, and for the year ended December 31, 2021 was \$3,663 and \$310, respectively.

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The PSU activity for the years ended December 31, 2023, 2022, and 2021, is as follows:

	Total Number of Non-vested Shares (000)	Weighted- Average Grant Date Fair Value per Unit
Non-vested as of January 1, 2021	410	\$ 13.63
Granted	85	48.08
Forfeited	(12)	26.94
Non-vested as of December 31, 2021	483	19.33
Granted	124	40.49
Vested	(194)	11.82
Forfeited	(38)	28.27
Non-vested as of December 31, 2022	375	29.31
Granted	294	23.86
Vested	(187)	20.89
Forfeited	(39)	36.89
Non-vested as of December 31, 2023	443	\$ 30.99

As of December 31, 2023 there was \$3,859 of remaining unrecognized compensation cost related to non-vested PSUs, which is expected to be recognized over a remaining weighted-average period of 1.5 years.

Restricted Stock Units

During the year ended December 31, 2023, 2022, and 2021, we awarded 273,904, 241,217, and 110,599 restricted stock units (“RSUs”), respectively, to certain employees and Board members. These RSUs generally vest ratably over three years after the date of grant for employees and vest one year after date of grant for Board members, at which time the units will be issued as unrestricted shares of common stock. RSUs are expensed and recorded in Common stock on the Consolidated Balance Sheets over the requisite service period based on the value of the underlying shares on the date of grant. Upon vesting, the dividend equivalents are paid in the form of cash at the discretion of the Human Resources and Compensation Committee.

The RSU expense and associated tax benefit for all outstanding awards for the year ended December 31, 2023 was \$4,254 and \$742, respectively, awards for the year ended December 31, 2022 was \$3,253 and \$668, respectively and, for the year ended December 31, 2021 was \$2,540 and \$499, respectively.

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

The RSU activity for the years ended December 31, 2023, 2022, and 2021, is as follows:

	Total Number of Non-vested Shares (000)	Weighted- Average Grant Date Fair Value per Unit
Non-vested as of January 1, 2021	212	\$ 12.43
Granted	111	36.67
Vested	(119)	14.08
Forfeited	(3)	37.09
Non-vested as of December 31, 2021	201	24.51
Granted	241	29.58
Vested	(105)	22.15
Forfeited	(30)	32.96
Non-vested as of December 31, 2022	307	28.38
Granted	274	19.38
Vested	(154)	25.53
Forfeited	(42)	28.47
Non-vested as of December 31, 2023	385	\$ 21.05

As of December 31, 2023 there was \$6,473 of remaining unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a weighted-average period of 1.6 years.

Employee Stock Purchase Plan

We instituted an employee stock purchase plan (“ESPP”) beginning on October 1, 2011 whereby essentially all employees who meet certain service requirements can purchase our common stock on quarterly offering dates at 90% of the fair market value of the shares on the purchase date. A maximum of 750,000 shares are authorized for purchase. During the years ended December 31, 2023, 2022, and 2021, we received proceeds of \$393, \$434, and \$389 for the purchase of approximately 26,000, 20,000, and 11,000 shares under the ESPP.

**NOTE 13 – SHAREHOLDERS EQUITY**

On February 17, 2022, we announced that our Board of Directors had authorized the repurchase of up to \$250.0 million of our common stock. The repurchase authorization does not have an expiration date.

The following table represents our purchases of our common stock during the year ended December 31, 2023 and 2022 under the share repurchase program.

Year Ended December 31,	Shares purchased (000)	Purchase value	Approximate Dollar Value of Shares That May Yet be Purchased Under Announced Plans or Programs
2023	1,022	\$ 19,083	\$ 223,019
2022	607	\$ 26,789	\$ 242,102

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

During the year ended December 31, 2021, 100,000 shares were purchased under a prior authorization approved in 2016 for \$3,348. As of December 31, 2021, 408,994 shares remained allowable to be purchased under the 2016 authorization.

In January 2022, we repurchased the remaining 408,994 shares available under the prior authorization for \$18,884.

**NOTE 14 – EARNINGS PER SHARE**

The table below reconciles basic weighted average common shares outstanding to diluted weighted average shares outstanding for 2023, 2022, and 2021 (in thousands). Basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings per share also include the dilutive effect of additional potential common shares issuable from stock-based awards and are determined using the treasury stock method. Basic earnings per share represents net earnings divided by basic weighted average number of common shares outstanding during the period. Diluted earnings per share represents net earnings divided by diluted weighted average number of common shares outstanding, which includes the average dilutive effect of all potentially dilutive securities that are outstanding during the period. Our unvested restricted stock units and performance stock units are included in the number of shares outstanding for diluted earnings per share calculations, unless a net loss is reported, in which situation unvested stock awards are excluded from the number of shares outstanding for diluted earnings per share calculations.

	Year Ended December 31,		
	2023	2022	2021
Basic weighted average common shares outstanding	34,721	35,073	35,333
Plus dilutive effect of Restricted Stock Units and Performance Stock Units	140	421	764
Diluted weighted average common shares outstanding	<u>34,861</u>	<u>35,494</u>	<u>36,097</u>

**NOTE 15 – 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), which is defined 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 focuses on designing and manufacturing walk-in vans for parcel delivery, mobile retail, and trades and construction industries, the production of commercial truck bodies, and the distribution of related aftermarket parts and accessories.

Our SV segment consists of service bodies operations, operations that engineer and manufacture motorhome chassis, other specialty chassis and distributes related aftermarket parts and assemblies. We also provide vocation-specific equipment upfit services, which are marketed and sold under the Strobes-R-Us brand.

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*”. 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”. Segment loss from operations in the “Eliminations and other” column contains corporate related expenses not allocable to the operating segments. Interest expense and Taxes on income are not included in the information utilized by the chief operating decision makers to assess segment performance and allocate resources, and accordingly, are excluded from the segment results presented below.

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

Sales to customers outside the United States were \$24,706, \$7,670, and \$11,657 for the years ended December 31, 2023, 2022, and 2021, or 2.8%, 0.7%, and 1.2%, respectively, of sales for those years. Substantially all of our long-lived assets are located in the United States.

Sales and other financial information by business segment are as follows:

Year Ended December 31, 2023

	Segment			Consolidated
	FVS	SV	Eliminations and Other	
Fleet vehicles sales	\$ 487,072	\$ -	\$ -	\$ 487,072
Motorhome chassis sales	-	104,882	-	104,882
Other specialty vehicles sales	-	209,434	(4,183)	205,251
Aftermarket parts and accessories sales	54,566	20,427	-	74,993
<b>Total sales</b>	<b>\$ 541,638</b>	<b>\$ 334,743</b>	<b>\$ (4,183)</b>	<b>\$ 872,198</b>
Depreciation and amortization expense	\$ 6,552	\$ 6,720	\$ 3,681	\$ 16,953
Adjusted EBITDA	\$ 30,326	\$ 66,186	\$ (56,544)	\$ 39,968
Segment assets	\$ 241,546	\$ 213,509	\$ 74,994	\$ 530,049
Capital expenditures	\$ 5,065	\$ 2,567	\$ 17,844	\$ 25,476

Year Ended December 31, 2022

	Segment			Consolidated
	FVS	SV	Eliminations and Other	
Fleet vehicles sales	\$ 605,253	\$ -	\$ -	\$ 605,253
Motorhome chassis sales	-	175,030	-	175,030
Other specialty vehicles sales	-	191,882	(6,483)	185,399
Aftermarket parts and accessories sales	41,750	19,732	-	61,482
<b>Total sales</b>	<b>\$ 647,003</b>	<b>\$ 386,644</b>	<b>\$ (6,483)</b>	<b>\$ 1,027,164</b>
Depreciation and amortization expense	\$ 4,555	\$ 7,011	\$ 3,208	\$ 14,774
Adjusted EBITDA	\$ 65,719	\$ 54,413	\$ (49,339)	\$ 70,793
Segment assets	\$ 308,357	\$ 220,768	\$ 51,356	\$ 580,481
Capital expenditures	\$ 13,381	\$ 1,268	\$ 6,893	\$ 21,542

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

Year Ended December 31, 2021

	Segment			Consolidated
	FVS	SV	Eliminations and Other	
Fleet vehicles sales	\$ 624,874	\$ -	\$ -	\$ 624,874
Motorhome chassis sales	-	168,166	-	168,166
Other specialty vehicles sales	-	145,134	-	145,134
Aftermarket parts and accessories sales	34,558	19,060	-	53,618
<b>Total sales</b>	<b>\$ 659,432</b>	<b>\$ 332,360</b>	<b>\$ -</b>	<b>\$ 991,792</b>
Depreciation and amortization expense	\$ 2,654	\$ 6,832	\$ 1,870	\$ 11,356
Adjusted EBITDA	\$ 108,621	\$ 32,668	\$ (33,223)	\$ 108,066
Segment assets	\$ 174,799	\$ 202,302	\$ 70,766	\$ 447,867
Capital expenditures	\$ 16,647	\$ 4,198	\$ 2,163	\$ 23,008

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 Annual Report. Based on the evaluation of our disclosure controls and procedures as of December 31, 2023, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

#### **Management’s Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate “internal control over financial reporting,” as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that (i.) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii.) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii.) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2023.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the effectiveness of the Company’s internal control over financial reporting as of December 31, 2023, as stated in their report which is included herein.

#### **Changes in Internal Control over Financial Reporting**

During the last fiscal quarter of the period covered by this report, there were no changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect such controls.

#### **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.

Item 9B. Other Information.

#### **Rule 10b5-1 Trading Arrangements**

During the quarter ended December 31, 2023, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as each term is defined in Item 408 of Regulation S-K).

## Amendments to Bylaws

On February 20, 2024, our Board of Directors approved amendments to our Second Amended and Restated Bylaws, effective as of such date, relating to the issuance of shares without certificates. The foregoing general description of the Second Amended and Restated Bylaws, as amended, is qualified in its entirety by reference to the full text of the Second Amended and Restated Bylaws, as amended, a copy of which is attached as Exhibit 3.2 to this Form 10-K and is incorporated by reference herein.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

Information regarding our executive officers is included in Part I of this Form 10-K under the heading “Information about our Executive Officers.”

The Code of Ethics is available on the “Corporate Responsibility” portion of the Company's website under the “Policies and Charters” link. The Company's website address is [www.theshyftgroup.com](http://www.theshyftgroup.com).

The information required by this item is incorporated by reference from our definitive proxy statement for the 2024 Annual Meeting of Shareholders.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference from our definitive proxy statement for the 2024 Annual Meeting of Shareholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item (other than as set forth below) is incorporated by reference from our definitive proxy statement for the 2024 Annual Meeting of Shareholders.

The following table provides information about our equity compensation plans regarding the number of securities to be issued under these plans upon the exercise of outstanding options, warrants and rights, the weighted-average exercise prices of options outstanding under these plans, and the number of securities available for future issuance as of December 31, 2023.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (4)
Equity compensation plans approved by security holders (1)	828,179	N/A (3)	1,592,067
Equity compensation plans not approved by security holders (2)	-	N/A	51,318
<b>Total</b>	<b>828,179</b>	<b>N/A</b>	<b>1,643,385</b>

(1) Consists of the Stock Incentive Plan of 2016 (as amended and restated, the “Stock Incentive Plan”). See “Note 12 – Stock-Based Compensation” for more information regarding this plan.

(2) Consists of The Shyft Group, Inc. Directors’ Stock Purchase Plan. This plan provides that non-employee directors of the Company may elect to receive at least 25% and up to 100% of their “director’s fees” in the form of the Company’s common stock. The term “director’s fees” means the amount of income payable to a non-employee director for his or her service as a director of the Company, including payments for attendance at meetings of the Company’s Board of Directors or meetings of committees of the Board, and any retainer fee paid to such persons as members of the Board. A non-employee director who elects to receive Company common stock in lieu of some or all of his or her director’s fees will, on or shortly after each “applicable date,” receive a number of shares of common stock (rounded down to the nearest whole share) determined by dividing (1) the dollar amount of the director’s fees payable to him or her on the applicable date that he or she has elected to receive in common stock by (2) the market value of common stock on the applicable date. The term “applicable date” means any date on which a director’s fee is payable to the participant. No shares have been issued under this plan. All of the shares reflected in column (c) for this plan may be issued as described above other than upon the exercise of options, warrants or rights.

- (3) The number of shares reflected in column (a) in the table above represents shares issuable pursuant to outstanding PSUs and RSUs, for which there is no exercise price.
- (4) Each of the plans reflected in the above table contains customary anti-dilution provisions that are applicable in the event of a stock split or certain other changes in the Company's capitalization. In addition, the Stock Incentive Plan provides that if a stock option is canceled, surrendered, modified, expires or is terminated during the term of the plan but before the exercise of the option, the shares subject to the option will be available for other awards under the plan. All of the shares reflected in column (c) for the Stock Incentive Plan may be issued other than upon the exercise of options, warrants or rights.

The numbers of shares reflected in column (c) in the table above with respect to the Stock Incentive Plan represent new shares that may be granted by the Company, and not shares issuable upon the exercise of an existing option, warrant or right.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated by reference from our definitive proxy statement for the 2024 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services.

The information required by this item about aggregate fees billed to us by our principal accountant, Deloitte & Touche LLP [PCAOB ID No.34] is incorporated by reference from our definitive proxy statement for the 2024 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

Item 15(a)(1). List of Financial Statements.

The following consolidated financial statements of the Company and its subsidiaries, and reports of our registered independent public accounting firm, are filed as a part of this report under Item 8 - Financial Statements and Supplementary Data:

Independent Registered Public Accounting Firm's Report on Consolidated Financial Statements and Internal Control over Financial Reporting – Year Ended December 31, 2023, 2022, and 2021

Consolidated Balance Sheets – December 31, 2023 and December 31, 2022

Consolidated Statements of Operations – Years Ended December 31, 2023, 2022 and 2021

Consolidated Statements of Shareholders' Equity – Years Ended December 31, 2023, 2022 and 2021

Consolidated Statements of Cash Flows – Years Ended December 31, 2023, 2022 and 2021

Notes to Consolidated Financial Statements

Item 15(a)(2). Financial Statement Schedules. Attached as Appendix A.

The following consolidated financial statement schedule of the Company and its subsidiaries is filed as part of this report:

Schedule II-Valuation and Qualifying Accounts

All other financial statement schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

Item 15(a)(3). List of Exhibits. The following exhibits are filed as a part of this report:

<u>Exhibit Number</u>	<u>Document</u>
3.1	<a href="#">The Shyft Group, Inc. Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 10-K filed March 25, 2021).</a>
3.2	<a href="#">The Shyft Group, Inc. Second Amended and Restated Bylaws.</a>
4.1	<a href="#">Description of Common Stock (incorporated by reference to Exhibit 4.3 to the Form 10-K filed March 16, 2020).</a>

Exhibit  
Number

- 10.1 [The Shyft Group, Inc. Directors' Stock Purchase Plan \(incorporated by reference to Exhibit 4.5 to the Form S-8 filed August 14, 2002\).\\*](#)
- 10.2 [Form of Indemnification Agreement for directors and executive officers \(incorporated by reference to Exhibit 10.2 to the Form 10-K filed February 24, 2022\)\\*](#)
- 10.3 [The Shyft Group, Inc. Leadership Team Compensation Plan \(incorporated by reference to Exhibit 10.1 to the Form 10-Q filed August 5, 2015\).\\*](#)
- 10.4 [The Shyft Group, Inc. Executive Severance Plan \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed August 10, 2022\).\\*](#)
- 10.5 [Supplemental Executive Retirement Plan \(incorporated by reference to Exhibit 10.14 to the Form 10-K filed March 14, 2008\).\\*](#)
- 10.6 [The Shyft Group, Inc. Stock Incentive Plan of 2016, as amended by the First Amendment to Stock Incentive Plan \(incorporated by reference to Appendix B to the definitive proxy statement on Schedule 14A filed April 10, 2020\).\\*](#)
- 10.7 [The Shyft Group, Inc. Stock Incentive Plan \(Amended and Restated Effective May 17, 2023\) \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed May 18, 2023\).\\*](#)
- 10.8 [Form of Performance Share Unit Agreement \(incorporated by reference to Exhibit 10.15 to the Form 10-K filed March 25, 2021\).\\*](#)
- 10.9 [Form of Restricted Stock Unit Agreement \(employees\) \(incorporated by reference to Exhibit 10.16 to the Form 10-K filed March 25, 2021\).\\*](#)
- 10.10 [Form of Restricted Stock Unit Agreement \(non-employee directors\) \(incorporated by reference to Exhibit 10.10 to the Form 10-K filed February 24, 2022\).\\*](#)
- 10.11 [Form of Performance Share Unit Agreement \(2022 LTI\) \(incorporated by reference to Exhibit 10.8.1 to the Form 10-Q filed April 28, 2022\).\\*](#)
- 10.12 [Form of Restricted Stock Unit Agreement \(2022 LTI\) \(incorporated by reference to Exhibit 10.9.1 to the Form 10-Q filed April 28, 2022\).\\*](#)
- 10.13 [Form of Restricted Stock Unit Agreement \(2022 LTI\) \(non-employee directors\) \(incorporated by reference to Exhibit 10.9.1 to the Form 10-Q filed July 28, 2022\).\\*](#)
- 10.14 [Employment Offer Letter dated July 22, 2014, from the Company to Daryl M. Adams \(incorporated by reference to Exhibit 10.1 to the Form 10-Q filed November 4, 2014\).\\*](#)
- 10.15 [Employment Offer Letter dated January 21, 2020 from the Company to Jonathan C. Douyard \(incorporated by reference to Exhibit 10.25 to the Form 10-K filed March 16, 2020\).\\*](#)
- 10.16 [Employment Offer Letter dated May 31, 2019 from the Company to Todd A. Heavin \(incorporated by reference to Exhibit 10.1 to the Form 10-Q filed August 1, 2019\).\\*](#)
- 10.17 [Employment Offer Letter dated December 23, 2014 from the Company to Steve Guillaume \(incorporated by reference to Exhibit 10.24 to the Form 10-K filed March 9, 2016\), as updated by a letter dated May 11, 2015 from the Company to Mr. Guillaume \(incorporated by reference to Exhibit 10.25 to the Form 10-K filed March 9, 2016\).\\*](#)

Exhibit  
Number

- 10.18 [Amended and Restated Credit Agreement dated November 30, 2021, by and among the Company and certain of the Company's subsidiaries, as borrowers, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed December 1, 2021\)](#)
- 10.19 [First Amendment to Amended and Restated Credit Agreement dated May 31, 2023 to Amended and Restated Credit Agreement dated November 30, 2021, by and among the Company and its affiliates, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto \(incorporated by reference to Exhibit 10.2 to the Form 10-Q filed July 27, 2023\)](#).
- 10.20 [Form of Performance Share Unit Agreement \(2023 LTI\) \(incorporated by reference to Exhibit 10.8.2 to the Form 10-Q filed April 27, 2023\).](#)\*
- 10.21 [Form of Restricted Stock Unit Agreement \(2023 LTI\) \(incorporated by reference to Exhibit 10.9.2 to the Form 10-Q filed April 27, 2023\).](#)\*
- 10.22 [Letter Agreement dated April 26, 2023 between the Company and Todd A. Heavin \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed April 27, 2023\).](#)\*
- 10.23 [Employment Offer Letters dated December 6, 2022 and October 25, 2023 from the Company to John Dunn.](#)\*
- 10.24 [Employment Offer Letters dated June 27, 2023 and December 27, 2023 from the Company to Jacob Farmer.](#)\*
- 10.25 [Employment Offer Letter dated April 2, 2021 from the Company to Joshua Sherbin.](#)\*
- 10.26 [Employment Offer Letter dated June 2, 2020 from the Company to Colin Hindman.](#)\*
- 10.27 [Transition and Separation Agreement dated June 7, 2023 with Daryl M. Adams \(incorporated by reference to Exhibit 10.3 to the Form 10-Q filed July 27, 2023\).](#)
- 10.28 [Restricted Stock Unit Agreement dated as of September 1, 2023 \(under The Shyft Group, Inc. Stock Incentive Plan \(as amended and restated effective May 17, 2023\)\), between the Company and Paul Mascarenas \(incorporated by reference to Exhibit 10.1 to the Form 10-Q filed October 26, 2023\).](#)\*
- 10.29 [Performance Share Unit Agreement dated as of November 24, 2023 \(under The Shyft Group, Inc. Stock Incentive Plan \(as amended and restated effective May 17, 2023\)\) between the Company and John Dunn.](#)\*

<u>Exhibit Number</u>	
21	<a href="#">Subsidiaries of Registrant</a>
23.1	<a href="#">Consent of Deloitte &amp; Touche LLP, Independent Registered Public Accounting firm.</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.</a>
32	<a href="#">Certification pursuant to 18 U.S.C. § 1350.</a>
97	<a href="#">Shyft Group Compensation Clawback Policy</a>
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)

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\*Management contract or compensatory plan or arrangement.

The Company will furnish a copy of any exhibit listed above to any shareholder of the Company without charge upon written request to: Chief Financial Officer, The Shyft Group, Inc., 41280 Bridge Street, Novi, Michigan 48375.

Item 16. [Form 10-K Summary](#).

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

THE SHYFT GROUP, INC.

February 22, 2024

By /s/ Jonathan C. Douyard  
Jonathan C. Douyard  
Chief Financial Officer  
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

February 22, 2024

By /s/ John Dunn  
John Dunn  
Director, President and Chief Executive Officer  
(Principal Executive Officer)

February 22, 2024

By /s/ Jonathan C. Douyard  
Jonathan C. Douyard  
Chief Financial Officer  
(Principal Financial Officer)

February 22, 2024

By /s/ Scott M. Ocholik  
Scott M. Ocholik  
Vice President, Chief Accounting Officer and  
Corporate Controller  
(Principal Accounting Officer)

February 22, 2024

By /s/ James A. Sharman  
James A. Sharman, Director

February 22, 2024

By /s/ Michael Dinkins  
Michael Dinkins, Director

February 22, 2024

By /s/ Carl Esposito  
Carl Esposito, Director

February 22, 2024

By /s/ Angela K. Freeman  
Angela K. Freeman, Director

February 22, 2024

By /s/ Pamela L. Kermisch  
Pamela L. Kermisch, Director

February 22, 2024

By /s/ Paul A. Mascarenas  
Paul A. Mascarenas, Director

February 22, 2024

By /s/ Terri Pizzuto  
Terri Pizzuto, Director

February 22, 2024

By /s/ Mark Rourke  
Mark Rourke, Director

APPENDIX A  
SCHEDULE II  
VALUATION AND QUALIFYING ACCOUNTS  
THE SHYFT GROUP, INC. AND SUBSIDIARIES

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts (Acquisition)	Deductions	Balance at End of Period
Year ended December 31, 2023:					
Allowance for doubtful accounts	\$ 246	\$ 159	\$ -	\$ (129)	\$ 276
Year ended December 31, 2022:					
Allowance for doubtful accounts	\$ 187	\$ 240	\$ -	\$ (181)	\$ 246
Year ended December 31, 2021:					
Allowance for doubtful accounts	\$ 116	\$ 149	\$ -	\$ (78)	\$ 187

## SECOND AMENDED AND RESTATED

BYLAWS OF  
THE SHYFT GROUP, INC.ARTICLE I  
OFFICES

The corporation may have offices at such places, both within and without of the State of Michigan, as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II  
MEETINGS OF SHAREHOLDERS

**Section 1. Times and Places of Meetings.** All meetings of the shareholders shall be held, except as otherwise provided by statute, the Restated Articles of Incorporation, or these Bylaws, at such time and place as may be fixed from time to time by the board of directors. Meetings of shareholders may be held within or without the State of Michigan as shall be stated in the notice of the meeting or in a duly executed waiver of notice.

**Section 2. Annual Meetings.** Annual meetings of the shareholders shall be held each year at such time and on such day as may be designated by the board of directors. Annual meetings shall be held to elect, by a plurality vote, successors to those members of the board of director whose terms expire at the meeting and to transact such other business as may be properly brought before the meeting.

**Section 3. Special Meetings.** Special meetings of the shareholders may be called by the board of directors, the Chairman, an executive officer whenever directed by the board of directors, or by the Chief Executive Officer. The request shall state the purpose or purposes of the proposed meeting.

**Section 4. Notice of Meetings.** Written notice of the date, time, place, if any, and purposes of a shareholder meeting shall be given not less than 10 nor more than 60 days before the date of the meeting, either personally, by mail, or, if authorized by the board of directors, by a form of electronic transmission to which the shareholder has consented, to each shareholder of record entitled to vote at the meeting. For the purposes of these Bylaws, "electronic transmission" means any form of communication that does not directly involve the physical transmission of paper, that creates a record that may be retained and retrieved by the recipient, and that may be reproduced in paper form by the recipient through an automated process. If, as authorized by the board of directors, a shareholder or proxy holder may be present and vote at the meeting by remote communication, the means of remote communication allowed shall be specified in the notice of the meeting. Notice of the purposes of the meeting shall include notice of any shareholder proposals that are proper subjects for shareholder action and are intended to be presented by shareholders who have notified the corporation in writing of their intention to present the proposals at the meeting in accordance with these Bylaws.

**Section 5. Waiver of Notice.** Notice of any meeting need not be given to any shareholder who signs a waiver of notice before or after the meeting. Attendance of a shareholder at a meeting shall constitute a waiver of notice of such meeting, except when the shareholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the holding of the meeting or the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the shareholders need be specified in any written waiver of notice unless so required by the Restated Articles of Incorporation or these Bylaws.

**Section 6. Shareholder List.** The officer or agent having charge of the stock transfer books for shares of the corporation shall make and certify a complete list of the shareholders entitled to vote at a shareholder meeting or any adjournment thereof. The list shall be:

- (i) arranged alphabetically within each class and series, with the address of, and the number of shares held by, each shareholder;
- (ii) produced at the time and place of the meeting;
- (iii) subject to inspection by any shareholder at any time during the meeting; and
- (iv) prima facie evidence as to who are the shareholders entitled to examine the list or to vote at the meeting.

If the meeting is held solely by means of remote communication, then the list shall be open to the examination of any shareholder during the entire meeting by posting the list on a reasonably accessible electronic network and the information required to access the list shall be provided with the notice of the meeting. Failure to comply with the requirements of this Section shall not affect the validity of an action taken at the meeting before a shareholder makes a demand to comply with the requirements.

**Section 7. Quorum.** The holders of a majority of the stock issued and outstanding and entitled to vote at a meeting, present in person or represented by proxy, shall constitute a quorum at all shareholder meetings for the transaction of business, except as otherwise provided by statute or by the Restated Articles of Incorporation. The shareholders present in person or by proxy at the meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. Whether or not a quorum is present, a meeting may be adjourned by a vote of the shares present.

**Section 8. Vote Required.** An action, other than the election of directors, to be taken by shareholder vote shall be authorized by a majority of the votes cast by shareholders entitled to vote on the action, unless a greater vote is required by statute or the Articles of Incorporation, in which case the express provision shall govern and control the decision of such question.

**Section 9. Voting Rights.** Except as otherwise provided by the Restated Articles of Incorporation or resolution or resolutions of the board of directors creating any class or series of stock, each shareholder shall at every shareholder meeting be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by the shareholder.

**Section 10. Conduct of Meetings.** Meetings of shareholders generally shall follow accepted rules of parliamentary procedure, subject to the following:

(i) The Chairman of the meeting shall have absolute authority over matters of procedure, and there shall be no appeal from the ruling of the Chairman. If, in his or her absolute discretion, the Chairman deems it advisable to dispense with the rules of parliamentary procedure as to any one meeting of shareholders or part thereof, the Chairman shall so state and shall clearly state the rules under which the meeting or appropriate part thereof shall be conducted.

(ii) If disorder should arise which prevents the continuation of the legitimate business of the meeting, the Chairman may quit the chair and announce the adjournment of the meeting. Upon so doing, the meeting is immediately adjourned without the necessity of any vote or further action of the shareholders.

(iii) The Chairman may ask or require that any person who is not a shareholder of record or holding a proxy to leave the meeting.

(iv) The Chairman may introduce nominations, resolutions, or motions submitted by the board of directors for consideration by the shareholders without a motion or a second. Except as the Chairman shall direct, a resolution or motion not submitted by the board of directors shall be considered for vote only if proposed by a shareholder of record or a duly authorized proxy of such a shareholder and seconded by an individual who is a shareholder or a duly authorized proxy other than the individual who proposed the resolution or motion.

**Section 11. Inspectors of Election.** The board of directors or, if they shall not have so acted, the Chief Executive Officer, may appoint, at or prior to any meeting of shareholders, one or more persons (who may be directors and/or employees of the corporation) to serve as inspectors of election. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of shareholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting.

**Section 12. Shareholder Proposals.** Except as otherwise provided by statute, the Restated Articles of Incorporation, or these Bylaws:

(i) No matter may be presented for shareholder action at an annual or special meeting of shareholders unless such matter is: (a) specified in the notice of the meeting (or any supplement to the notice) given by or at the direction of the board of directors; (b) otherwise presented at the meeting by or at the direction of the board of directors; (c) properly presented for action at the meeting by a shareholder in accordance with the notice provisions set forth in this Section and any other applicable requirements; or (d) a procedural matter presented, or accepted for presentation, by the Chairman in his or her sole discretion.

(ii) For a matter to be properly presented by a shareholder, the shareholder must have given timely notice of the matter in writing to the Secretary of the corporation. To be timely, the notice must be delivered to or mailed to and received at the principal executive offices of the corporation not less than 120 calendar days prior to the date corresponding to the date of the corporation's proxy statement or notice of meeting released to shareholders in connection with the last preceding annual meeting of shareholders in the case of an annual meeting (unless the corporation did not hold an annual meeting within the last year, or if the date of the upcoming annual meeting changed by more than 30 days from the date of the last preceding meeting, then the notice must be delivered or mailed and received not more than 10 days after the earlier of the date of the notice of the meeting or public disclosure of the date of the meeting), and not more than 10 days after the earlier of the date of the notice of the meeting or public disclosure of the date of the meeting in the case of a special meeting. The notice by the shareholder must set forth: (a) a brief description of the matter the shareholder desires to present for shareholder action; (b) the name and record address of the shareholder proposing the matter for shareholder action; (c) the class and number of shares of capital stock of the corporation that are beneficially owned by the shareholder; and (d) any material interest of the shareholder in the matter proposed for shareholder action. For purposes of this Section, "public disclosure" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or other comparable national financial news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(iii) Except to the extent that a shareholder proposal submitted pursuant to this Section is not made available at the time of mailing, the notice of the purposes of the meeting shall include the name and address of and the number of shares of the voting security held by the proponent of each shareholder proposal.

(iv) Notwithstanding the above, if the shareholder desires to require the corporation to include the shareholder's proposal in the corporation's proxy materials, matters and proposals submitted for inclusion in the corporation's proxy materials shall be governed by the solicitation rules and regulations of the Exchange Act, including without limitation Rule 14a-8.

**Section 13. Proxies.** A shareholder entitled to vote at a shareholder meeting or to express consent or dissent without a meeting may authorize one or more other persons to act for the shareholder by proxy only by one of the following methods:

(i) The execution of a writing authorizing another person or persons to act for the shareholder as proxy. Execution may be accomplished by the shareholder or by an authorized officer, director, employee, or agent of the shareholder by either signing the writing or causing his or her signature to be affixed to the writing by any reasonable means including, but not limited to, facsimile signature; or

(ii) Transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will hold the proxy or to a proxy solicitation firm, proxy support service organization, or similar agent fully authorized by the person who will hold the proxy to receive that transmission. Any telegram, cablegram, or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram, or other electronic transmission was authorized by the shareholder. If a telegram, cablegram, or other electronic transmission is determined to be valid, the inspectors, or, if there are no inspectors, the persons making the determination shall specify the information upon which they relied.

A copy, facsimile telecommunication, or other reliable reproduction of the writing or transmission created pursuant to subsections (i) or (ii) may be substituted or used in lieu of the original writing or transmission for any purpose for which the original writing or transmission could be used, if the copy, facsimile telecommunication, or other reproduction is a complete reproduction of the entire original writing or transmission.

A proxy is not valid after the expiration of three years from its date unless otherwise provided in the proxy. A proxy must be filed with the corporation at or before the meeting. A proxy shall be valid only with respect to the particular meeting, or any adjournment or adjournments thereof, to which it specifically relates.

**Section 14. Participation in Meeting by Remote Communication.** A shareholder may participate in a shareholder meeting by a conference telephone or by other means of remote communication, if (i) the board of directors authorizes such participation; and (ii) the meeting is conducted in accordance with the current requirements of applicable law, including the Michigan Business Corporation Act. Such participation in a meeting constitutes presence in person at the meeting.

**Section 15. Electronic Meeting.** Unless otherwise restricted by the Restated Articles of Incorporation or these Bylaws, the board of directors may hold a meeting of shareholders solely by means of remote communication if the requirements of Article II, Section 15 are met.

### **ARTICLE III RECORD DATE**

#### **Section 1. Fixing of Record Date by Board of Directors**

(i) For the purpose of determining shareholders entitled to notice of and to vote at a shareholder meeting or an adjournment of a meeting, the board of directors shall fix a record date, which shall not precede the date on which the board adopts the resolution fixing the record date. The date shall not be more than 60 nor less than 10 days before the date of the meeting. If a record date is not fixed, the record date for determination of shareholders entitled to notice of or to vote at a shareholder meeting shall be the close of business on the day next preceding the day on which notice is given or, if no notice is given, the day next preceding the day on which the meeting is held. When a determination of shareholders of record entitled to notice of or to vote at a shareholder meeting is made as provided in this Section, the determination applies to any adjournment of the meeting, unless the board of directors fixes a new record date under this Section for the adjourned meeting.

(ii) For the purpose of determining shareholders entitled to express consent to or to dissent from a proposal without a meeting, the board of directors shall fix a record date, which shall not precede the date on which the board adopts the resolution fixing the record date and shall not be more than 10 days after the board resolution. If a record date is not fixed and prior action by the board of directors is required with respect to the corporate action to be taken without a meeting, the record date is the close of business on the day on which the board resolution is adopted. If a record date is not fixed and prior board action is not required, the record date is the first date on which a signed written consent is delivered to the corporation as provided in these Bylaws.

(iii) For the purpose of determining shareholders entitled to receive payment of a share dividend or distribution, or allotment of a right, or for the purpose of any other action, the board of directors shall fix a record date, which shall not precede the date on which the board adopts the resolution fixing the record date. The date shall not be more than 60 days before the payment of the share dividend or distribution, allotment of a right, or other action. If a record date is not fixed, the record date is the close of business on the day on which the board resolution relating to the corporate action is adopted.

**Section 2. Adjournments.** If a meeting is adjourned, it is not necessary to give notice of the adjourned meeting if (i) the date, time, and place, if any, to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and (ii) at the adjourned meeting only such business is transacted as might have been transacted at the original meeting. A shareholder or proxy holder may be present and vote at the adjourned meeting by means of remote communication if he or she was permitted to be present and vote by that means of remote communication in the original meeting notice. If after the adjournment the board of directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with Article II, Section 4 above.

**Section 3. Registered Shareholders.** The corporation shall be entitled to recognize the exclusive rights of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not the corporation shall have express or other notice thereof, except as otherwise provided by the laws of the State of Michigan.

#### **ARTICLE IV DIRECTORS**

**Section 1. Number and Term of Directors.** The number of directors shall be fixed from time to time by resolution adopted by a majority vote of the board of directors but shall not be less than three. The directors, other than those who may be elected by the holders of any class or series of stock having a preference over Common Stock as to dividends or upon liquidation, shall be divided into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year. Directors need not be residents of the State of Michigan or shareholders of the corporation.

**Section 2. Powers.** The business of the corporation shall be managed by its board of directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not, by statute or by the Restated Articles of Incorporation or by these Bylaws, directed or required to be exercised or done by the shareholders.

**Section 3. Vacancies.** Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled as provided in the Restated Articles of Incorporation.

**Section 4. Resignation and Renewal.** Any director may resign at any time and such resignation shall take effect upon receipt of written notice thereof by the corporation, or at such subsequent time as set forth in the notice of resignation. Any or all of the directors may be removed, but only for cause, as provided in the Restated Articles of Incorporation.

**Section 5. Nominations of Director Candidates.**

(i) Nominations of candidates for the election of directors of the corporation at any meeting of shareholders called for the election of directors (an "Election Meeting") may be made by the board of directors or by any shareholder entitled to vote at the Election Meeting.

(ii) Nominations made by the board of directors shall be made at a meeting of the board of directors, or by written consent of directors in lieu of a meeting, not less than 30 days prior to the date of the Election Meeting, and such nominations shall be reflected in the minute books of the corporation as of the date made.

(iii) Any shareholder who intends to make a nomination at the Election Meeting shall deliver, not less than 120 days prior to the date of notice of the Election Meeting in the case of an annual meeting, and not more than seven days following the date of notice of the meeting in the case of a special meeting, a notice to the Secretary of the corporation setting forth: (a) the name, age, business address, and residence address of each nominee proposed in the notice; (b) the principal occupation or employment of each nominee; (c) the number of shares of capital stock of the corporation which are beneficially owned by each nominee; (d) a statement that the nominee is willing to be nominated; and (e) such other information concerning each nominee as would be required under the rules of the Securities and Exchange Commission in a proxy statement soliciting proxies for the election of such nominees in a contested election (including the consent of each nominee to serve as a director if elected). Such notice shall also contain a representation regarding whether such shareholder intends to solicit proxies in support of nominees other than the corporation's nominees in accordance with Rule 14a-19 promulgated under the Exchange Act, and, in the event that such shareholder so intends, such notice shall also include a statement that such shareholder intends to solicit the holders of shares representing at least 67% of the voting power of the corporation's shares entitled to vote on the election of directors in support of such director nominees other than the corporation's nominees. Such notice shall be accompanied by a written consent of each such director nominee to being named in the corporation's proxy materials as a nominee.

(iv) If the chairman of the Election Meeting determines that a nomination was not made in accordance with the foregoing procedures, such nomination shall be void.

(v) Without limiting the other provisions and requirements of this Section 5, unless otherwise required by law, if any shareholder (i) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (ii) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act, then the corporation shall disregard any proxies or votes solicited for such shareholder's nominees. Upon request by the corporation, if any shareholder provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such shareholder shall deliver to the corporation, no later than five business days prior to the Election Meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act.

**Section 6. Compensation of Directors.** The board of directors, by affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, may establish reasonable compensation for services to the corporation as a director or officer. Directors may also be reimbursed for their expenses, if any, of attendance at each board of directors or committee meeting. Nothing in this section shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation for that service.

**Section 7. Regular Meetings.** Regular meetings of the board of directors may be held at the times, dates, and places as determined by the board of directors. A notice to directors is not required for a regular meeting, except that, when the board of directors establishes or changes the schedule of regular meetings, or changes the time, date, or place of a previously scheduled regular meeting, notice of the action shall be given to each director who was absent from the meeting at which the action was taken.

**Section 8. Special Meetings.** Subject to the provisions of Section 9 of this Article IV, special meetings of the board of directors may be called by the Chairman, President, or directors constituting at least one-third of the directors then in office by giving notice to each director.

**Section 9. Notice of Meetings.** Except as otherwise provided by these Bylaws, notice of the time, date, and place of each meeting of the board of directors shall be given to each director by either of the following methods:

(i) by mailing a written notice of the meeting to the address that the director designates or, in the absence of designation, to the last known address of the director, at least three days before the date of the meeting; or

(ii) by delivering a written notice of the meeting to the director at least one full business day before the meeting, personally or by a form of electronic transmission to which the director has consented, to the director's last known office or home.

**Section 10. Waiver of Notice.** Whenever notice is required to be given under the provisions of the statutes or of the Restated Articles of Incorporation or by these Bylaws, a written waiver signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. The attendance of a director at a meeting shall constitute a waiver of notice of the meeting, unless, at the beginning of the meeting, the director objects to holding the meeting or transacting business at the meeting and does not vote for or assent to any action taken at the meeting.

**Section 11. Purpose Need Not be Stated.** Neither the business to be transacted at nor the purpose of any regular or special meeting of the board of directors need be specified in the notice of such meeting unless so required by the Restated Articles of Incorporation or by these Bylaws.

**Section 12. Quorum.** At all meetings of the board of directors a majority of the directors shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at any meeting at which there is a quorum shall be acts of the board of directors except as may be otherwise specifically provided by statute or by the Restated Articles of Incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors who are present may adjourn the meeting without notice, other than announcement at the meeting, until a quorum shall be present.

**Section 13. Action Without a Meeting.** Unless otherwise restricted by the Restated Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee of the board may be taken without a meeting if, before or after the action, all members of the board of directors or of such committee, as the case may be, consent in writing or by electronic transmission and the consent is filed with the minutes or proceedings of the board of directors or committee.

**Section 14. Meeting by Telephone or Similar Equipment.** The board of directors or any committee designated by the board of directors may participate in a board or other means of remote communication through committee meeting by means of conference telephone or other means of remote communication through which all persons participating in the meeting can communicate with each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

## **ARTICLE V COMMITTEES OF DIRECTORS**

**Section 1. Committees.** The board of directors may from time to time appoint committees, whose membership shall consist of such members of the board of directors as it may deem advisable, to serve at the pleasure of the board of directors. The board of directors may also appoint directors to serve as alternates for members of each committee in the absence or disability of regular members. The board of directors may fill any vacancies in any committee as they occur.

**Section 2. Audit Committee.** The Audit Committee will perform the function of an audit committee for the corporation and each of its subsidiaries as that function is defined in the Audit Committee Charter adopted by the board of directors from time to time. The Audit Committee shall have the authority, responsibilities, and powers provided in the Audit Committee Charter, any resolutions adopted by the board of directors from time to time, the Marketplace Rules of The Nasdaq Stock Market, Inc., and any applicable laws and regulations.

**Section 3. Human Resources and Compensation Committee.** The Human Resources and Compensation Committee will perform the function of a human resources and compensation committee for the corporation and each of its subsidiaries as that function is defined in the Human Resources and Compensation Committee Charter adopted by the board of directors from time to time. The Human Resources and Compensation Committee shall have the authority, responsibilities, and powers provided in the Human Resources and Compensation Committee Charter, any resolutions adopted by the board of directors from time to time, the Marketplace Rules of The Nasdaq Stock Market, and any applicable laws and regulations.

**Section 4. Governance and Sustainability Committee.** The Governance and Sustainability Committee will perform the function of a governance and sustainability committee for the corporation and each of its subsidiaries as that function is defined in the Governance and Sustainability Committee Charter adopted by the board of directors from time to time. The Governance and Sustainability Committee shall have the authority, responsibilities, and powers provided in the Governance and Sustainability Committee Charter, any resolutions adopted by the board of directors from time to time, the Marketplace Rules of The Nasdaq Stock Market, and any applicable laws and regulations.

**Section 5. Other Committees.** The board of directors may designate such other committees as it may deem appropriate, and such committees shall exercise the authority delegated to them.

**Section 6. Committee Meetings.** Each committee provided for above shall meet as often as its business may require and may fix a day and time each month or at other intervals for regular meetings, notice of which shall not be required. Whenever the day fixed for a meeting shall fall on a holiday, the meeting shall be held on the business day following or on such other day as the committee may determine. Special meetings of the committees may be called by the chairperson of the committee or any two members other than the chairperson, and notice thereof may be given to the members by telephone, facsimile or letter. A majority of its members shall constitute a quorum for the transaction of the business of any of the committees. A record of the proceedings of each committee shall be kept and presented to the board of directors.

**Section 7. General.** A committee, to the extent provided in the board resolution creating the committee or these Bylaws, may exercise all of the board's power and authority in the management of the business and affairs of the corporation, except that a committee may not: (i) amend the Restated Articles of Incorporation; (ii) adopt an agreement of merger or consolidation; (iii) recommend to shareholders the sale, lease, or exchange of all or substantially all of the corporation's property and assets; (iv) recommend to the shareholders a dissolution of the corporation or a revocation of a dissolution; (v) amend the Bylaws of the corporation; or (vi) fill vacancies in the board of directors. Unless a resolution of the board of directors expressly so provides, a committee may not declare a distribution or dividend or authorize the issuance of stock. A committee exists, and each member serves, at the pleasure of the board.

## **ARTICLE VI OFFICERS**

**Section 1. Appointment of Officers.** The board of directors, at its first meeting after the annual meeting of shareholders, or as soon as practicable after the election of directors in each year, shall appoint a President, Executive Vice President, Secretary, and Treasurer, and may elect from their number a Chairman of the Board or one or more Vice Chairmen. The board of directors also may appoint one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers, and other officers and agents which it deems necessary. The dismissal of an officer, the appointment of an officer to fill the office of one who has been dismissed or has ceased for any reason to be an officer, the appointment of any additional officers, and the change of an officer to a different or additional office, may be made by the board of directors at any later meeting. Any two or more offices may be filled by the same person.

**Section 2. Authority of Officers.** The Chairman of the Board, President, any Executive Vice President, Senior Vice President and Vice President, Secretary, Treasurer, and any other persons expressly designated as officers by the board of directors shall be the only officers of the corporation. Only the officers of the corporation shall have discretionary authority to determine the fundamental policies of the corporation.

**Section 3. Term of Office, Removal, and Vacancies.** An officer shall hold office at the pleasure of the board. The board may remove any officer with or without cause. An officer may resign his or her office at any time by written notice to the corporation. The resignation is effective upon receipt by the corporation or at a later date specified in the notice.

**Section 4. Chairman of the Board.** There may be elected a Chairman of the Board who shall be chosen from among the directors, but who need not be an officer or an executive employee of the corporation. The Chairman of the Board shall preside at all meetings of the shareholders and at all meetings of the board of directors and shall be an ex officio member of all committees designated by the board, and shall have such other duties and powers as may be imposed or given by the board of directors.

**Section 5. President.** The President, who shall be a member of the board of directors, shall be the chief operating officer of the corporation and shall have general supervision over the operations of the corporation, subject to the direction of the board of directors and shall have such powers and perform such duties as may be assigned from time to time by the board of directors, subject, however, to his right and the right of the directors to delegate any specific powers to any officer or officers of the corporation. The President shall ensure that all orders and resolutions of the board of directors are carried into effect and may sign, with the Secretary or the Treasurer, certificates of stock of the corporation. At the request of the Chief Executive Officer, or in the case of the Chief Executive Officer's absence or inability to act, the President shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer.

**Section 6. Chief Executive Officer.** The Chief Executive Officer, who shall be a member of the board of directors, in addition to his duties as Chairman of the Board or President as the case may be, shall have final authority, subject to the control of the board of directors, over the general policy and business of the corporation and shall have the general control and management of the business and affairs of the corporation. The Chief Executive Officer shall perform other duties as may be prescribed from time to time by the board of directors or these Bylaws.

**Section 7. Vice Presidents.** The Vice President or Vice Presidents shall perform such duties and have such powers as the Chief Executive Officer or the board of directors may from time to time prescribe. At the request of the President, or in the case of his absence or inability to act, the Vice President or, if more than one Vice President, that one of them designated by the President or the board of directors, shall have all of the powers of, and shall be subject to the restrictions upon, the President. The board of directors may at its discretion designate one or more of the Vice Presidents as Executive Vice Presidents or Senior Vice Presidents. Any Vice President so designated shall have such duties and responsibilities as the board of directors shall prescribe.

**Section 8. Secretary.** The Secretary shall attend all meetings of the shareholders and of the board of directors and shall preserve in the books of the corporation true minutes of the proceedings of all such meetings. The Secretary shall safely keep in his or her custody the seal of the corporation and shall have authority to affix the seal to all instruments where its use is required or appropriate, and when so affixed may attest the same. The Secretary shall give all notices required or appropriate pursuant to statute, the Restated Articles of Incorporation, the Bylaws, or by resolution. The Secretary may sign, with the President and Treasurer, certificates of stock of the corporation and shall perform such other duties as may be prescribed by the board of directors.

**Section 9. Treasurer.** The Treasurer shall have custody of, and be responsible for, all corporate funds and securities and shall keep in books belonging to the corporation full and accurate accounts of all receipts and disbursements. The Treasurer shall deposit all moneys, securities, and other valuable effects in the name of and to the credit of the corporation in depositories as may be designated for that purpose by the board of directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the President and directors at the regular meetings of the board, and whenever requested by them, an account of all transactions as Treasurer and of the financial condition of the corporation. He may sign, with the President and Secretary, certificates of stock of the corporation and shall perform other duties as may be assigned to him by the board of directors.

**Section 10. Assistant Secretary and Assistant Treasurer.** There may be appointed an Assistant Secretary and Assistant Treasurer who shall, in the absence, disability, or nonfeasance of the Secretary or Treasurer, perform the duties and exercise the powers of such persons respectively.

**Section 11. Other Officers.** All other officers, as may from time to time be appointed by the board of directors, shall perform such duties and exercise such authority as the board of directors shall prescribe.

## **ARTICLE VII INDEMNIFICATION**

**Section 1. Indemnification Other Than in Actions by or in the Right of the Corporation.** Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and whether formal or informal, other than an action by or in the right of the corporation, by reason of the fact that he or she is or was a director or executive officer of the corporation, or, while serving as such a director or executive officer, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall be indemnified by the corporation against expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the corporation or its shareholders, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create any presumption that the person did not act in good faith nor in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, or, with respect to any criminal action or proceeding, that he or she had reasonable cause to believe that his conduct was unlawful. Persons who are not directors or executive officers of the corporation may be indemnified in respect of such service to the extent authorized at any time by the board of directors, except as otherwise provided by statute or the Restated Articles of Incorporation.

**Section 2. Indemnification in Actions by or in the Right of the Corporation.** Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director or executive officer of the corporation, or, while serving as such a director or executive officer, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall be indemnified by the corporation against expenses, including attorneys' fees and amounts paid in settlement actually and reasonably incurred by the person in connection with the defense or settlement of such action, suit, or proceeding if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders. No indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been found liable to the corporation unless and only to the extent that the court in which such action, suit, or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. Persons who are not directors or executive officers of the corporation may be indemnified in respect of such service to the extent authorized at any time by the board of directors, except as otherwise provided by statute or the Restated Articles of Incorporation.

**Section 3. Expenses.** To the extent that a director or officer of the corporation or any other person entitled to mandatory indemnification under Section 1 of this Article has been successful on the merits or otherwise in defense of an action, suit, or proceeding referred to in Section 1 or 2 of this Article, or in defense of a claim, issue, or matter in the action, suit, or proceeding, the corporation shall indemnify that person against actual and reasonable expenses (including attorneys' fees), incurred by the person in connection with the action, suit, or proceeding and an action, suit, or proceeding brought to enforce the mandatory indemnification provided in this Section. The corporation may indemnify any other employee, agent or person who may be indemnified under Section 1 or 2 to the extent that person has been successful on the merits or otherwise against actual and reasonable expenses (including attorneys' fees) incurred by the person in connection with the action, suit, or proceeding and an action, suit, or proceeding brought to enforce the mandatory indemnification provided in this Section.

**Section 4. Determination, Evaluation, and Authorization of Indemnification.**

(i) Except as otherwise provided in Subsection (iv) or unless ordered by a court, the corporation shall make an indemnification under Section 1 or 2 of this Article only upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 or 2 of this Article and upon an evaluation of the reasonableness of expenses and amounts paid in settlement. This determination and evaluation may be made in any of the following ways:

(1) By a majority vote of a quorum of the board of directors consisting of directors who are not parties or threatened to be made parties to the action, suit, or proceeding.

(2) If a quorum cannot be obtained under Subsection (1) above, by majority vote of a committee duly designated by the board and consisting solely of two or more directors not at the time parties or threatened to be made parties to the action, suit, or proceeding.

(3) By independent legal counsel in a written opinion, which counsel shall be selected in one of the following ways:

(A) By the board or its committee in the manner prescribed in Subsections (1) or (2) above.

(B) If a quorum of the board cannot be obtained under Subsection (1) above and a committee cannot be designated under Subsection (2) above, by the board.

(4) By all independent directors (as that term is defined in the Michigan Business Corporation Act) who are not parties or threatened to be made parties to the action, suit, or proceeding.

(5) By the shareholders, but shares held by directors, officers, employees, or agents who are parties or threatened to be made parties to the action, suit, or proceeding may not be voted.

(ii) In the designation of a committee under Subsection (i)(2) or in the selection of independent legal counsel under Subsection (i)(3)(B), all directors may participate.

(iii) The corporation shall authorize payment of indemnification under this Section in one of the following ways:

(1) By the board in one of the following ways:

(A) If there are two or more directors who are not parties or threatened to be made parties to the action, suit, or proceeding, by a majority vote of all directors who are not parties or threatened to be made parties, a majority of whom shall constitute a quorum for this purpose.

(B) By a majority of the members of a committee of two or more directors who are not parties or threatened to be made parties to the action, suit, or proceeding.

(C) If the corporation has one or more independent directors who are not parties or threatened to be made parties to the action, suit, or proceeding, by a majority vote of all independent directors who are not parties or are threatened to be made parties, a majority of whom shall constitute a quorum for this purpose.

(D) If there are no independent directors and less than two directors who are not parties or threatened to be made parties to the action, suit, or proceedings, by the vote necessary for action by the board in accordance with Section 523 of the Michigan Business Corporation Act, in which authorization all directors may participate.

(2) By the shareholders, but shares held by directors, officers, employees, or agents who are parties or threatened to be made parties to the action, suit, or proceeding may not be voted on the authorization.

(iv) To the extent that the Restated Articles of Incorporation include a provision eliminating or limiting the liability of a director pursuant to Section 209(1)(c) of the Michigan Business Corporation Act, the corporation may indemnify a director for the expenses and liabilities described in this subparagraph without a determination that the director has met the standard of conduct set forth in Section 1 or 2 of this Article, but no indemnification shall be made except to the extent authorized in Section 564c of the Michigan Business Corporation Act if the director received a financial benefit to which he or she was not entitled, intentionally inflicted harm on the corporation or its shareholders, violated Section 551 of the Michigan Business Corporation Act, or intentionally committed a criminal act. In connection with an action or suit by or in the right of the corporation as described in Section 2 of this Article, indemnification under this subparagraph shall be for expenses, including attorneys' fees, actually and reasonably incurred. In connection with an action, suit, or proceeding other than an action, suit, or proceeding by or in the right of the corporation, as described in Section 1 of this Article, indemnification under this subparagraph shall be for expenses, including attorneys' fees, actually and reasonably incurred, and for judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred.

#### **Section 5. Advances.**

(i) The corporation may pay or reimburse the reasonable expenses incurred by a director, officer, employee, or agent who is a party or threatened to be made a party to an action, suit, or proceeding before final disposition of the proceeding if the person furnishes the corporation a written undertaking, executed personally or on the person's behalf, to repay the advance if it is ultimately determined that the person did not meet the applicable standard of conduct, if any, required by statute for the indemnification of a person under the circumstances.

(ii) The undertaking required by subparagraph (i) above must be an unlimited general obligation of the person, but need not be secured and may be accepted without reference to the financial ability of the person to make repayment.

(iii) An evaluation of reasonableness under this Section shall be made in the manner specified in Section 4(i) above, and authorizations shall be made in the manner specified in Section 4(iii) above.

(iv) A provision in the Restated Articles of Incorporation or Bylaws, a resolution of the board or shareholders, or an agreement making indemnification mandatory also shall make the advancement of expenses mandatory unless the provision, resolution, or agreement specifically provides otherwise.

**Section 6. Partial Indemnification.** If an individual is entitled to indemnification under Section 1 or 2 of this Article VII for a portion of expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount thereof, the corporation may indemnify the individual for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the individual is entitled to be indemnified.

**Section 7. Indemnification Hereunder Not Exclusive.** The indemnification and advancement of expenses provided by this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the Restated Articles of Incorporation, any Bylaw, agreement, vote of shareholders or disinterested directors, or otherwise. The indemnification provided in this Article VII shall continue as to an individual who ceases to be a director or executive officer or serve in any other capacity, and shall inure to the benefit of the heirs, executors, and administrators of such an individual. Notwithstanding the foregoing, the total amount of actual expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the individual seeking indemnification or advancement of expenses.

**Section 8. Insurance.** The corporation may purchase and maintain insurance on behalf of any individual who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his other status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VII.

**Section 9. Mergers.** For the purposes of this Article VII, references to the "corporation" include all constituent corporations absorbed in a consolidation or merger, as well as the resulting or surviving corporation, so that any person who is or was a director, officer, employee, or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation in the same capacity.

## **ARTICLE VIII SUBSIDIARIES**

**Section 1. Subsidiaries.** The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may vote the shares of stock owned by the corporation in any subsidiary, whether wholly or partly owned by the corporation, in such manner as they may deem in the best interests of the corporation, including, without limitation, for the election of directors of any subsidiary, for any amendments to the charter or bylaws of any such subsidiary, or for the liquidation, merger, or sale of assets of any such subsidiary. The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may cause to be elected to the board of directors of any such subsidiary such persons as they shall designate, any of whom may, but need not be, directors, executive officers, or other employees or agents of the corporation. The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may instruct the directors of any such subsidiary as to the manner in which they are to vote upon any issue properly coming before them as the directors of such subsidiary, and such directors shall have no liability to the corporation as the result of any action taken in accordance with such instructions.

**Section 2. Subsidiary Officers Not Executive Officers of the Corporation.** The officers of any subsidiary, shall not, by virtue of holding such title and position, be deemed to be executive officers of the corporation, nor shall any such officer of a subsidiary, unless such officer shall also be a director or executive officer of the corporation, be entitled to have access to any files, records, or other information relating or pertaining to the corporation or its business and finances, or to attend or receive the minutes of any meetings of the board of directors or any committee of the corporation, except as and to the extent expressly authorized and permitted by the board of directors or the Chief Executive Officer.

**ARTICLE IX  
CERTIFICATES OF STOCK**

**Section 1. Form.** Subject to Section 3 below, every holder of stock in the corporation shall be entitled to have a certificate in the name of the corporation signed by the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by each shareholder in the corporation. The certificate may, but need not be, sealed with the seal of the corporation, or a facsimile thereof.

**Section 2. Facsimile Signature.** Where a certificate is signed (i) by a transfer agent or an assistant transfer agent; or (ii) by a transfer clerk acting on behalf of the corporation and a registrar, the signature of any such President, Vice President, Treasurer, Assistant Treasurer, Secretary, or Assistant Secretary may be a facsimile. In case any officer, transfer agent, or registrar who has signed, or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

**Section 3. Issuance of Shares Without Certificates.** The corporation may issue some or all of the shares of any or all of its classes or series without certificates. Within a reasonable time after issuance or transfer of shares without certificates, the corporation shall send the shareholder a written statement of the information that would have been required on certificates under the express provision of statute if the shares had been presented by certificates.

**Section 4. Lost Certificates.** The officers may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance of the certificate, require the owner of such lost or destroyed certificate or certificates, or the persons legal representative, to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

**Section 5. Transfers of Stock.** Transfers of stock shall be made only on the books of the corporation by the holder of the shares in person, or by his duly authorized attorney or legal representative, and upon surrender and cancellation of certificates for a like number of shares.

**ARTICLE X  
GENERAL PROVISIONS**

**Section 1. Dividends.** Dividends upon the capital stock of the corporation, subject to the provisions of the Restated Articles of Incorporation, if any, may be declared by the board of directors at any regular or special meeting pursuant to law in such amounts as, in its opinion, the condition of the affairs of the corporation shall render advisable. Dividends may be paid in cash, in property, or in shares of capital stock, subject to the provisions of the Restated Articles of Incorporation.

**Section 2. Reserves.** Before payment of any dividends, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the board shall deem conducive to the interests of the corporation. The directors may modify or abolish any such reserve in the manner in which it was created.

**Section 3. Execution of Contracts.** The board of directors may authorize any officer or officers, agent or agents, in the name and on behalf of the corporation, to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances. No officer or agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it pecuniarily liable for any purpose or to any amount.

**Section 4. Loans.** No loans shall be contracted on behalf of the corporation and no negotiable papers shall be issued in its name unless authorized by resolution of the board of directors, except that the President of the corporation is authorized to contract loans or issue negotiable paper on behalf of the corporation and in its name to the extent of \$10,000. When authorized by the board of directors, any authorized officer or agent of the corporation may affect loans and advances at any time for the corporation from any bank, trust company, other institution, or from any firm, corporation, or individual, and for such loans and advances may make, execute, and deliver promissory notes, bonds, or other certificates or evidences of indebtedness of the corporation and may pledge, hypothecate, or transfer any securities or other property of the corporation as security for any such loans or advances. Such authority may be general or confined to specific instances.

**Section 5. Checks.** All checks, drafts, and other demands for money and notes of the corporation shall be signed on behalf of the corporation, by such officer or officers or such other person or persons as the board of directors may from time to time designate.

**Section 6. Deposits.** All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such bank, trust company, or other depositories as the board of directors may select or may be selected by any officer or officers, or agent or agents of the corporation to whom such power may from time to time be delegated by the board. For the purpose of a deposit, the President, any Vice President, the Treasurer, the Secretary, or any other officer or agent or employee of the corporation to whom such power may be delegated by the board may endorse, assign, and deliver checks, drafts, and other demands for the payment of monies which are payable to the order of the corporation.

**Section 7. Books.** There shall be kept at the office of the corporation in the State of Michigan correct books of the business and transactions of the corporation, a copy of these Bylaws, and the stock book of the corporation, which shall contain the names, alphabetically arranged, of all persons who are shareholders of the corporation, showing their respective places of residence, the number of shares held by them respectively, the time when they became the owners of the shares, and the amount paid for the shares.

**Section 8. Fiscal Year.** The fiscal year of the corporation shall be determined by a resolution of the board of directors.

**Section 9. Forum Selection.** Unless the corporation consents in writing to the selection of an alternative forum, the courts of the State of Michigan located in Oakland County, Michigan, and the United States District Court for the Eastern District of Michigan shall be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the corporation to the corporation or the corporation's shareholders, (c) any action asserting a claim arising pursuant to any provision of the Michigan Business Corporation Act, as may be amended from time to time, or (d) any action asserting a claim governed by the internal affairs doctrine.

## **ARTICLE XI AMENDMENTS**

Subject to any provisions of the Restated Articles of Incorporation, these Bylaws may be altered, amended, changed, or repealed at any regular or special meeting of the board of directors by a majority vote of directors. Subject to any provisions of the Restated Articles of Incorporation, these Bylaws also may be altered, amended, changed, or repealed at any regular or special meeting of shareholders by a majority vote of the shares present or represented by proxy, unless a greater vote is required by law or the Restated Articles of Incorporation.

December 6, 2022

John Dunn  
*Via Electronic Delivery*

Dear John,

On behalf of The Shyft Group, Inc., and its subsidiaries (the "Company"), we are pleased to offer you the position of President of Fleet Vehicles and Services. We are very excited about the potential that you bring to the Company and we look forward to you joining our team. We believe that your background, experience, and skill set will be an ideal fit as we move the business to the next level and to help drive future success.

In this role, you will be an Executive Officer of the Company and subject to Rule 16 of the Securities Exchange Act of 1934 related to ownership of or transactions in the Company's securities ("Section 16 Officer").

The following summarizes the components of our offer of employment. If you find these terms acceptable, please sign and date where indicated, and return a scanned copy to my attention by December 7, 2022. Your start date will be a mutually agreeable date on or before February 1, 2023.

**Workplace Location and Reporting Relationship**

You will report directly to Daryl Adams, President & CEO of The Shyft Group. Your primary place of employment will be the Plymouth facility located at 47632 Halyard Dr., Plymouth, MI 48170, with frequent travel expected to other company facilities and occasional other travel.

**Compensation**

Your annual base salary will be \$450,000, less applicable withholdings and payroll deductions. This position is classified as exempt and you will be paid bi-weekly. You will be eligible for a merit increase in 2024.

**Annual Incentive Compensation**

You are approved to participate in the 2023 Annual Incentive Compensation ("AIC") plan, prorated based on your start date. The target level for this bonus is 65% of your annual base salary. The actual payout can range from 0% to 200% of target and depends on the achievement of corporate, segment and individual performance metrics. Payment of AIC is

dependent upon continued employment as of the date the compensation is paid. AIC details are defined by and subject in all respects to The Shyft Group Annual Incentive Compensation Policy, as may be amended from time to time. All AIC awards are subject to approval by the President and CEO, Chief Human Resources Officer, and the Human Resources and Compensation Committee (the "Committee") of the Board of Directors (the "Board").

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**Long-Term Incentive Compensation**

You are also approved to participate in the Long-Term Incentive Compensation ("LTIC") plan beginning in 2023, pursuant to which the Committee has the discretionary authority to issue equity awards, including annual awards that are typically in the form of Restricted Stock Units ("RSU") and Performance Stock Units ("PSU").

The target level that the Committee will consider for your LTIC participation percentage will be 125% of your annual base salary. We expect your first RSU/PSU LTIC award to be granted in March 2023, subject to your continued employment on the grant date. LTIC award details are defined by and subject to the 2016 Stock Incentive Plan, as amended (the "2016 Stock Plan") and form of grant agreements approved by the Committee. All LTIC awards are subject to approval by the President and CEO, Chief Human Resources Officer, and the Committee.

As a Section 16 Officer, you will be subject to the Stock Ownership Requirements policy, which requires you to achieve Shyft stock ownership at a level equivalent to three times your base salary within five years. The details of the policy will be provided following your start date.

**Additional Long-Term Incentive Compensation Award**

You will receive a Company equity award with a grant date value of \$750,000 to be awarded in the form of RSUs within 30 days of your start date. The number of RSUs issued will be determined using the average closing stock price over the preceding 30 calendar days. The RSUs will vest ratably over the next three years on the anniversary of the grant date. The award will otherwise be subject to the terms of the 2016 Stock Plan and form of grant agreement approved by the Committee.

**Sign-on Bonus**

You will receive a sign on bonus of \$500,000, less applicable taxes and withholdings. This amount will be paid to you coincident with the payment of ordinary course payments pursuant to the AIC Plan in mid-March 2023. You must be employed with the Company at the time of payment to be eligible. If you voluntarily leave employment with the Company or are terminated for cause as reasonably determined in good faith by the Board, you will be required to repay 100% of the sign on bonus if the separation occurs within the first 12 months of your start date and 50% of the sign on bonus if the separation occurs more than 12 months, but less than 24 months following your start date.

## **Benefits**

You will be eligible to participate in the Company-sponsored employee benefit plans. You will become eligible for most benefits the first day of employment and the plans will be discussed in more detail during orientation. A highlight of current benefits is set forth below for your consideration.

- **Vacation** - You will accrue vacation at a rate of 3.07 hours per week, which is equivalent to four (4) weeks of vacation annually. If your employment ends within one year of your date of hire (with or without cause), you will not be paid for unused vacation.
- **Health and Welfare Benefits** - You will be eligible to elect health and welfare benefits, effective on your date of hire. The Company offers one (1) PPO medical plan and two (2) different High Deductible Health Plans, with optional Health Savings Accounts. Dental, vision and an assortment of other benefit offerings are also available to you. Please reference the benefits guide for additional information.
- **Retirement Plan** - You will also be eligible to participate in the Company's 401(k) Retirement Plan the first day of the month following sixty (60) days of employment. The Company matches 50% of an employee's 401(k) deferral percentage up to the first 6% of eligible compensation.
- **Employee Stock Purchase Program** - We offer an Employee Stock Purchase Plan (ESPP) to all employees after 180 days of employment. The plan allows you to buy Company stock at a 10% discount through payroll deduction.
- **Executive Officer Perquisites** - You will be eligible to receive perquisites and participate in plans available to other similarly situated Executive Officers, including the Supplemental Executive Retirement Plan, annual executive physical, Executive Severance Plan, additional life insurance, and available enhanced LTD coverage. Details of these plans will be provided after your start date.

The terms and scope of participation for these benefits and the compensation plans and policies referenced in this letter are subject to the plans and policy documentation and are subject to change.

This letter is not an employment contract. Your employment with the Company will be "at-will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, and with or without notice, without liability to you, other than as expressly provided in this offer. If you agree to the terms of this offer and commence employment, a contract of employment is not created.

Any contrary representations, which may have been made to you, are superseded by this offer. This is the full and complete outline of the offer between you and the Company regarding employment.

The Company requires the successful completion of a post-offer, pre-employment background check and drug screen. In addition, due to your role, your employment will be conditioned upon you signing a Confidentiality, Assignment and Restrictive Covenant Agreement. By signing this offer, you represent and warrant to the Company that you are under no contractual commitments that will conflict or be inconsistent with your employment by the Company.

The offer set forth in this letter is also contingent on the acknowledgment of the Company's Code of Conduct.

If you have any questions regarding this letter, please do not hesitate to contact me by phone at 269-986-9091 or via email at [Colin.Hindman@theshyftgroup.com](mailto:Colin.Hindman@theshyftgroup.com).

In anticipation of your acknowledgement of this offer, we wish you every success as you join the Shyft Group team.

Sincerely,

THE SHYFT GROUP, INC.

/s/ Colin Hindman

By: Colin Hindman

Its: Chief Human Resources Officer

By signing below, I accept the terms of the offer set forth above.

Acknowledged and agreed to on December 6, 2022.

/s/ John Dunn

John Dunn

October 25, 2023

Via email John Dunn  
c/o The Shyft Group, Inc. 41280  
Bridge Street  
Novi, Michigan 48375

Dear John,

On behalf of Board of Directors (the “Board”) of The Shyft Group, Inc. (the “Company”) and its subsidiaries, we are pleased to offer you a promotion with the Company to the position of President and Chief Executive Officer (“CEO”) of The Shyft Group, Inc.

We believe that your background, experience, and skill set are ideal to move the business to the next level and drive future success.

In this role, you will continue to be an Executive Officer of the Company and subject to Section 16 of the Securities Exchange Act of 1934 and its rules and regulations related to ownership of or transactions in the Company’s securities (“Section 16 Officer”).

The following summarizes the components of the promotion offer. If you find these terms acceptable, please sign and date where indicated, and return a scanned copy to my attention by October 25, 2023. Your effective date for the promotion will be October 26, 2023 (or such other date to which you and the Company may mutually agree).

We also intend to appoint you as a member of the Board. As President and CEO, you will report to the Board. The general terms and conditions of this offer are as follows:

**Workplace Location**

Your primary place of employment will be the Company’s Novi facility located at 41280 Bridge Street, Novi, MI 48375, with frequent travel expected, including to other Company facilities.

**Compensation**

Your annual base salary rate will be \$780,000 per year (“Base Salary”), less applicable withholdings and payroll deductions. This position is classified as exempt and you will be paid bi-weekly substantially in accordance with the Company’s normal payroll procedures. You will next be eligible for a Base Salary merit increase in the ordinary course starting in 2025.

**Annual Incentive Compensation**

You will continue to be eligible to participate during employment in the Company’s Annual Incentive Compensation (“AIC”) program for annual cash-based incentive compensation. The target level for your promotion for this AIC award is 100% of your Base Salary and will be pro-rated for partial years of service (including during the year of this promotion). The actual payout for the AIC award can range from 0% to 200% of target and depends on the achievement of applicable corporate and/or individual performance metrics. Payment of the AIC award is generally dependent upon continued employment as of the date the compensation is paid. AIC award details are further provided by and subject in all respects to The Shyft Group, Inc. Annual Incentive Compensation Policy, as may be amended from time to time, and any other applicable AIC award documentation. All AIC awards are subject to specific approval and administration by the Human Resources and Compensation Committee (the “Committee”) of the Board.

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**Long-Term Incentive Compensation**

You will continue to be eligible to participate during employment in the Company's Long-Term Incentive Compensation ("LTIC") program, pursuant to which program the Committee has the discretionary authority to issue equity awards, including annual awards that are typically in the form of service-based Restricted Stock Units ("RSU award") and performance-based Restricted Stock Units ("Performance Share Units" or "PSU award"). RSU awards currently vest in general on a ratable basis over three years from the grant date, and PSU awards are currently earned in general from 0% to 200% of target after a three-year performance period.

The target level that the Committee will consider for your annual LTIC participation percentage, starting in 2024, will be 285% of your Base Salary. We expect your first RSU/PSU LTIC awards for your promotion to be granted in March 2024, subject to your continued employment on the grant date for such awards (you have already been granted RSU/PSU LTIC awards for your current role earlier in 2023). LTIC award details are further established under and subject to The Shyft Group, Inc. Stock Incentive Plan or its applicable successors (the "Stock Plan") and the forms of grant agreements approved by the Committee for such awards. All LTIC awards are subject to specific approval and administered by the Committee.

**Stock Ownership Requirements Policy**

As a Section 16 Officer, you will continue to be subject to the Company's Stock Ownership Requirements policy, which currently requires you to achieve ownership of Shyft stock or applicable stock equivalents at a level equal to five times your Base Salary within five years of your promotion date.

**Additional Long-Term Incentive Compensation Awards**

In recognition of your promotion, you will receive a Company equity award, within 30 days of your promotion effective date, with a target grant date fair value of \$780,000 and awarded 100% in the form of target PSU awards.

The number of target PSUs subject to such award will be determined using the average closing Company stock price over the 30 calendar days preceding (but not including) the date of grant for such award. The PSUs will generally vest after a three-year performance period running from the grant date, subject to the Company's cumulative financial performance over the performance period relative to a Committee-selected Total Shareholder Return Peer Group.

After the end of the three-year PSU performance period, shares of the Company's common stock will be issued, to the extent earned, in settlement of the target PSUs with the aggregate number of shares earned from 0% to 200% of the number of target PSUs granted.

The PSU award will otherwise be subject to the terms of the Stock Plan and form of grant agreement approved by the Committee for such award.

## **Benefits**

You will continue to be eligible to participate during employment in the Company-sponsored employee benefit plans. You are already eligible for most benefits given your current employment. A highlight of current benefits is set forth below for your review:

- **Vacation** - You will be entitled to a minimum of four (4) weeks of vacation annually.
- **Health and Welfare Benefits** - You will be eligible to elect health and welfare benefits annually. The Company offers one (1) PPO medical plan and two (2) different High Deductible Health Plans, with optional Health Savings Accounts. Dental, vision and an assortment of other benefit offerings are also available to you. Please reference the benefits guide for additional information.
- **Retirement Plan** - You will also be eligible to continue to participate in the Company's 401(k) Retirement Plan given your current employment. The Company matches 50% of an employee's 401(k) deferral percentage up to the first 6% of eligible compensation.
- **Employee Stock Purchase Program** - We offer participation in an Employee Stock Purchase Plan ("ESPP") to all employees after 180 days of employment. The ESPP allows you to buy Company stock at a 10% discount through payroll deduction, subject to applicable terms and conditions of the ESPP.
- **Executive Officer Perquisites:** You will be eligible to receive perquisites and continue to participate in programs available to other Executive Officers, including the Supplemental Executive Retirement Plan, annual executive physical, Executive Severance Plan, additional life insurance, and available enhanced Long-Term Disability coverage.

The terms and scope of participation for these benefits and the compensation plans and policies referenced in this letter are subject to the plans and policy documentation and are subject to change.

This letter is not an employment contract. Your employment with the Company will continue to be "at- will," meaning that either you or the Company are entitled to terminate your employment at any time and for any reason, with or without cause, and with or without notice, without liability to you, other than as expressly provided in this offer. If you agree to the terms of this offer and continue employment in your new role, a contract of employment is not created. However, as an employee of the Company, you will continue to be subject to (or deemed subject to) Company policies applicable to other Executive Officers as in effect from time to time.

Any contrary representations, which may have been made to you, are superseded by this offer. This is the full and complete outline of the offer between you and the Company regarding continued employment in your new role.

You are responsible for all federal, state, city or other taxes imposed on compensation and benefits provided pursuant to or otherwise related to your employment. The Company may withhold from any amounts payable to you under this letter or otherwise all federal, state, city or other taxes as the Company or its affiliates are required to withhold. The Company is not obligated to guarantee any particular tax result for you with respect to any payment or benefit provided to you. Further, to the extent applicable, it is intended that benefits and payments under the offer comply with, or be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended.

Nothing in this offer or otherwise prevents you from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and you may participate in whistleblower statutes administered by any government agency (e.g., EEOC, NLRB, SEC, etc.) and in awards from a government-administered whistleblower award program for providing information directly to a government agency.

The Company requires the successful completion of a post-offer background check. In addition, in connection with your current role with the Company, you have signed a Confidentiality, Assignment and Restrictive Covenant Agreement and acknowledged the Company's Code of Conduct. By signing this letter, you represent and warrant to the Company that you are under no contractual commitments that will conflict or be inconsistent with your continued employment in your new role by the Company.

By signing this letter, you also acknowledge and agree that your compensation or other benefits or amounts described in this letter (or otherwise provided to you) are and will be subject to the terms and conditions of the Company's clawback policy or policies as may be in effect from time to time, and that you consent to be bound by the terms of such policies and fully cooperate with the Company in connection with the terms and conditions thereof.

We are looking forward to having you become President and Chief Executive Officer of the Shyft Group. We are highly confident in your ability to lead the Shyft team in the successful growth and performance of the business.

If this letter accurately reflects your understanding of the offer, please indicate your understanding and acceptance by signing a copy of this letter and returning it.

Sincerely,

THE SHYFT GROUP, INC.

/s/ James Sharman

By: James A. Sharman  
Its: Chair of the Board of Directors

By signing below, I accept the terms of the offer set forth above.

Acknowledged and agreed to on the October day of 25, 2023.

/s/ John Dunn  
John Dunn



June 27, 2023

Jacob Farmer  
*Via Electronic Delivery*

Dear Jacob,

On behalf of The Shyft Group, Inc., and its subsidiaries (the "Company"), we are pleased to offer you the position of President of Specialty Vehicles. We are very excited about the potential that you bring to the Company and we look forward to you joining our team. We believe that your background, experience, and skill set will be an ideal fit as we move the business to the next level and to help drive future success.

In this role, you will be an Executive Officer of the Company and subject to Rule 16 of the Securities Exchange Act of 1934 related to ownership of or transactions in the Company's securities ("Section 16 Officer").

The following summarizes the components of our offer of employment. If you find these terms acceptable, please sign and date where indicated, and return a scanned copy to my attention by July 3, 2023. Your start date will be a mutually agreeable date on or before July 17, 2023.

**Workplace Location and Reporting Relationship**

You will report directly to Daryl Adams, President & CEO of The Shyft Group. Your primary place of employment will be the Novi facility located at 41280 Bridge Street, Novi, MI 48375, with frequent travel expected to other company facilities and occasional other travel.

**Compensation**

Your annual base salary will be \$400,000, less applicable withholdings and payroll deductions. This position is classified as exempt and you will be paid bi-weekly. You will be eligible for a merit increase in 2024.

**Annual Incentive Compensation**

You are approved to participate in the 2023 Annual Incentive Compensation ("AIC") plan, prorated based on your start date. The target level for this bonus is 60% of your annual base salary and is pro-rated from your start date. The actual payout can range from 0% to 200% of target and depends on the achievement of corporate, segment and individual performance metrics. Payment of AIC is dependent upon continued employment as of the date the compensation is paid. AIC details are defined by and subject in all respects to The Shyft Group Annual Incentive Compensation Policy, as may be amended from time to time. All AIC awards are subject to approval by the President and CEO, Chief Human Resources Officer, and the Human Resources and Compensation Committee (the "Committee") of the Board of Directors (the "Board").

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**Long-Term Incentive Compensation**

You are also approved to participate in the Long-Term Incentive Compensation ("LTIC") plan beginning in 2023, pursuant to which the Committee has the discretionary authority to issue equity awards, including annual awards that are typically in the form of Restricted Stock Units ("RSU") and Performance Stock Units ("PSU").

The target level that the Committee will consider for your LTIC participation percentage will be 100% of your annual base salary. We expect your first RSU/PSU LTIC award to be granted in March 2024, subject to your continued employment on the grant date. LTIC award details are defined by and subject to the Stock Incentive Plan, as amended (the "Stock Plan") and form of grant agreements approved by the Committee. All LTIC awards are subject to approval by the President and CEO, Chief Human Resources Officer, and the Committee.

As a Section 16 Officer, you will be subject to the Stock Ownership Requirements policy, which requires you to achieve Shyft stock ownership at a level equivalent to three times your base salary within five years. The details of the policy will be provided following your start date.

**Additional Long-Term Incentive Compensation Award**

You will receive a Company equity award with a grant date value of \$300,000 to be awarded in the form of RSUs within 30 days of your start date. The number of RSUs issued will be determined using the average closing stock price over the preceding 30 calendar days. The RSUs will vest ratably over the next three years on the anniversary of the grant date. The award will otherwise be subject to the terms of the Stock Plan and form of grant agreement approved by the Committee.

**Sign-on Bonus**

You will receive a sign on bonus of \$150,000, less applicable taxes and withholdings. This amount will be paid to you coincident with the payment of the AIC Plan in mid-March 2024. You must be employed with the Company at the time of payment to be eligible. If within 24 months of your start date, you voluntarily leave employment with the Company or are terminated for cause as reasonably determined in good faith by the Board, you will be required to repay 100% of this amount upon your separation.

## **Benefits**

You will be eligible to participate in the Company-sponsored employee benefit plans. You will become eligible for most benefits the first day of employment and the plans will be discussed in more detail during orientation. A highlight of current benefits is set forth below for your consideration.

- **Vacation** - You will accrue vacation at a rate of 3.07 hours per week, which is equivalent to four (4) weeks of vacation annually. If your employment ends within one year of your date of hire (with or without cause), you will not be paid for unused vacation.
- **Health and Welfare Benefits** - You will be eligible to elect health and welfare benefits, effective on your date of hire. The Company offers one (1) PPO medical plan and two (2) different High Deductible Health Plans, with optional Health Savings Accounts. Dental, vision and an assortment of other benefit offerings are also available to you. Please reference the benefits guide for additional information.
- **Retirement Plan** - You will also be eligible to participate in the Company's 401(k) Retirement Plan the first day of the month following sixty (60) days of employment. The Company matches 50% of an employee's 401(k) deferral percentage up to the first 6% of eligible compensation.
- **Employee Stock Purchase Program** - We offer an Employee Stock Purchase Plan (ESPP) to all employees after 180 days of employment. The plan allows you to buy Company stock at a 10% discount through payroll deduction.
- **Executive Officer Perquisites:** You will be eligible to receive perquisites and participate in plans available to other similarly situated Executive Officers, including the Supplemental Executive Retirement Plan, annual executive physical, Executive Severance Plan, additional life insurance, and available enhanced LTD coverage. Details of these plans will be provided after your start date.

The terms and scope of participation for these benefits and the compensation plans and policies referenced in this letter are subject to the plans and policy documentation and are subject to change.

This letter is not an employment contract. Your employment with the Company will be "at-will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, and with or without notice, without liability to you, other than as expressly provided in this offer. If you agree to the terms of this offer and commence employment, a contract of employment is not created.

Any contrary representations, which may have been made to you, are superseded by this offer. This is the full and complete outline of the offer between you and the Company regarding employment.

The Company requires the successful completion of a post-offer, pre-employment background check and drug screen. In addition, due to your role, your employment will be conditioned upon you signing a Confidentiality, Assignment and Restrictive Covenant Agreement. By signing this offer, you represent and warrant to the Company that you are under no contractual commitments that will conflict or be inconsistent with your employment by the Company.

The offer set forth in this letter is also contingent on the acknowledgment of the Company's Code of Conduct.

If you have any questions regarding this letter, please do not hesitate to contact me by phone at 269-986-9091 or via email at [Colin.Hindman@theshyftgroup.com](mailto:Colin.Hindman@theshyftgroup.com).

In anticipation of your acknowledgement of this offer, we wish you every success as you join the Shyft Group team.

Sincerely,

THE SHYFT GROUP, INC.

/s/ Colin Hindman

By: Colin Hindman

Its: Chief Human Resources Officer

By signing below, I accept the terms of the offer set forth above. Acknowledged and agreed to on the

Acknowledged and agreed to on the 1<sup>st</sup> day of July, 2023.

/s/ Jacob Farmer

Jacob Farmer

December 27, 2023

Via email

Jacob Farmer  
c/o The Shyft Group, Inc.  
41280 Bridge Street  
Novi, Michigan 48375

Dear Jacob,

On behalf of Board of Directors (the "Board") of The Shyft Group, Inc. (the "Company") and its subsidiaries, we are pleased to offer you a promotion with the Company to the position of President Fleet Vehicles and Services of The Shyft Group, Inc. In this role you will report to the President and CEO of The Shyft Group.

We believe that your background, experience, and skill set are ideal to move the business to the next level and drive future success.

In this role, you will continue to be an Executive Officer of the Company and subject to Section 16 of the Securities Exchange Act of 1934 and its rules and regulations related to ownership of or transactions in the Company's securities ("Section 16 Officer").

The following summarizes the components of the promotion offer. If you find these terms acceptable, please sign and date where indicated, and return a scanned copy to my attention. Your effective date for the promotion will be January 1, 2024 (or such other date to which you and the Company may mutually agree).

The general terms and conditions of this offer are as follows:

**Workplace Location**

Your primary place of employment will be the Company's Novi facility located at 41280 Bridge Street, Novi, MI 48375, with frequent travel expected, including to other Company facilities.

**Compensation**

Your annual base salary rate will be \$450,000 per year ("Base Salary"), less applicable withholdings and payroll deductions. This position is classified as exempt and you will be paid bi-weekly in accordance with the Company's normal payroll procedures. You will next be eligible for a Base Salary merit increase in the ordinary course starting in 2025.

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**Annual Incentive Compensation**

You will continue to be eligible to participate during employment in the Company's Annual Incentive Compensation ("AIC") program for annual cash-based incentive compensation. The target level for your promotion for this AIC award is 60% of your Base Salary. The actual payout for the AIC award can range from 0% to 200% of target and depends on the achievement of applicable corporate and/or individual performance metrics. Payment of the AIC award is generally dependent upon continued employment as of the date the compensation is paid. AIC award details are further provided by and subject in all respects to The Shyft Group, Inc. Annual Incentive Compensation Policy, as may be amended from time to time, and any other applicable AIC award documentation. All AIC awards are subject to specific approval and administration by the Human Resources and Compensation Committee (the "Committee") of the Board.

**Long-Term Incentive Compensation**

You will continue to be eligible to participate during employment in the Company's Long-Term Incentive Compensation ("LTIC") program, pursuant to which program the Committee has the discretionary authority to issue equity awards, including annual awards that are typically in the form of service-based Restricted Stock Units ("RSU award") and performance-based Restricted Stock Units ("Performance Share Units" or "PSU award"). RSU awards currently vest in general on a ratable basis over three years from the grant date, and PSU awards are currently earned in general from 0% to 200% of target after a three-year performance period.

The target level that the Committee will consider for your annual LTIC participation percentage, starting in 2024, will be 125% of your Base Salary. We expect your first RSU/PSU LTIC awards for your promotion to be granted in March 2024, subject to your continued employment on the grant date for such awards. LTIC award details are further established under and subject to The Shyft Group, Inc. Stock Incentive Plan or its applicable successors (the "Stock Plan") and the forms of grant agreements approved by the Committee for such awards. All LTIC awards are subject to specific approval and administered by the Committee.

**Stock Ownership Requirements Policy**

As a Section 16 Officer, you will continue to be subject to the Company's Stock Ownership Requirements policy, which currently requires you to achieve ownership of Shyft stock or applicable stock equivalents at a level equal to three times your Base Salary within five years of your promotion date.

### **Additional Long-Term Incentive Compensation Awards**

In recognition of your promotion, you will receive a Company equity award, within 30 days of your promotion effective date, with a target grant date fair value of \$200,000 and awarded 100% in the form of target RSU awards.

The number of target RSUs subject to such award will be determined using the average closing Company stock price over the 30 calendar days preceding (but not including) the date of grant for such award. The RSUs will generally vest ratably over the next three years from grant date.

The RSU award will otherwise be subject to the terms of the Stock Plan and form of grant agreement approved by the Committee for such award.

### **Additional Transition Incentive Bonus**

In recognition of your leadership and support during the FVS and SV leadership transition in 2024, you will be eligible to receive a cash incentive award of up to \$100,000 (less applicable taxes and withholdings). This award, which is in addition to and separate from the AIC, will be measured on milestones determined by the President and CEO and Board in 2024, and paid, to the extent earned, in March 2025.

### **Benefits**

You will continue to be eligible to participate during employment in the Company-sponsored employee benefit plans. You are already eligible for these benefits given your current employment. A highlight of current benefits is set forth below for your review:

- **Vacation** - You will be entitled to a minimum of four (4) weeks of vacation annually.
- **Health and Welfare Benefits** - You will be eligible to elect health and welfare benefits annually. The Company offers one (1) PPO medical plan and two (2) different High Deductible Health Plans, with optional Health Savings Accounts. Dental, vision and an assortment of other benefit offerings are also available to you. Please reference the benefits guide for additional information.
- **Retirement Plan** - You will also be eligible to continue to participate in the Company's 401(k) Retirement Plan given your current employment. The Company matches 50% of an employee's 401(k) deferral percentage up to the first 6% of eligible compensation.
- **Employee Stock Purchase Program** - We offer participation in an Employee Stock Purchase Plan ("ESPP") to all employees after 180 days of employment. The ESPP allows you to buy Company stock at a 10% discount through payroll deduction, subject to applicable terms and conditions of the ESPP.
- **Executive Officer Perquisites:** You will be eligible to receive perquisites and continue to participate in programs available to other Executive Officers, including the Supplemental Executive Retirement Plan, annual executive physical, Executive Severance Plan, additional life insurance, and available enhanced Long-Term Disability coverage.

The terms and scope of participation for these benefits and the compensation plans and policies referenced in this letter are subject to the plans and policy documentation and are subject to change.

This letter is not an employment contract. Your employment with the Company will continue to be "at-will," meaning that either you or the Company are entitled to terminate your employment at any time and for any reason, with or without cause, and with or without notice, without liability to you, other than as expressly provided in this offer. If you agree to the terms of this offer and continue employment in your new role, a contract of employment is not created. However, as an employee of the Company, you will continue to be subject to (or deemed subject to) Company policies applicable to other Executive Officers as in effect from time to time.

Other than the prior commitment to pay a sign-on bonus related to you initially joining the Company on July 17, 2023, which commitment remains in place, any contrary representations, which may have been made to you, are superseded by this offer. This is the full and complete outline of the offer between you and the Company regarding continued employment in your new role.

You are responsible for all federal, state, city or other taxes imposed on compensation and benefits provided pursuant to or otherwise related to your employment. The Company may withhold from any amounts payable to you under this letter or otherwise all federal, state, city or other taxes as the Company or its affiliates are required to withhold. The Company is not obligated to guarantee any particular tax result for you with respect to any payment or benefit provided to you. Further, to the extent applicable, it is intended that benefits and payments under the offer comply with, or be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended.

Nothing in this offer or otherwise prevents you from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and you may participate in whistleblower statutes administered by any government agency (e.g., EEOC, NLRB, SEC, etc.) and in awards from a government-administered whistleblower award program for providing information directly to a government agency.

In connection with your current role with the Company, you have signed a Confidentiality, Assignment and Restrictive Covenant Agreement and acknowledged the Company's Code of Conduct. By signing this letter, you represent and warrant to the Company that you are under no contractual commitments that will conflict or be inconsistent with your continued employment in your new role by the Company.

By signing this letter, you also acknowledge and agree that your compensation or other benefits or amounts described in this letter (or otherwise provided to you) are and will be subject to the terms and conditions of the Company's clawback policy or policies as may be in effect from time to time, and that you consent to be bound by the terms of such policies and fully cooperate with the Company in connection with the terms and conditions thereof.

We are looking forward to having you become the President of Fleet Vehicles and Services at The Shyft Group. We are highly confident in your ability to lead the Shyft team in the successful growth and performance of the business.

If this letter accurately reflects your understanding of the offer, please indicate your understanding and acceptance by signing a copy of this letter and returning it.

Sincerely,

THE SHYFT GROUP, INC.

/s/ John Dunn

By: John Dunn

Its: President and Chief Executive Officer

By signing below, I accept the terms of the offer set forth above.

Acknowledged and agreed to on the 2<sup>nd</sup> day of January, 2024.

/s/ Jacob Farmer

Jacob Farmer

April 2, 2021

Josh Sherbin  
*Via Email Delivery*

Dear Josh,

On behalf of The Shyft Group, Inc. and its subsidiaries (the "Company"), we are pleased to offer you the position of Chief Legal Officer. In this role, you will also serve as our corporate Secretary and Chief Compliance Officer. We are very excited about the potential that you bring to the Company and look forward to you joining our team. We believe that your background, experience and skill set will be an ideal fit as we move the business to the next level and will help drive future success.

The following summarizes the components of our offer of employment. If you find these terms acceptable, please sign and date where indicated, and return a scanned copy to my attention by April 7, 2021. Your start date will be a mutually agreeable date on or before May 17, 2021.

**Workplace Location and Reporting Relationship**

You will report directly to Daryl Adams, President and Chief Executive Officer. Your place of employment will be located at the Novi facility, located at 41280 Bridge Street, Novi, MI 48375.

**Compensation**

Your bi-weekly base salary will be \$15,384.62, which calculated on an annual basis is \$400,000, less applicable withholdings and payroll deductions. This position is classified as exempt and eligible for a merit increase in 2022.

**Annual Incentive Compensation**

You are approved to participate in the Annual Incentive Compensation ("AIC") plan commencing January 1, 2021. The target level for this bonus, based on your position, is 60% of your annual base salary. The actual payout depends on the achievement of business performance, which includes key metrics. Payment of AIC is dependent upon continued employment as of the date the compensation is paid. AIC details are defined by and subject in all respects to The Shyft Group, Inc. Leadership Team Compensation Plan (the "Plan"). In 2021, your award will be based on 12 months and will not be prorated.

Participation in one performance year does not guarantee participation in any subsequent performance years, as the Plan is discretionary, and all awards are subject to approval by the President and CEO, Human Resources, and the Human Resources and Compensation Committee ("Committee").



The Shyft Group, Inc.

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### **Long-Term Incentive Compensation**

You are also approved to participate in the Long-Term Incentive Compensation ("LTIC") plan beginning in 2022, pursuant to which discretionary equity awards are granted by the Committee on an annual basis. Restricted Stock Unit ("RSU") and Performance Stock Unit ("PSU") grants are awarded solely within the discretion of the Committee and are not guaranteed.

Your LTIC award is based on your level within the Plan. For your position, the LTIC Bonus Percentage will be 100% of your annual base salary. We expect your first RSU/PSU LTIC award to be granted in March 2022, subject to your continued employment on the grant date. LTIC award details are defined by and subject in all respects to the Plan and the individual award agreements.

Participation in one performance year does not guarantee participation in a subsequent performance year, as the Plan is discretionary, and all awards are subject to approval by the President and CEO, Human Resources, and the Committee.

### **Long-Term Incentive Compensation 2021 Award**

You will receive a Shyft equity award with a value of \$400,000 to be awarded in the form of RSUs. The number of RSUs issued to you on June 1, 2021 will be determined using the average stock price over the preceding 30 calendar days. The RSUs will vest ratably over a three-year period, subject to any exceptions set forth in the award agreement reflecting the grant of such RSUs.

### **Severance**

The Company is confident that you will be an essential and valued employee, and we look forward to your contributions. You are approved to participate in our Management Severance Plan. Pursuant to this plan, if your employment is terminated by the Company without cause and you sign a release in a form satisfactory to the Company and otherwise meet the conditions of the plan, you will be entitled to separation pay equal to twelve (12) months' base salary. All of the terms regarding severance are set forth in and subject in all respects to the Management Severance Plan.

### **Benefits**

You will be eligible to participate in the Company-sponsored employee benefit plans. You will become eligible for most benefits the first day of employment and the plans will be discussed in more detail during orientation. A highlight of current benefits are set forth below for your consideration.

- **Vacation** - You will accrue vacation at a rate of 3.07 hours per week, which is equivalent to four (4) weeks of vacation annually. If your employment ends within one year of your date of hire (with or without cause), you will not be paid for unused vacation.
- **Health and Welfare Benefits** - You will be eligible to elect health and welfare benefits, effective on your date of hire. The Company offers one PPO Medical Plan and two different High Deductible Health Plans, with optional Health Savings Accounts. Dental, vision and an assortment of other benefit offerings are also available to you. Please reference the benefits guide for additional information.



The Shyft Group, Inc.

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- **Retirement Plan** - You will also be eligible to participate in the Company's Retirement Plan, a 401(k) plan, the first day of the month following 60 days of employment. The Company matches 50% of an employee's 401(k) deferral percentage up to the first 6% of eligible compensation. If you have an existing balance in another 401(k) plan and wish to roll it over, information to do so can be obtained from Human Resources, or from Fidelity, either online at [www.fidelity.com](http://www.fidelity.com) or by phone at (800) 835-5097.
- **Employee Stock Purchase Program** - We offer an Employee Stock Purchase Plan (ESPP) to all employees after 180 days of employment. The plan allows you to buy company stock at a 10% discount through payroll deduction.
- **Section 16 Officer Perquisites:** You will be eligible to receive perquisites provided to other similarly situated Section 16 Officers including but not limited to Supplemental Executive Retirement Plan ("SERP"), Executive Concierge Medical, life insurance and disability buy-up.

The terms and scope of participation for these benefits and the compensation plans and policies referenced in this letter are subject to the plans and policy documentation and are subject to change.

### **General**

This letter is not an employment contract. Your employment with the Company will be "at-will," meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause, and with or without notice, without liability to you or the Company, other than as expressly provided in this letter. If you agree to the terms of this offer and commence employment, a contract of employment is not created.

Any representations or statements that may have been made to you that are contrary to the information in this letter are superseded by this letter. This letter, together with the various plans and agreements referenced in this letter, is the full and complete outline of the terms of your employment with the Company.

The Company requires the successful completion of a post-offer, pre-employment background check and drug screen. The offer set forth in this letter is also contingent on the acknowledgment of the Company's Code of Conduct and signing the Associate Innovation and Intellectual Property Agreement.

By signing this offer letter, you represent and warrant to the Company that you are under no contractual commitments inconsistent with your obligations to the Company.

If you have any questions regarding this letter, please do not hesitate to contact me by phone at 248-693-5952 or via email at [colin.hindman@theshyftgroup.com](mailto:colin.hindman@theshyftgroup.com).



The Shyft Group, Inc.

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Lastly, in anticipation of your acknowledgement of this offer, we wish you every success as you join The Shyft Group.

Sincerely,  
THE SHYFT GROUP USA, INC.

/s/ Colin Hindman

By: Colin Hindman

Its: Chief Human Resources Officer

By signing below, I accept the terms of the offer set forth above.

Acknowledged and agreed to on the 2nd day of April, 2021 .

/s/ Joshua Sherbin

Joshua Sherbin



The Shyft Group, Inc.

June 2, 2020

Colin Hindman  
3130 Stoney Creek Rd.  
Oakland, MI 48363

Dear Mr. Hindman,

On behalf of The Shyft Group, Inc. (the "Company") we would be pleased if you would join our Shyft Group team.

This letter is to confirm an offer of employment with the Company in the position Chief Human Resource Officer, reporting to Daryl Adams, President and CEO.

The following outlines the components of our offer of employment:

1. Base Salary - Your bi-weekly base salary will be \$12,115.38 which annualized equals \$315,000.
2. Incentive Compensation - You are approved to participate in the The Shyft Group, Inc., Leadership Team Compensation Plan (the "Plan"), for the current performance year. Participation in one performance year does not guarantee participation in a subsequent performance year, as the Plan is discretionary as approved by the President and Chief Executive Officer and Human Resources & Compensation Committee (the "Committee"). There are two sub-elements of the Plan as set forth below:
  - a. *Annual Incentive Compensation Element of the Plan* - This incentive bonus is based upon the Company's overall financial performance, and performance relative to operational objectives. The target level for this bonus in your position (Tier 1) is 60% of your annual base salary. The actual payout depends on the company's financial performance and your individual achievement of goals and objectives. The first year will be prorated.
  - b. *Long-Term Incentive Compensation Element of the Plan* - Discretionary equity awards are to be granted by the Committee on an annual basis. Restricted Stock Unit ("RSU") and Performance Stock Unit ("PSU") grants are awarded solely within the discretion of the Committee, and are not guaranteed.

Your Long-Term Incentive Compensation is based on your level within the Plan. For your position, the Long-Term Compensation Bonus Target Percentage is 70% of your annual base salary. Notwithstanding the foregoing, the final Long-Term Compensation Bonus Percentage is subject to annual review, approval and discretion by the Committee. The first year (the 2020 through 2022 performance period) will be prorated.

The grants described above are subject to the terms of the Plan and applicable award agreements.



The Shyft Group, Inc.

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3. Sign-on Bonus Equity - You will receive a sign-on bonus of 10,000 shares of Shyft Group Restricted Stock (“RS”) which will be granted effective on or around your start date (subject to start date anticipated to be between 15 June and 1 July 2020). These shares will be subject to pro-rata vesting with three tranches vesting 33% per year for the three (3) years following the award. In order to receive each tranche of restricted shares, you must be employed at the time of vesting. The grants described above are subject to the terms of the Plan and applicable award agreements.

Sign-on Bonus Cash - You will receive a sign-on bonus in cash of \$100,000 (gross amount) which will be paid on the first pay period after your start date. This sign-on bonus is in lieu of the 2019 and 2020 cash bonus opportunities from your current employer. If you are separated from the company with cause or resign your employment, the sign-on bonus (cash portion) is subject to repayment by you to the company as follows: (1) if such separation or resignation occurs within one year or less, you must repay the entire amount of the bonus; or (2) if such separation or resignation occurs within two years or less, but after you have been employed for more than one year, you must repay one-half of the amount of the bonus. If repayment is necessary, such amount shall be paid in cash to the company within 10 days after demand.

4. Vacation - You will receive four (4) weeks of vacation annually. The Shyft Group’s vacation accrual starts on January 1, and ends on December 31, of the calendar year. You will accrue at 3.08 hours per week. If your employment ends within one year of your date of hire (with or without cause), you will not be paid for unused vacation.

5. Health and Welfare Benefits - You also may elect selected medical benefits upon your date of hire, subject to a customary waiting period. The Shyft Group offers one PPO plan and two different High Deductible Plans with optional HSAs. There are also dental and vision plans available in addition to the health plan offerings. A brochure of Company benefits offerings will be provided.

As a Tier 1 employee, you may also elect to have Executive Concierge Medical & Supplemental Benefits.

6. Retirement Plan - You will also be automatically enrolled at 3% in The Shyft Group Retirement Plan, a 401(k) Plan, the first day of the month following sixty (60) days of employment. The Shyft Group matches 50% of the associate’s contribution up to the first 6%. If you have an existing balance in a 401(k) plan and wish to roll it over, information can be obtained from our Human Resources Department.

7. Non-compete - Due to your role within The Shyft Group, your employment will be conditioned upon your signing a standard non-compete agreement with typical covenants no later than your start date, pursuant to the terms of a separate agreement.



The Shyft Group, Inc.

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8. Severance – If you are separated from the Company without cause you will receive a twelve (12) month severance of your then-current base salary pursuant to the terms of a separate agreement.

9. Relocation and Office Location – As you live in the Metro Detroit area, relocation is not applicable. Your office will be at The Shyft Group headquarters in Novi.

This letter is not an employment contract. Your employment with the Company will be “at will,” meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause and with or without notice, without liability to you other than as expressly provided in this offer. If you agree to the terms of this offer and commence employment, a contract of employment is not created. Any contrary representations, which may have been made to you, are superseded by this offer. This is the full and complete outline of your offer between you and the Company regarding employment. Although your job duties, title, compensation and benefits, as well as the Company personnel policies and procedures, may change from time to time (subject to your rights hereunder in any such event), the “at will” nature of your employment may only be changed in an express written agreement signed by you and a duly authorized member of Management.

By signing this offer, you represent and warrant to the Company that you are under no contractual commitments inconsistent with your obligations to the Company. While you are a full-time employee of the Company, you will abide by your duty of loyalty to the Company and will devote your full time, energy and attention to the interests of the Company, subject to your devotion of time to manage your personal assets and investments, to participate in charitable, professional and community activities, provided such devotion of time does not materially interfere with your service to the Company.

As we discussed, all of these elements of your offer are subject to you beginning your employment with The Shyft Group on a mutually agreeable date.

The Shyft Group has a Confidentiality Agreement and background check form that will require your signature and this job offer is pending and conditioned on the results of this check (already completed as of the date of this letter).

The Shyft Group, Inc. is a drug-free workplace and tobacco-free campus. In support of these initiatives, you will be subject to random drug testing during the first year of your employment.

The final terms of your employment shall be subject to the advance approval of the The Shyft Group Human Resources and Compensation Committee.

If the above terms and conditions of our offer of employment are acceptable, please place your signature, date below, and return a scanned copy to my attention. Also, please mail the originally signed letter to my attention.

If you have any questions concerning this letter, please do not hesitate to contact me through my contact information previously supplied.

Lastly, in anticipation of your acknowledgment of this offer, we wish you every success as you join The Shyft Group team. Acknowledgment is requested in accordance with dates that have been discussed with you.



The Shyft Group, Inc.

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Sincerely,  
THE SHYFT GROUP, INC.

/s/ Daryl M. Adams  
By: Daryl M. Adams  
Its: President and CEO

Acknowledged and agreed to the 4th day of June, 2020.

/s/ Colin Hindman  
Signature



The Shyft Group, Inc.

**THE SHYFT GROUP, INC.**  
**PERFORMANCE SHARE UNIT AGREEMENT**

This PERFORMANCE SHARE UNIT AGREEMENT (the “Agreement”) is made and entered into as of November 24, 2023 (the “Grant Date”), by and between **The Shyft Group, Inc.**, a Michigan corporation (the “Company”) and John Dunn (the “Grantee”).

Background

- A. The Company has adopted The Shyft Group, Inc. Stock Incentive Plan, as amended and restated to date (the “Plan”) pursuant to which Restricted Stock Units may be granted subject to the achievement of performance conditions.
- 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 subject to the achievement of certain performance conditions, as provided for in this Agreement (the “Performance Share Units” or “PSUs”).

Agreement

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

1. **Grant of Performance Share Units.** Pursuant to the Plan, the Company has granted to the Grantee on the Grant Date an Incentive Award for a target number of 69,684 Performance Share Units (the “Target Award”). Each PSU represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that the Grantee actually earns for the Performance Period (from zero up to a maximum of 139,368) will be determined by the level of achievement of the performance goals in accordance with the attached Exhibit A. The PSUs shall be credited to a separate account maintained for the Grantee 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. **Performance Period.** For purposes of this Agreement, the term “Performance Period” shall be the period commencing on October 26, 2023 and ending on October 25, 2026.

3. **Performance Goals.**

(a) The number of PSUs earned by the Grantee for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the performance goals described on and determined in accordance with the attached Exhibit A. All determinations of whether and the extent to which the performance goals have been achieved, the number of PSUs earned by the Grantee, and all other matters related to this Section 3 shall be made by the Committee in its sole discretion.

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(b) Promptly following completion of the Performance Period (and no later than 60 days following the end of the Performance Period), the Committee will review and certify in writing (1) whether, and to what extent, the performance goals for the Performance Period have been achieved, and (2) the number of PSUs the Grantee shall earn, if any, subject to compliance with the requirements of Section 4. Such certification shall be final, conclusive, and binding on the Grantee, and on all other persons, to the maximum extent permitted by law.

4. **Vesting of PSUs.** The PSUs are subject to forfeiture until they vest. Except as otherwise provided in this Agreement, the PSUs will vest and become non-forfeitable on the last day of the Performance Period, subject to (a) the achievement of the minimum threshold performance goals for payout set forth in the attached Exhibit A, (b) the certification of the performance results for the PSUs by the Committee, and (c) there being no termination of Grantee's employment (as determined pursuant to Section 7.2 of the Plan) from the Grant Date through the last day of the Performance Period. The number of PSUs that vest and become payable under this Agreement shall be determined by the Committee based on the level of achievement of the performance goals set forth on the attached Exhibit A and shall be rounded to the nearest whole PSU.

5. **Termination of Employment.**

(a) Except as otherwise expressly provided in this Agreement or The Shyft Group, Inc. Executive Severance Plan (to the extent such plan applies to the Grantee), if the Grantee's employment terminates for any reason at any time before all of Grantee's PSUs have vested, the Grantee's unvested PSUs shall be automatically forfeited upon such termination of employment, and neither the Company nor any Subsidiary shall have any further obligations to the Grantee under this Agreement. For purposes of this Section 5, termination of employment shall be determined in accordance with Section 7.2 of the Plan.

(b) Notwithstanding Section 5(a) above or anything to the contrary in this Agreement, if the Grantee's employment terminates during the Performance Period as a result of the Grantee's death or Grantee becomes Disabled, then (i) as of the date of such death or Disability, the Grantee shall be fully vested in a number of PSUs equal to the Target Award, without regard to whether or not any performance goals have been achieved or are ever achieved, (ii) the Company shall settle such vested PSUs in accordance with Section 7 below within 65 days of the date of the Grantee's death or Disability, and (iii) except as set forth in this Section 5(b), neither the Grantee nor anyone claiming through the Grantee shall have any further right or claim with respect to the PSUs granted pursuant to this Agreement.

(c) Notwithstanding Section 5(a) above, if the Grantee's employment terminates during the Performance Period as a result of the Grantee's Qualified Retirement (defined below) that occurs at least nine months after the Grant Date, then on the last day of the Performance Period, subject to Committee certification, the Grantee will vest in a pro rata portion of the number of PSUs that would have been earned pursuant to this Agreement if the Participant had remained employed throughout the entire Performance Period, calculated by multiplying such number of actually earned PSUs by a fraction, the numerator of which equals the number of days that the Grantee was employed during the Performance Period and the denominator of which equals the total number of days in the Performance Period. A "Qualified Retirement" shall mean the voluntary retirement by a Grantee who is at least age 62 and who has been employed by the Company or a Subsidiary for a continuous period of 5 years as of the date of retirement.

6. **Effect of a Change in Control.** The provisions of Section 9 of the Plan shall apply if there is a Change in Control during the Performance Period, with vesting pursuant to Section 9.3(a) of the Plan deemed to occur at the Target Award level, and vesting pursuant to Section 9.3(b) of the Plan deemed to occur at the Target Award level.

7. **Payment of PSUs.** Payment in respect of the PSUs earned for the Performance Period shall be made in shares of Common Stock and shall be issued to the Grantee within 65 days following the date of vesting. The Company shall (a) issue and deliver to the Grantee the number of shares of Common Stock equal to the number of vested PSUs, (b) issue and deliver to the Grantee the number of shares of Common Stock having a fair market value equal to the Dividend Equivalents (and interest, if any) to which the Grantee is entitled pursuant to Section 9(c) below, and (c) enter the Grantee's name on the books of the Company as the shareholder of record with respect to all such shares of Common Stock delivered to the Grantee. Notwithstanding the foregoing, the Committee shall have the discretion to settle vested PSUs in cash using the fair market value of the shares of Common Stock otherwise issuable with respect to such vested PSUs as of the applicable settlement date.

8. **Transferability.** Subject to any exceptions set forth in this Agreement or the Plan, the PSUs or the rights relating to the PSUs may not be assigned, alienated, pledged, attached, sold, or otherwise transferred or encumbered by the Grantee, except by will or the laws of descent and distribution, and upon any such transfer by will or the laws of descent and distribution, the transferee shall hold such PSUs subject to all of the terms and conditions that were applicable to the Grantee immediately prior to such transfer. Any attempt to assign, alienate, pledge, attach, sell, or otherwise transfer or encumber the PSUs or the rights relating to the PSUs shall be wholly ineffective.

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

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

(b) Upon and following the vesting of the PSUs and the issuance of shares, the Grantee shall be the record owner of the shares of Common Stock underlying the PSUs 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 and dividend rights).

(c) During the Performance Period, the Grantee's Account shall be credited with an amount equal to all cash and stock dividends ("Dividend Equivalents") that would have been paid to the Grantee if one share of Common Stock had been issued on the Grant Date for each PSU eventually earned by the Grantee as set forth in this Agreement. Dividend Equivalents shall be credited to the Grantee's Account and interest may be credited on the amount of cash Dividend Equivalents credited to the Grantee's Account at a rate and subject to such terms as determined by the Committee. Dividend Equivalents shall be subject to the same performance conditions and vesting restrictions as the PSUs to which they are attributable. Notwithstanding anything to the contrary in this Agreement, the Grantee shall only be entitled to receive Dividend Equivalents credited to Grantee's Account to the extent the Grantee becomes entitled to receive the shares of Common Stock underlying the PSUs to which such Dividend Equivalents relate, and the Grantee shall forfeit any Dividend Equivalents credited to the Grantee's Account that were attributable to PSUs that did not result in the issuance of shares of Common Stock to the Grantee.

10. **No Right to Continued Service.** Neither the Plan nor this Agreement shall confer upon the Grantee 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 Grantee's employment at any time, with or without cause.

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

12. **Withholding.** If tax withholding is applicable, and the Grantee's benefit under this Agreement is to be received in the form of Common Stock, then (a) if the Grantee is subject to Section 16 of the Act, the Grantee agrees that the Company will withhold Common Stock having a value equal to the amount to be withheld, and (b) if the Grantee is not subject to Section 16 of the Act, the Grantee may elect (or the Company may determine) that all or any part of such withholding shall be satisfied by the retention by the Company of a portion of the Common Stock to be delivered to the Grantee, by the Grantee delivering to the Company other Common Stock held by the Grantee, or by the Grantee tendering sufficient funds in cash or cash equivalents to the Company. The Common Stock used for tax or other withholding will be valued at an amount equal to the fair market value of such Common Stock on the date the benefit is taxable to the Grantee. In no event will the fair market value of the Common Stock to be withheld or delivered pursuant to this Section to satisfy applicable withholding taxes or other amounts in connection with a benefit exceed (x) the maximum amount that could be required to be withheld or (y) if so determined by the Committee after the date hereof, the minimum amount required to be withheld.

13. **Restrictive Covenants Regarding Competitive Activity.** The terms and conditions of this Section 13 of this Agreement shall apply to Grantee unless Grantee is employed and/or resides in California or the Company determines that the non-application of such terms and conditions is necessary or advisable in order to comply with applicable law:

(a) The Grantee hereby acknowledges and agrees that in the performance of the Grantee's duties to the Company, the Grantee will be brought into frequent contact with existing and potential customers of the Company. The Grantee also agrees that trade secrets and confidential information of the Company gained by the Grantee during the Grantee's association with the Company have been developed by the Company through substantial expenditures of time, effort and money and constitute valuable and unique property of the Company. The Company will also provide the Grantee with specialized training to enhance job performance. The Grantee further understands and agrees that the foregoing makes it necessary for the protection of the Company's Business (as defined in paragraph (d) below) that the Grantee not compete with the Company during the period of the Grantee's employment with the Company and not compete with the Company for a reasonable period thereafter, as further provided in the following paragraphs.

(b) During the Grantee's employment with the Company, the Grantee will not compete with the Company anywhere in the world. In accordance with this restriction, but without limiting its terms, during the Grantee's employment with the Company, the Grantee will not (i) enter into or engage in any business which competes with the Company's Business; (ii) solicit customers, business, patronage or orders for, or sell, any products or services in competition with, or for any business that competes with, the Company's Business; (iii) divert, entice or otherwise take away any customers, business, patronage or orders of the Company or attempt to do so; or (iv) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Company's Business.

(c) For a period of one year following the termination of the Grantee's employment for any reason, the Grantee will not: (i) enter into or engage in any business which competes with the Company's Business within the Restricted Territory (as defined in paragraph (d)); (ii) solicit customers, business, patronage or orders for, or sell, any products or services in competition with, or for any business, wherever located, that competes with, the Company's Business within the Restricted Territory; (iii) divert, entice or otherwise take away any customers, business, patronage or orders of the Company within the Restricted Territory, or attempt to do so; (iv) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the Company's Business within the Restricted Territory; or (v) employ or solicit, or receive or accept the performance of services by, any then-current employee of the Company or any former employee of the Company who was employed at any time within the 12-month period immediately prior to such employment, solicitation, receipt or acceptance, except in connection with general, nontargeted recruitment efforts such as advertisements and job listings, or directly or indirectly induce any employee of the Company to leave the Company, or assist in any of the foregoing.

(d) For the purposes of paragraphs (b) and (c) above, but without limitation thereof, the Grantee will be in violation thereof if the Grantee engages in any or all of the activities set forth therein directly as an individual on the Grantee's own account, or indirectly as a partner, joint venturer, employee, agent, salesperson, consultant, officer and/or director of any firm, association, partnership, corporation or other entity, or as a stockholder of any corporation in which the Grantee or the Grantee's spouse, child or parent owns, directly or indirectly, individually or in the aggregate, five percent (5%) or more of the outstanding stock. For the purposes of this Section 13 of the Agreement, the Company shall include any and all direct and indirect subsidiary, parent, affiliated, or related companies of the Company for which the Grantee worked or had responsibility at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination. For the purposes of this Agreement, the "Company's Business" means (i) the manufacturing, assembly, sales, marketing, distribution, sourcing, servicing of, and engineering and design of (A) fleet vehicles for the commercial vehicle market, including, but not limited to, truck bodies, walk-in vans, cargo van upfits, customized fleets, and vocation specific uplifts, (B) custom chassis for Class A diesel luxury motor coaches, and (C) light duty trucks and specialty vehicles for the commercial and defense markets, plus (ii) any and all manufacturing, assembly, sales, marketing, distribution, sourcing, servicing of, and engineering and design of products or services: (A) of a substantially similar nature to those described above, or (B) that are any way within or related to the existing or contemplated scope of the Company's then current business. For the purposes of this Agreement, the "Restricted Territory" shall mean: (i) the geographic area(s) within a 50 mile radius of any and all Company location(s) in, to, or for which the Grantee worked, to which the Grantee was assigned or had any responsibility (either direct or supervisory) at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination, (ii) if in addition, the United States of America, and (iii) all of the specific customer accounts, whether within or outside of the geographic areas described in (i) and (ii) of this sentence, with which the Grantee had any contact or for which the Grantee had any responsibility (either direct or supervisory) at the time of termination of the Grantee's employment and at any time during the two-year period prior to such termination.

(e) If it shall be judicially determined that the Grantee has violated any of the Grantee's applicable obligations under Section 13 of this Agreement, then the period applicable to each obligation that the Grantee shall have been determined to have violated shall automatically be extended by a period of time equal in length to the period during which such violation(s) occurred. During the Grantee's employment with the Company and for one year thereafter, the Grantee will communicate the contents of Section 13 of this Agreement to any person, firm, association, partnership, corporation or other entity that the Grantee intends to be employed by, associated with, or represent. The Grantee acknowledges and agrees that the remedy at law available to the Company for breach of any of the Grantee's obligations under Section 13 of this Agreement would be inadequate. The Grantee therefore agrees that, in addition to any other rights or remedies that the Company may have at law or in equity, temporary and permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision contained in paragraphs (b) and (c) above, without the necessity of proof of actual damage.

(f) The Grantee acknowledges that the Grantee's obligations under this Agreement are reasonable in the context of the nature of the Company's Business and the competitive injuries likely to be sustained by the Company if the Grantee were to violate such obligations and that these obligations do not place an undue burden on the Grantee. It is the desire and intent of the parties hereto that the provisions of Section 13 of this Agreement shall be enforced to the fullest extent legally-permissible. Accordingly, if any particular provision(s) of Section 13 of this Agreement shall be adjudicated to be invalid or unenforceable, the court may modify or sever such provision(s), such modification or deletion to apply only with respect to the operation of such provision(s) in the particular jurisdiction in which such adjudication is made. In addition, if any one or more of the provisions contained in Section 13 of this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear. The remaining provisions of Section 13 of this Agreement shall remain in full force and effect. The Grantee further acknowledges that the terms of Section 13 of this Agreement are agreed to in consideration of, and are adequately supported by consideration in the form of the PSUs covered by this Agreement, the agreement of the Company to perform its obligations under this Agreement and by other consideration, including the Grantee's continued employment with the Company, which the Grantee acknowledges collectively constitutes good, valuable and sufficient consideration.

14. **Compliance with Law.** The issuance and transfer of shares of Common Stock in connection with the PSUs shall be subject to compliance by the Company and the Grantee 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.

15. **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 Grantee under this Agreement shall be in writing and addressed to the Grantee at the Grantee'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.

16. **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.

17. **Interpretation.** Any dispute regarding the interpretation of this Agreement shall be submitted by the Grantee or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Grantee and the Company.

18. **PSUs 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. Notwithstanding anything in this Agreement to the contrary, the Grantee acknowledges and agrees that this Agreement and the award described herein (and any settlement thereof) are subject to the terms and conditions of the Company's clawback policies as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Shares may be traded) (the "Compensation Recovery Policy"), and that relevant sections of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof. Further, by accepting the PSUs covered by this Agreement, the Grantee (a) consents to be bound by the terms of the Compensation Recovery Policy, as applicable, (b) agrees and acknowledges that the Grantee is obligated to and will cooperate with, and will provide any and all assistance necessary to, the Company in any effort to recover or recoup any compensation or other amounts subject to clawback or recovery pursuant to the Compensation Recovery Policy and/or applicable laws, rules, regulations, stock exchange listing standards or other Company policy, and (c) agrees that the Company may enforce its rights under the Compensation Recovery Policy through any and all reasonable means permitted under applicable law as it deems necessary or desirable under the Compensation Recovery Policy. Such cooperation and assistance shall include (but is not limited to) executing, completing and submitting any documentation necessary, or consenting to Company action, to facilitate the recovery or recoupment by the Company from the Grantee of any such compensation or other amounts, including from the Grantee's accounts or from any other compensation, to the extent permissible under Section 409A of the Code.

19. **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 Grantee and the Grantee's beneficiaries, executors, administrators, and the person(s) to whom the PSUs may be transferred by will or the laws of descent or distribution.

20. **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.

21. **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 PSUs in this Agreement does not create any contractual right or other right to receive any PSUs 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 Grantee's employment with the Company.

22. **No Section 162(m) Qualification.** All payments under this Agreement are intended not to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code. This Award shall be construed and administered in a manner consistent with such intent.

23. **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. If the Grantee 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 Grantee’s death).

24. **No Impact on Other Benefits.** The value of the Grantee’s PSUs is not part of Grantee’s normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance, or similar employee benefit.

25. **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.

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

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

COMPANY:  
**The Shyft Group, Inc.**

GRANTEE:

/s/ Colin Hindman  
By: Colin Hindman  
Its: Chief Human Resources Officer

/s/ John Dunn  
John Dunn

## EXHIBIT A

### Performance Period

The Performance Period shall commence on October 26, 2023 and end on October 25, 2026.

### Performance Measures

The number of PSUs earned shall be determined based on the Company's Total Shareholder Return ("TSR") over the Performance Period relative to the TSR Peer Group<sup>(1)</sup> ("the Peer Group").

### Determining PSUs Earned

Except as otherwise provided in the Plan or the Agreement, the number of PSUs earned with respect to the Performance Period shall be determined based on TSR over the Performance Period relative to the Peer Group as follows:

<u>Percentile Rank Compared to the Peer Group</u>	<u>Payout as Percentage of Target</u>
Less than 25 <sup>th</sup> percentile	0%
25 <sup>th</sup> percentile (Threshold)	50% (0.5X)
50 <sup>th</sup> percentile (Target)	100% (1X)
75 <sup>th</sup> percentile or greater (Maximum)	200% (2X)

With respect to both the Company's stock and the stock of each company in the Peer Group, the TSR performance shall be calculated (a) using a 20-trading day average of the stock price ending on the first day and last day of the Performance Period, and (b) assuming all dividends declared during the Performance Period are reinvested at the closing price on the applicable ex-dividend date. The Company's TSR performance will be compared to the TSR performance of the companies in the Peer Group over the same Performance Period. Achievement between the stated percentages will be interpolated on a straight-line basis.

### Award Range

Depending on the Company's TSR over the Performance Period relative to the Peer Group, the Grantee may earn from 0% to 200% of the Target Award.

(1) The TSR Peer Group is comprised of the following companies:

Agco Corp	Conrad Industries Inc	Hyster-Yale Materials	Sypris Solutions Inc
Alamo Group Inc	Cummins Inc	Komatsu Ltd -Spons ADR	Tennant Co
Allison Transmission Holding	Deere & Co	Kubota Corp-Spons ADR	Terex Corp
Art's-Way Manufacturing Co	Douglas Dynamics Inc	Lindsay Corp	Toro Co
Astec Industries Inc	Federal Signal Corp	Manitex International Inc	Trinity Industries Inc
Caterpillar Inc	Freightcar America Inc	Manitowoc Company Inc	Twin Disc Inc
China Yuchai Intl Ltd	GATX Corp	Miller Industries Inc/Tenn	United Rentals Inc
CNH Industrial NV	Gencor Industries Inc	Oshkosh Corp	Wabash National Corp
Columbus Mckinnon Corp/NY	Greenbrier Companies Inc	Paccar Inc	Wabtec Corp
Commercial Vehicle Group Inc	H&E Equipment Services Inc	Ritchie Bros Auctioneers	Westport Fuel Systems Inc

## EXHIBIT 21

### The Shyft Group, Inc. Significant<sup>(1)</sup> Subsidiary List

The Shyft Group USA, Inc. (South Dakota corporation)  
The Shyft Group Services, LLC (Indiana limited liability company)  
The Shyft Group Upfit Services, Inc. (Michigan corporation)  
The Shyft Group GTB, LLC (Michigan limited liability company)  
Royal Truck Body LLC (California limited liability company)  
The Shyft Group DuraMag LLC (Michigan limited liability company)  
The Shyft Group EV Solutions, LLC (Michigan limited liability company)

Certain companies may also use trade names or other assumed names in the conduct of their business.

(1) As defined in Rule 1-02(w) of Regulation S-X, and other more significant operating companies as determined by management.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-98083, No. 333-177088, No. 333-213581, No. 333-255240, and No. 333-273352 each on Form S-8 of our report dated February 22, 2024, relating to the consolidated financial statements and financial statement schedule of The Shyft Group, Inc. and the effectiveness of The Shyft Group, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ Deloitte & Touche LLP

Detroit, Michigan  
February 22, 2024

CEO CERTIFICATION

I, John Dunn, certify that:

1. I have reviewed this annual report on Form 10-K of The Shyft Group, Inc.;
2. Based on my knowledge, this annual 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 the 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: February 22, 2024

/s/ John Dunn

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John Dunn  
President and Chief Executive Officer  
The Shyft Group, Inc.

## CFO CERTIFICATION

I, Jonathan C. Douyard, certify that:

1. I have reviewed this annual report on Form 10-K of The Shyft Group, Inc.;
2. Based on my knowledge, this annual 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 the 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: February 22, 2024

/s/ Jonathan C. Douyard

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

**EXHIBIT 32**

**CERTIFICATION**

Solely for the purpose of complying with 18 U.S.C. § 1350, 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 Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2023 (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 and results of operations of the Company for such period.

Date: February 22, 2024

/s/ John Dunn

John Dunn

President and Chief Executive Officer

Date: February 22, 2024

/s/ Jonathan C. Douyard

Jonathan C. Douyard

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**The Shyft Group, Inc. Compensation Clawback Policy**

**1.0 PURPOSE**

As required pursuant to the listing standards of the Nasdaq Stock Market LLC (the “Stock Exchange”), Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 10D-1 under the Exchange Act, the Board of Directors (the “Board”) of The Shyft Group, Inc. (the “Company”) has adopted this Compensation Clawback Policy (the “Policy”) to empower the Company to recover Covered Compensation (as defined below) erroneously awarded to a Covered Officer (as defined below) in the event of an Accounting Restatement (as defined below).

Notwithstanding anything in this Policy to the contrary, at all times, this Policy remains subject to interpretation and operation in accordance with the final rules and regulations promulgated by the U.S. Securities and Exchange Commission (the “SEC”), the final listing standards adopted by the Stock Exchange, and any applicable SEC or Stock Exchange guidance or interpretations issued from time to time regarding such Covered Compensation recovery requirements (collectively, the “Final Guidance”). Questions regarding this Policy should be directed to the Company’s Chief Human Resources Officer or the Company’s Chief Legal Officer.

**2.0 POLICY STATEMENT**

Unless a Clawback Exception (as defined below) applies, the Company will recover reasonably promptly from each Covered Officer the Covered Compensation Received (as defined below) by such Covered Officer in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (each, an “Accounting Restatement”). If a Clawback Exception applies with respect to a Covered Officer, the Company may forgo such recovery under this Policy from such Covered Officer.

**3.0 COVERED OFFICERS**

For purposes of this Policy, “Covered Officer” is defined as any current or former “Section 16 officer” of the Company within the meaning of Rule 16a-1(f) under the Exchange Act, as determined by the Board or the Human Resources and Compensation Committee of the Board (the “Committee”). Covered Officers include, at a minimum, “executive officers” as defined in Rule 3b-7 under the Exchange Act and identified under Item 401(b) of Regulation S-K.

**4.0 COVERED COMPENSATION**

For purposes of this Policy:

- “Covered Compensation” is defined as the amount of Incentive-Based Compensation (as defined below) Received during the applicable Recovery Period (as defined below) that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received during such Recovery Period had it been determined based on the relevant restated amounts, and computed without regard to any taxes paid.

Incentive-Based Compensation Received by a Covered Officer will only qualify as Covered Compensation if: (i) it is Received on or after October 2, 2023; (ii) it is Received after such Covered Officer begins service as a Covered Officer; (iii) such Covered Officer served as a Covered Officer at any time during the performance period for such Incentive-Based Compensation; and (iv) it is Received while the Company has a class of securities listed on a national securities exchange or a national securities association.

For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of erroneously awarded Covered Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the amount of such Incentive-Based Compensation that is deemed to be Covered Compensation will be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received, and the Company will maintain and provide to the Stock Exchange documentation of the determination of such reasonable estimate.

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- “Incentive-Based Compensation” is defined as any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure (as defined below). For purposes of clarity, Incentive-Based Compensation includes compensation that is in any plan, other than tax-qualified retirement plans, including long term disability, life insurance, and supplemental executive retirement plans, and any other compensation that is based on such Incentive-Based Compensation, such as earnings accrued on notional amounts of Incentive-Based Compensation contributed to such plans.
- “Financial Reporting Measure” is defined as a measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures.
- Incentive-Based Compensation is deemed “Received” in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

## **5.0 RECOVERY PERIOD**

For purposes of this Policy, the applicable “Recovery Period” is defined as the three completed fiscal years immediately preceding the Trigger Date (as defined below) and, if applicable, any transition period resulting from a change in the Company’s fiscal year within or immediately following those three completed fiscal years (provided, however, that if a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year comprises a period of nine to 12 months, such period would be deemed to be a completed fiscal year).

For purposes of this Policy, the “Trigger Date” as of which the Company is required to prepare an Accounting Restatement is the earlier to occur of: (i) the date that the Board, applicable Board committee, or officers authorized to take action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare the Accounting Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare the Accounting Restatement.

## **6.0 CLAWBACK EXCEPTIONS**

The Company is required to recover all Covered Compensation Received by a Covered Officer in the event of an Accounting Restatement unless (i) one of the following conditions are met and (ii) the Committee has made a determination that recovery would be impracticable in accordance with Rule 10D-1 under the Exchange Act (under such circumstances, a “Clawback Exception” applies):

- the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered (and the Company has already made a reasonable attempt to recover such erroneously awarded Covered Compensation from such Covered Officer, has documented such reasonable attempt(s) to recover, and has provided such documentation to the Stock Exchange);
  - recovery would violate a Covered Officer’s home country law that was adopted prior to November 28, 2022 (and the Company has already obtained an opinion of home country counsel, acceptable to the Stock Exchange, that recovery would result in such a violation, and provided such opinion to the Stock Exchange); or
  - recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code and regulations thereunder. For purposes of clarity, this Clawback Exception only applies to tax-qualified retirement plans and does not apply to other plans, including long term disability, life insurance, and supplemental executive retirement plans, or any other compensation that is based on Incentive-Based Compensation in such plans, such as earnings accrued on notional amounts of Incentive-Based Compensation contributed to such plans.
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## **7.0 PROHIBITIONS**

The Company is prohibited from paying or reimbursing the cost of insurance for, or indemnifying, any Covered Officer against the loss of erroneously awarded Covered Compensation.

## **8.0 ADMINISTRATION AND INTERPRETATION**

The Committee will administer this Policy in accordance with the Final Guidance, and will have full and exclusive authority and discretion to supplement, amend, repeal, interpret, terminate, construe, modify, replace and/or enforce (in whole or in part) this Policy, including the authority to correct any defect, supply any omission or reconcile any ambiguity, inconsistency or conflict in the Policy, subject to the Final Guidance. The Committee will review the Policy from time to time and will have full and exclusive authority to take any action it deems appropriate.

The Committee will have the authority to offset any compensation or benefit amounts that become due to the applicable Covered Officers to the extent permissible under Section 409A of the Internal Revenue Code of 1986, as amended, and as it deems necessary or desirable to recover any Covered Compensation

Each Covered Officer, upon being so designated or assuming such position, is required to execute and deliver to the Company's Chief Human Resources Officer an acknowledgment of and consent to this Policy, in a form reasonably acceptable to and provided by the Company from time to time, (i) acknowledging and consenting to be bound by the terms of this Policy, (ii) agreeing to fully cooperate with the Company in connection with any of such Covered Officer's obligations to the Company pursuant to this Policy, and (iii) agreeing that the Company may enforce its rights under this Policy through any and all reasonable means permitted under applicable law as it deems necessary or desirable under this Policy.

## **9.0 DISCLOSURE**

This Policy, and any recovery of Covered Compensation by the Company pursuant to this Policy that is required to be disclosed in the Company's filings with the SEC, will be disclosed as required by the Securities Act of 1933, as amended, the Exchange Act, and related rules and regulations, including the Final Guidance.