

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2024.
- 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)  
**41280 Bridge Street**  
**Novi, Michigan**  
(Address of Principal Executive Offices)

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

**48375**  
(Zip Code)

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

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

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

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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

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

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

<u>Class</u>	<u>Outstanding at April 19, 2024</u>
Common Stock	34,374,065 shares

THE SHYFT GROUP, INC.

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## FORWARD-LOOKING STATEMENTS

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

Risk Factors include the risk factors listed and more fully described in Item 1A – Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on February 22, 2024, subject to any changes and updates disclosed in Part II, Item 1A – Risk Factors below, “Risk Factors”, as well as risk factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission. Those risk factors include the primary risks our management believes could materially affect the potential results described by forward-looking statements contained in this Form 10-Q. However, these risks may not be the only risks we face. Our business, operations, and financial performance could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. In addition, new Risk Factors may emerge from time to time that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, although we believe that the forward-looking statements contained in this Form 10-Q are reasonable, we cannot provide you with any guarantee that the results described in those forward-looking statements will be achieved. All forward-looking statements in this Form 10-Q are expressly qualified in their entirety by the cautionary statements contained in this section, and investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company undertakes no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date this Form 10-Q is filed with the Securities and Exchange Commission.

### **Trademarks and Service Marks**

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

**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

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

	March 31, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 13,251	\$ 9,957
Accounts receivable, less allowance of \$277 and \$276	78,820	79,573
Contract assets	52,803	50,305
Inventories	97,931	105,135
Other receivables – chassis pool agreements	18,890	34,496
Other current assets	6,700	7,462
<b>Total current assets</b>	<b>268,395</b>	<b>286,928</b>
<b>Property, plant and equipment, net</b>	<b>80,905</b>	<b>83,437</b>
<b>Right of use assets – operating leases</b>	<b>45,078</b>	<b>45,827</b>
<b>Goodwill</b>	<b>48,880</b>	<b>48,880</b>
<b>Intangible assets, net</b>	<b>44,399</b>	<b>45,268</b>
<b>Net deferred tax assets</b>	<b>17,300</b>	<b>17,300</b>
<b>Other assets</b>	<b>2,724</b>	<b>2,409</b>
<b>TOTAL ASSETS</b>	<b>\$ 507,681</b>	<b>\$ 530,049</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 86,159	\$ 99,855
Accrued warranty	8,212	7,231
Accrued compensation and related taxes	11,675	13,526
Contract liabilities	3,939	4,756
Operating lease liability	10,050	10,817
Other current liabilities and accrued expenses	12,605	11,965
Short-term debt – chassis pool agreements	18,890	34,496
Current portion of long-term debt	164	185
<b>Total current liabilities</b>	<b>151,694</b>	<b>182,831</b>
<b>Other non-current liabilities</b>	<b>7,265</b>	<b>8,184</b>
<b>Long-term operating lease liability</b>	<b>36,776</b>	<b>36,724</b>
<b>Long-term debt, less current portion</b>	<b>65,121</b>	<b>50,144</b>
<b>Total liabilities</b>	<b>260,856</b>	<b>277,883</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; 34,361 and 34,303 outstanding	94,790	93,705
Retained earnings	152,035	158,461
<b>Total shareholders' equity</b>	<b>246,825</b>	<b>252,166</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 507,681</b>	<b>\$ 530,049</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Sales	\$ 197,889	\$ 243,439
Cost of products sold	163,827	200,515
<b>Gross profit</b>	<b>34,062</b>	<b>42,924</b>
Operating expenses:		
Research and development	3,719	6,949
Selling, general and administrative	32,273	32,289
Total operating expenses	35,992	39,238
<b>Operating income (loss)</b>	<b>(1,930)</b>	<b>3,686</b>
Other income (expense)		
Interest expense	(2,053)	(1,648)
Other income	97	70
Total other expense	(1,956)	(1,578)
Income (loss) before income taxes	(3,886)	2,108
Income tax expense	783	430
Net income (loss)	(4,669)	1,678
Less: net loss attributable to non-controlling interest	-	32
<b>Net income (loss) attributable to The Shyft Group Inc.</b>	<b>\$ (4,669)</b>	<b>\$ 1,710</b>
Basic earnings (loss) per share	\$ (0.14)	\$ 0.05
Diluted earnings (loss) per share	\$ (0.14)	\$ 0.05
Basic weighted average common shares outstanding	34,319	35,058
Diluted weighted average common shares outstanding	34,319	35,340

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (4,669)	\$ 1,678
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,435	3,864
Non-cash stock based compensation expense	1,474	1,827
Loss on disposal of assets	66	-
Changes in accounts receivable and contract assets	(1,746)	22,500
Changes in inventories	7,204	(9,147)
Changes in accounts payable	(10,119)	(16,920)
Changes in accrued compensation and related taxes	(1,851)	419
Changes in accrued warranty	981	(978)
Change in other assets and liabilities	268	2,644
<b>Net cash provided by (used in) operating activities</b>	<b>(3,957)</b>	<b>5,887</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(5,719)	(4,469)
Proceeds from sale of property, plant and equipment	75	25
Acquisition of business, net of cash acquired	-	(500)
<b>Net cash used in investing activities</b>	<b>(5,644)</b>	<b>(4,944)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	40,000	40,000
Payments on long-term debt	(25,000)	(31,000)
Payment of dividends	(1,716)	(1,878)
Purchase and retirement of common stock	-	(8,765)
Exercise and vesting of stock incentive awards	(389)	(3,470)
<b>Net cash provided by (used in) financing activities</b>	<b>12,895</b>	<b>(5,113)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,294</b>	<b>(4,170)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,957</b>	<b>11,548</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 13,251</b>	<b>\$ 7,378</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Number of Shares	Common Stock	Retained Earnings	Non- Controlling Interest	Total Shareholders' Equity
Balance at January 1, 2024	34,303	\$ 93,705	\$ 158,461	\$ -	\$ 252,166
Issuance of common stock and tax impact of stock incentive plan	10	(389)	-	-	(389)
Dividends declared (\$0.05 per share)	-	-	(1,757)	-	(1,757)
Issuance of restricted stock, net of cancellation	48	-	-	-	-
Non-cash stock based compensation expense	-	1,474	-	-	1,474
Net loss	-	-	(4,669)	-	(4,669)
Balance at March 31, 2024	<u>34,361</u>	<u>\$ 94,790</u>	<u>\$ 152,035</u>	<u>\$ -</u>	<u>\$ 246,825</u>

	Number of Shares	Common Stock	Retained Earnings	Non- Controlling Interest	Total Shareholders' Equity
Balance at January 1, 2023	35,066	\$ 92,982	\$ 175,611	\$ 101	\$ 268,694
Issuance of common stock and tax impact of stock incentive plan	5	(4,656)	-	-	(4,656)
Dividends declared (\$0.05 per share)	-	-	(1,820)	-	(1,820)
Purchase and retirement of common stock	(349)	(893)	(7,872)	-	(8,765)
Issuance of restricted stock, net of cancellation	193	-	-	-	-
Non-cash stock based compensation expense	-	1,827	-	-	1,827
Net income (loss)	-	-	1,710	(32)	1,678
Balance at March 31, 2023	<u>34,915</u>	<u>\$ 89,260</u>	<u>\$ 167,629</u>	<u>\$ 69</u>	<u>\$ 256,958</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

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

**NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

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

*Nature of Operations*

We are a niche market leader in specialty vehicle manufacturing and assembly for the commercial vehicle (including last-mile delivery, specialty service and vocation-specific upfit) 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.

The accompanying unaudited interim condensed consolidated financial statements reflect all normal and recurring adjustments that are necessary for the fair presentation of our financial position as of March 31, 2024, our results of operations for the three months ended March 31, 2024 and our cash flows for the three months ended March 31, 2024. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission on February 22, 2024. The results of operations for the three months ended March 31, 2024, are not necessarily indicative of the results expected for the full year.

For a description of key accounting policies followed, refer to the notes to The Shyft Group, Inc. consolidated financial statements for the year ended December 31, 2023, included in our Annual Report on Form 10-K.

*Supplemental Disclosures of Cash Flow Information*

Non-cash investing in the three months ended March 31, 2024 and March 31, 2023 included \$2,007 and \$2,494 of capital expenditures, respectively. The Company has chassis pool agreements, where it participates in chassis converter pools that are non-cash arrangements and they are offsetting between current assets and current liabilities on the Company’s Consolidated Balance Sheets. See “Note 3 – Debt” for further information about the chassis pool agreements.

**NOTE 2 – INVENTORIES**

Inventories are summarized as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Finished goods	\$ 5,164	\$ 9,374
Work in process	2,209	2,543
Raw materials and purchased components	90,558	93,218
Total inventories	<u>\$ 97,931</u>	<u>\$ 105,135</u>

**NOTE 3 – DEBT**

Short-term debt consists of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Chassis pool agreements	\$ 18,890	\$ 34,496
Total short-term debt	<u>\$ 18,890</u>	<u>\$ 34,496</u>



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

### *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).

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. The obligation is usually settled by the manufacturer upon reassignment of the chassis to an accepted dealer, and the dealer is invoiced for the chassis by the manufacturer. The Company has included this financing agreement on the Company's Condensed Consolidated Balance Sheets within *Other receivables – chassis pool agreements* and *Short-term debt – chassis pool agreements*. Typically, chassis are converted and delivered to customers within 90 days of the receipt of the chassis by the Company. The chassis converter pool is a non-cash arrangement and is offsetting between Current assets and Current liabilities on the Company's Condensed Consolidated Balance Sheets.

Long-term debt consists of the following:

	March 31, 2024	December 31, 2023
Line of credit revolver	\$ 65,000	\$ 50,000
Finance lease obligation	285	329
Total debt	65,285	50,329
Less current portion of long-term debt	(164)	(185)
Total long-term debt	<u>\$ 65,121</u>	<u>\$ 50,144</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"). Our interest expense is not expected to increase materially with this transition. 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.

On March 27, 2024, we entered into the Second Amendment to Amended and Restated Credit Agreement (the "Credit Agreement Amendment") which amended the Credit Agreement. The Credit Agreement Amendment, among other things, (i) reduced the revolving credit commitments from \$400,000 to \$300,000, (ii) increased the applicable margin for term SOFR loans and base rate loans, (iii) adjusted the calculation of debt for purposes of determining the leverage ratio and (iv) temporarily increased the maximum leverage ratio.

Under the Credit Agreement, we may borrow up to \$300,000 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 \$15,000, 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 2.00%; 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 7.42% (or one-month SOFR including a credit spread adjustment plus 2.00%) at March 31, 2024.

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

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 March 31, 2024 and December 31, 2023, we had outstanding letters of credit totaling \$1,550, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled \$48,155 and \$83,243 at March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023, we were in compliance with all financial covenants in our Credit Agreement.

**NOTE 4 – REVENUE**

Changes in our contract assets and liabilities for the three months ended March 31, 2024 and 2023 are summarized below:

	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<b>Contract Assets</b>		
Contract assets, beginning of period	\$ 50,304	\$ 86,993
Reclassification of the beginning contract assets to receivables, as the result of rights to consideration becoming unconditional	(37,163)	(66,340)
Contract assets recognized, net of reclassification to receivables	39,662	39,441
Contract assets, end of period	<u>\$ 52,803</u>	<u>\$ 60,094</u>
<b>Contract Liabilities</b>		
Contract liabilities, beginning of period	\$ 4,756	\$ 5,255
Reclassification of the beginning contract liabilities to revenue, as the result of performance obligations satisfied	(3,319)	(4,421)
Cash received in advance and not recognized as revenue	2,502	6,885
Contract liabilities, end of period	<u>\$ 3,939</u>	<u>\$ 7,719</u>

The aggregate amount of the transaction price allocated to remaining performance obligations in existing contracts that are yet to be completed in the Fleet Vehicles and Services ("FVS") and Specialty Vehicles ("SV") segments are \$356,089 and \$83,334, respectively.

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

	<b>Three Months Ended March 31, 2024</b>			
	<b>FVS</b>	<b>SV</b>	<b>Eliminations and Other</b>	<b>Total</b>
<b>Primary geographical markets</b>				
United States	\$ 81,369	\$ 90,098	\$ -	\$ 171,467
Other	26,390	32	-	26,422
Total sales	<u>\$ 107,759</u>	<u>\$ 90,130</u>	<u>\$ -</u>	<u>\$ 197,889</u>
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	\$ 12,281	\$ 42,757	\$ -	\$ 55,038
Products and services transferred over time	95,478	47,373	-	142,851
Total sales	<u>\$ 107,759</u>	<u>\$ 90,130</u>	<u>\$ -</u>	<u>\$ 197,889</u>

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

	Three Months Ended March 31, 2023			
	FVS	SV	Eliminations and Other	Total
<b>Primary geographical markets</b>				
United States	\$ 154,028	\$ 87,184	\$ (3,181)	\$ 238,031
Other	5,405	3	-	5,408
Total sales	\$ 159,433	\$ 87,187	\$ (3,181)	\$ 243,439
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	\$ 12,154	\$ 37,562	\$ -	\$ 49,716
Products and services transferred over time	147,279	49,625	(3,181)	193,723
Total sales	\$ 159,433	\$ 87,187	\$ (3,181)	\$ 243,439

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

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

	March 31, 2024	December 31, 2023
Land and improvements	\$ 12,583	\$ 12,578
Buildings and improvements	55,466	53,789
Plant machinery and equipment	61,188	60,517
Furniture and fixtures	19,460	19,474
Vehicles	2,157	2,015
Construction in process	8,190	10,570
Subtotal	159,044	158,943
Accumulated depreciation	(78,139)	(75,506)
Total property, plant and equipment, net	\$ 80,905	\$ 83,437

We recorded depreciation expense of \$3,566 and \$2,912 during the three months ended March 31, 2024 and 2023, respectively.

**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. Assets recorded under finance leases were immaterial (See "Note 3 – Debt").

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

	Three Months Ended March 31,	
	2024	2023
Operating leases	\$ 2,744	\$ 2,964
Short-term leases(1)	318	252
Total lease expense	\$ 3,062	\$ 3,216

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

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

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

	March 31,	
	2024	2023
Weighted average remaining lease term of operating leases (in years)	7.0	7.9
Weighted average discount rate of operating leases	3.0%	2.8%

Supplemental cash flow information related to leases was as follows:

	Three Months Ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for operating leases	\$ 2,918	\$ 2,793
Right of use assets obtained in exchange for lease obligations:		
Operating leases	\$ 1,879	\$ 3,975
Finance leases	\$ 7	\$ 65

Maturities of operating lease liabilities as of March 31, 2024 are as follows:

Years ending December 31:		
2024 <sup>(1)</sup>	\$	8,610
2025		10,569
2026		8,434
2027		5,735
2028		4,148
2029		3,650
Thereafter		10,715
Total lease payments		51,861
Imputed interest		(5,035)
Total lease liabilities	\$	46,826

(1) Excluding the three months ended March 31, 2024.

**NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES**

At March 31, 2024, 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.



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

Changes in our warranty liability are summarized below:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Balance of accrued warranty at January 1	\$ 7,231	\$ 7,161
Accruals for warranties issued	2,257	1,035
Changes in liability for pre-existing warranties	273	(769)
Cash settlements	(1,549)	(1,244)
Balance of accrued warranty at March 31	\$ 8,212	\$ 6,183

*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. We have recorded an accrual of \$1,850 at March 31, 2024 for this matter and do not believe the outcome will be materially different from the amount accrued.

**NOTE 8 – TAXES ON INCOME**

Our income tax expense was \$783 and \$430 for the three months ended March 31, 2024 and 2023, respectively. The tax expense represented a (20.1%) effective tax rate and 20.4% effective tax rate for the three months ended March 31, 2024 and 2023, respectively.

The effective tax rate for the three months ended March 31, 2024 and 2023 differs from the U.S. statutory rate of 21% primarily due to the tax benefit of research credits offset by state tax expense and non-deductible officer compensation and a discrete tax expense in 2024 related to the difference in stock compensation expense recognized for financial reporting purposes and tax purposes upon vesting.

**NOTE 9 – BUSINESS SEGMENTS**

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

We evaluate the performance of our reportable segments based on Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) and it is calculated by excluding items that we believe to be infrequent or not indicative of our underlying operating performance, as well as certain non-cash expenses. We define Adjusted EBITDA as income 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.

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

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.” Adjusted EBITDA in the “Eliminations and Other” column contains corporate related expenses not allocable to the operating segments. Interest expense and Income tax expense 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.

	<b>Three Months Ended</b>			
	<b>March 31, 2024</b>			
	<b>Segment</b>			
	<b>FVS</b>	<b>SV</b>	<b>Eliminations and Other</b>	<b>Consolidated</b>
Fleet vehicle sales	\$ 95,478	\$ -	\$ -	\$ 95,478
Motorhome chassis sales	-	30,771	-	30,771
Other specialty vehicle sales	-	53,405	-	53,405
Aftermarket parts and accessories sales	12,281	5,954	-	18,235
<b>Total sales</b>	<b>\$ 107,759</b>	<b>\$ 90,130</b>	<b>\$ -</b>	<b>\$ 197,889</b>
Depreciation and amortization expense	\$ 1,753	\$ 1,542	\$ 1,140	\$ 4,435
Adjusted EBITDA	935	16,973	(11,820)	6,088
Segment assets	217,779	212,288	77,614	507,681
Capital expenditures	785	413	943	2,141

	<b>Three Months Ended</b>			
	<b>March 31, 2023</b>			
	<b>Segment</b>			
	<b>FVS</b>	<b>SV</b>	<b>Eliminations and Other</b>	<b>Consolidated</b>
Fleet vehicle sales	\$ 147,279	\$ -	\$ -	\$ 147,279
Motorhome chassis sales	-	27,960	-	27,960
Other specialty vehicle sales	-	54,697	(3,181)	51,516
Aftermarket parts and accessories sales	12,154	4,530	-	16,684
<b>Total sales</b>	<b>\$ 159,433</b>	<b>\$ 87,187</b>	<b>\$ (3,181)</b>	<b>\$ 243,439</b>
Depreciation and amortization expense	\$ 1,338	\$ 1,679	\$ 847	\$ 3,864
Adjusted EBITDA	12,473	13,852	(15,537)	10,788
Segment assets	300,578	235,844	20,590	557,012
Capital expenditures	1,865	741	2,298	4,904

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

The Shyft Group, Inc. was organized as a Michigan corporation and is headquartered in Novi, Michigan. We are a niche market leader in specialty vehicle manufacturing and assembly for the commercial vehicle (including last-mile delivery, specialty service and vocation-specific upfit) 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 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 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.

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

**Executive Overview**

- Sales of \$197.9 million for the first quarter of 2024, a decrease of 18.7% compared to \$243.4 million for the first quarter of 2023.
- Gross margin of 17.2% for the first quarter of 2024, compared to 17.6% for the first quarter of 2023.
- Operating expense of \$34.1 million, or 18.2% of sales for the first quarter of 2024, compared to \$39.2 million, or 16.1% of sales for the first quarter of 2023.
- Operating loss of \$1.9 million for the first quarter of 2024, compared to operating income of \$3.7 million for the first quarter of 2023.
- Income tax expense of \$0.8 million for the first quarter of 2024, compared to \$0.4 million for the first quarter of 2023.
- Net loss of \$4.7 million for the first quarter of 2024, compared to net income of \$1.7 million for the first quarter of 2023.
- Diluted loss per share of \$0.14 for the first quarter of 2024, compared to diluted earnings per share of \$0.05 for the first quarter of 2023.
- Order backlog of \$439.4 million at March 31, 2024, a decrease of \$228.0 million or 34.2% from our backlog of \$667.4 million at March 31, 2023.

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

- In March 2022, we announced Blue Arc™ Electric Vehicle (“EV”) Solutions, a new go-to-market brand. Leveraging a scalable, commercial grade, purpose built design, the full Blue Arc EV offering will include Class 3, 4 and 5 walk-in van configurations with body length options from 12 to 22 feet. Designed for last-mile delivery fleets, these vehicles will be powered by lithium-ion battery packs that can deliver over 150 mile range at 50% payload. We expect Shyft customers can maximize productivity and minimize cost of ownership, including fuel and maintenance costs with our Blue Arc EV product offering.
- 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 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 15-inch anti-glare digital dash that is custom designed for the RV customer to meet their specific display or operational needs. Integrated with the digital dash is the 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 Condensed Consolidated Financial Statements and related Notes thereto included in Item 1 of this Form 10-Q and in conjunction with our 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2024.

## RESULTS OF OPERATIONS

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

	Three Months Ended March 31,	
	2024	2023
Sales	100.0	100.0
Cost of products sold	82.8	82.4
Gross profit	17.2	17.6
Operating expenses:		
Research and development	1.9	2.9
Selling, general and administrative	16.3	13.3
Operating income (loss)	(1.0)	1.5
Other expense	(1.0)	(0.6)
Income (loss) before income taxes	(2.0)	0.9
Income tax expense	0.4	0.2
Net income (loss)	(2.4)	0.7
Non-controlling interest	-	0.0
Net income (loss) attributable to The Shyft Group, Inc.	(2.4)	0.7

### Three Months Ended March 31, 2024 Compared to the Three Months Ended March 31, 2023

#### *Sales*

For the three months ended March 31, 2024, we reported consolidated sales of \$197.9 million, compared to \$243.4 million for the first quarter of 2023, a decrease of \$45.5 million or 18.7%. This decrease is driven by lower sales volumes in our Fleet Vehicles and Services ("FVS") segment attributed to lower sales volumes of walk-in vans and lower USPS pass-through chassis sales, partially offset by higher truck body and upfit sales, and higher sales in the Specialty Vehicles ("SV") segment.

#### *Cost of Products Sold*

Cost of products sold was \$163.8 million in the first quarter of 2024, compared to \$200.5 million for the first quarter of 2023, a decrease of \$36.7 million or 18.3%. The decrease was due to \$38.2 million in lower volume and mix and \$2.2 million in lower pass-through chassis costs, partially offset by \$3.7 million higher manufacturing and other costs.

#### *Gross Profit*

Gross profit was \$34.1 million for the first quarter of 2024, compared to \$42.9 million for the first quarter of 2023, a decrease of \$8.8 million or 20.6%. The decrease was due to \$5.1 million in lower volume and mix, net of favorable pricing, and \$3.7 million in higher manufacturing and other costs.

#### *Operating Expenses*

Operating expenses were \$36.0 million for the first quarter of 2024, compared to \$39.2 million for the first quarter of 2023, a decrease of \$3.2 million or 8.3%. Research and development expense for the first quarter of 2024 was \$3.7 million, compared to \$6.9 million in the first quarter of 2023, a decrease of \$3.2 million, of which \$2.9 million was related to electric vehicle development initiatives as the program moves closer to production. Selling, general and administrative expense was \$32.3 million for the first quarter of 2024, compared to \$32.3 million for the first quarter of 2023.

*Other Income (Expense)*

Other expense was \$2.0 million for the first quarter of 2024, compared to \$1.6 million for the first quarter of 2023, driven by higher borrowing costs.

*Income Tax Expense*

Our income tax expense was \$0.8 million for the first quarter of 2024, compared to an expense of \$0.4 million for the first quarter 2023. The tax expense represented a (20.1%) effective tax rate and 20.4% effective tax rate for the three months ended March 31, 2024 and 2023, respectively, which reflects the impact of current statutory income tax rates on our income before income taxes combined with the tax expense of non-deductible officer compensation offset by the benefit of research credits combined with a discrete tax expense in 2024 related to the difference in stock compensation expense recognized for financial reporting purposes and tax purposes upon vesting.

*Net Income (Loss)*

Net loss was \$4.7 million for the first quarter of 2024 compared to net income of \$1.7 million for the first quarter of 2023, a decrease of \$6.4 million. Diluted loss per share was \$0.14 for the first quarter of 2024 compared to diluted earnings per share of \$0.05 for the first quarter of 2023. Driving this decrease were the factors noted above.

*Adjusted EBITDA*

Our consolidated Adjusted EBITDA for the first quarter of 2024 was \$6.1 million, compared to \$10.8 million for the first quarter of 2023, a decrease of \$4.7 million.

The table below describes the changes in Adjusted EBITDA for the three months ended March 31, 2024 compared to the same period for 2023 (in millions):

Adjusted EBITDA three months ended March 31, 2023	\$	10.8
Sales volume and other		(12.3)
Product pricing and mix		3.4
EV development/program costs		3.0
General and administrative costs and other		1.2
Adjusted EBITDA three months ended March 31, 2024	\$	<u>6.1</u>

*Order Backlog*

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

	<b>March 31, 2024</b>	<b>March 31, 2023</b>
Fleet Vehicles and Services	\$ 356,089	\$ 584,933
Specialty Vehicles	83,334	82,478
Total consolidated	<u>\$ 439,423</u>	<u>\$ 667,411</u>

The consolidated backlog at March 31, 2024 totaled \$439.4 million, a decrease of \$228.0 million, or 34.2%, compared to \$667.4 million at March 31, 2023.

Our FVS backlog decreased by \$228.8 million, or 39.1%, primarily due to vehicle sales and softer demand in delivery vans. Our SV segment backlog increased by \$0.9 million, or 1.0%, as higher service body orders more than offset lower motorhome orders.

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

Reconciliation of Non-GAAP Financial Measures

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

We present the non-GAAP measure Adjusted EBITDA because we consider it to be an important supplemental measure of our performance. The presentation of Adjusted EBITDA enables investors to better understand our operations by removing items that we believe are not representative of our continuing operations and may distort our longer-term operating trends. We believe this measure to be useful to improve the comparability of our results from period to period and with our competitors, as well as to show ongoing results from operations distinct from items that are infrequent or not indicative of our continuing operating performance.

We believe that presenting this non-GAAP measure is useful to investors because it permits investors to view performance using the same tools that management uses to budget, make operating and strategic decisions, and evaluate our historical performance. We believe that the presentation of this non-GAAP measure, when considered together with the corresponding GAAP financial measures and the reconciliations to that measure, provides investors with additional understanding of the factors and trends affecting our business than could be obtained in the absence of this disclosure.

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

The following table reconciles Net Income to Adjusted EBITDA for the periods indicated.

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

	Three Months Ended March 31,	
	2024	2023
Net Income (loss)	\$ (4,669)	\$ 1,678
Net loss attributable to non-controlling interest	-	32
Add (subtract):		
Interest expense	2,053	1,648
Depreciation and amortization expense	4,435	3,864
Income tax expense	783	430
Restructuring and other related charges	52	62
Acquisition related expenses and adjustments	-	291
Non-cash stock based compensation expense	1,474	1,827
Legacy legal matters	1,850	956
CEO transition	110	-
Adjusted EBITDA	<u>\$ 6,088</u>	<u>\$ 10,788</u>

Our Segments

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

For certain financial information related to each segment, see "Note 9 – Business Segments," of the Notes to Condensed Consolidated Financial Statements appearing in Item 1 of this Form 10-Q.

Fleet Vehicles and Services

**Financial Data**  
**(Dollars in Thousands)**  
**Three Months Ended**  
**March 31,**

	2024		2023	
	Amount	Percentage	Amount	Percentage
Sales	\$ 107,759	100.0%	\$ 159,433	100.0%
Adjusted EBITDA	935	0.9%	12,473	7.8%

Sales in our FVS segment were \$107.8 million for the first quarter of 2024, compared to \$159.4 million for the first quarter of 2023, a decrease of \$51.6 million or 32.4%. This decrease was primarily attributable to softer delivery van markets and lower pass-through chassis sales, partially offset by increased truck body sales and higher upfit volume.

Adjusted EBITDA in our FVS segment for the first quarter of 2024 was \$0.9 million compared to \$12.5 million for the first quarter of 2023, a decrease of \$11.6 million. This decrease was attributable to \$6.7 million in lower volume and \$1.7 million of unfavorable mix net of pricing and \$3.2 million of lower productivity net of material, labor costs, and other costs.

Specialty Vehicles

**Financial Data**  
**(Dollars in Thousands)**  
**Three Months Ended**  
**March 31,**

	2024		2023	
	Amount	Percentage	Amount	Percentage
Sales	\$ 90,130	100.0%	\$ 87,187	100.0%
Adjusted EBITDA	16,973	18.8%	13,852	15.9%

Sales in our SV segment were \$90.1 million in the first quarter of 2024, compared to \$87.2 million for the first quarter of 2023, an increase of \$2.9 million or 3.4%. This increase was primarily attributable to higher motorhome chassis market demand and higher service body sales partially offset by a decline in other specialty vehicle sales.

Adjusted EBITDA for our SV segment for the first quarter of 2024 was \$17.0 million, compared to \$13.9 million for the first quarter of 2023, an increase of \$3.1 million or 22.5%. This increase was primarily attributable to \$2.8 million of favorable pricing and mix, \$0.8 million lower manufacturing costs, and \$0.4 million of favorable volume, partially offset by \$0.9 million other costs.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

Cash and cash equivalents increased by \$3.3 million from December 31, 2023, to a balance of \$13.3 million as of March 31, 2024. These funds, in addition to cash generated from future operations and availability under our existing credit facility, are expected to be sufficient to finance our foreseeable liquidity and capital needs, including potential future acquisitions.

#### *Cash Flow from Operating Activities*

We used \$4.0 million of cash from operating activities during the three months ended March 31, 2024, a decrease in cash provided of \$9.9 million from \$5.9 million of cash provided by operating activities during the three months ended March 31, 2023. The \$4.0 million of cash used in the first three months of 2024 was driven by a \$1.3 million net inflow related to income adjusted for non-cash charges to operations and by a \$5.3 million net outflow related to the change in net working capital. The change in working capital in the first three months of 2024 was driven by a \$10.1 million net outflow related to decreased payables primarily attributable to timing of payments within the period and a \$1.9 million net outflow related to changes in accrued compensation and related taxes, partially offset by a \$7.2 million net inflow related to decreased inventories.

#### *Cash Flow from Investing Activities*

We used \$5.6 million in investing activities during the three months ended March 31, 2024, an increase in cash used of \$0.7 million from \$4.9 million used during the three months ended March 31, 2023. The increase in cash used in investing activities is primarily due to a \$1.2 million increase in the purchases of property, plant and equipment, partially offset by a \$0.5 million decrease related to the acquisition of a business in prior year.

#### *Cash Flow from Financing Activities*

We generated \$12.9 million of cash through financing activities during the three months ended March 31, 2024, an increase in cash generated of \$18.0 million from \$5.1 million used during the three months ended March 31, 2023. The increase in cash generated by financing activities is primarily attributable to \$6.0 million of decreased payments on long-term debt, a \$8.8 million decrease in the purchase and retirement of common stock, a \$3.1 million decrease in exercise and vesting of stock awards and a \$0.1 million decrease in payment of dividends.

### 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., National Association and Bank of America, N.A. (the "Lenders"). Certain of our other subsidiaries have executed guaranties guarantying the borrowers' obligations under the Credit Agreement.

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"). Our interest expense is not expected to increase materially with this transition. 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.

On March 27, 2024, we entered into the Second Amendment to Amended and Restated Credit Agreement (the "Credit Agreement Amendment"), which amended the Credit Agreement. The Credit Agreement Amendment, among other things, (i) reduced the revolving credit commitments from \$400.0 million to \$300.0 million, (ii) increased the applicable margin for term SOFR loans and base rate loans, (iii) adjusted the calculation of debt for purposes of determining the leverage ratio and (iv) temporarily increased the maximum leverage ratio.

Under the Credit Agreement, we may borrow up to \$300.0 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 \$15.0 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 2.00%; 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 7.42% (or one-month SOFR including a credit spread adjustment plus 2.00%) at March 31, 2024.

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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 March 31, 2024 and December 31, 2023, we had outstanding letters of credit totaling \$1.6 million, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled \$48.2 million and \$83.2 million at March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023, we were in compliance with all financial covenants in our Credit Agreement.

### Equity Securities

On February 17, 2022, our Board of Directors authorized the repurchase of up to \$250.0 million of our common stock in open market transactions. We believe that we have sufficient resources to fund any potential stock buyback in which we may engage.

### Dividends

The amounts or timing of any dividends are subject to earnings, financial condition, liquidity, capital requirements and such other factors as our Board of Directors deems relevant. We declared dividends on our outstanding common shares in 2024 and 2023 as shown in the table below.

<b>Date dividend declared</b>	<b>Record date</b>	<b>Payment date</b>	<b>Dividend per share (\$)</b>
Feb. 1, 2024	Feb. 16, 2024	Mar. 18, 2024	\$ 0.05
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

### Effect of Inflation

Inflation affects us in two principal ways. First, our revolving credit facility is generally tied to the prime and 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 prices of our products. However, we generally do not attempt to negotiate inflation-based price adjustment provisions into our contracts. We have limited ability to pass on cost increases to our customers on a short-term basis. In addition, the markets we serve are competitive in nature, and competition limits our ability to pass through cost increases in many cases. We strive to minimize the effect of inflation through cost reductions and improved productivity. Refer to the *Commodities Risk* section in Item 3 of this Form 10-Q for further information regarding commodity cost fluctuations.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

*Interest Rate Risk*

We are exposed to market risks related to changes in interest rates and the effect of such a change on outstanding variable rate short-term and long-term debt. At March 31, 2024, we had \$65.0 million debt outstanding under our revolving credit facility. An increase of 100 basis points in interest rates would result in \$0.7 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.

*Commodities Risk*

We are also exposed to changes in the prices of raw materials, primarily steel and aluminum, along with components that are made from these raw materials. We generally do not enter into derivative instruments for the purpose of managing exposures associated with fluctuations in steel and aluminum prices. We do, from time to time, engage in pre-buys of components that are impacted by changes in steel, aluminum and other commodity prices in order to mitigate our exposure to such price increases and align our costs with prices quoted in specific customer orders. We also actively manage our material supply sourcing and may employ various methods to limit risk associated with commodity cost fluctuations due to normal market conditions and other factors including tariffs. See Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part 1, Item 2 of this Form 10-Q for information on the impacts of changes in input costs during the three months ended March 31, 2024.

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

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

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report. Based on the evaluation of our disclosure controls and procedures as of March 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

**Changes in Internal Control over Financial Reporting**

There have been no changes during the quarter ended March 31, 2024, in our internal control over financial reporting that have materially affected, or are likely to materially affect, our internal control over financial reporting.

**Inherent Limitations on Effectiveness of Controls**

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



**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

See “Note 7 – *Commitments and Contingent Obligations*,” included in Part I, Item 1, “Notes to Unaudited Consolidated Financial Statements,” within this quarterly report on Form 10-Q.

**Item 1A. Risk Factors**

We have included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, a description of certain risks and uncertainties that could affect our business, future performance or financial condition (the “Risk Factors”). There have been no material changes from the disclosure provided in the Form 10-K for the year ended December 31, 2023 with respect to the Risk Factors. Investors should consider the Risk Factors prior to making an investment decision with respect to our stock.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

On February 17, 2022, our Board of Directors authorized the repurchase of up to \$250.0 million of our common stock in open market transactions. We believe that we have sufficient resources to fund any potential stock buyback in which we may engage.

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)
January 1 to January 31	-	\$ -	-	\$ 223.0
February 1 to February 29	-	-	-	223.0
March 1 to March 31	43,177	11.84	-	223.0
Total	-	-	-	-

(1) During the quarter ended March 31, 2024, 43,177 shares were delivered by employees in satisfaction of tax withholding obligations that occurred upon the vesting of restricted shares.

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

**Item 5. Other Information**

During the quarter ended March 31, 2024, 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).

**Item 6. Exhibits.**

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

<u>Exhibit No.</u>	<u>Document</u>
10.2.1	<a href="#">Second Amendment, dated as of March 27, 2024, to the Amended and Restated Credit Agreement dated as of November 30, 2021, as amended, among the Company and its affiliates, Wells Fargo Bank, National Association, as administrative agent, and the lender parties thereto (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on March 29, 2024).</a>
10.8.3	<a href="#">Form of Performance Share Unit Agreement (2024 LTI)*</a>
10.9.3	<a href="#">Form of Restricted Stock Unit Agreement (2024 LTI)*</a>
31.1	<a href="#">Certification of President and 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 of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. § 1350.</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)

\*Management contract or compensatory plan or arrangement

**SIGNATURES**

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

Date: April 25, 2024

THE SHYFT GROUP, INC.

By /s/ Jonathan C. Douyard  
Jonathan C. Douyard  
Chief Financial Officer

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

This PERFORMANCE SHARE UNIT AGREEMENT (the "Agreement") is made and entered into as of March 29, 2024 (the "Grant Date"), by and between **The Shyft Group, Inc.**, a Michigan corporation (the "Company") and #ParticipantName+C# (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 #QuantityGranted# 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 two times the number of target share units) 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 January 1, 2024 and ending on December 31, 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.

(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 (i) whether, and to what extent, the performance goals for the Performance Period have been achieved, and (ii) 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, The Shyft Group, Inc. Executive Severance Plan or Management Severance Plan (to the extent either 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 9.2 of the Plan deemed to occur at the Target Award level, and vesting pursuant to Section 9.3 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 the Grantee is subject to reporting under Section 16 of the Act, any applicable withholding will be satisfied (but only to the extent required to satisfy up to the maximum amount permitted to be withheld by law or regulation) by the Company withholding shares of Common Stock otherwise deliverable pursuant to the PSUs being paid under this Agreement (and withholding cash from the Dividend Equivalents otherwise being paid under this Agreement).

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. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement prevents the Grantee 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 for purpose of clarity the Grantee is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Act).

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 policy or policies as may be in effect from time to time, including specifically to implement Section 10D of the Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Stock may be traded) ( the "Compensation Recovery Policy"), and that, to the extent the Compensation Recovery Policy, by its terms, is applicable to such award, applicable terms of this Agreement shall be (if necessary) 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:  
*By clicking accept in the Fidelity online system you accept this document.*

/s/ Colin Hindman  
By: Colin Hindman  
Its: Chief Human Resources Officer

#ParticipantName#

Revision Dated 02.2024

**EXHIBIT A**

**Performance Period**

The Performance Period shall commence on January 1, 2024 and end on December 31, 2026.

**Performance Measures**

The number of PSUs earned shall be determined by reference to:

- (1) 60% shall be based on the Company’s Total Shareholder Return (“TSR”) over the Performance Period relative to the TSR Comparator Group<sup>(1)</sup>; and
- (2) 40% shall be based on the Company’s cumulative GAAP Net Income over the Performance Period. Cumulative GAAP Net Income shall be subject to such adjustments as approved by the Compensation Committee in its sole discretion.

**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 as follows:

- (1) TSR over the Performance Period relative to the TSR Comparator Group (60% weighting):

<u>Percentile Rank Compared to TSR Comparator 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 TSR Comparator 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 TSR Comparator Group over the same Performance Period. Achievement between the stated percentages will be interpolated on a straight-line basis.

## (2) Cumulative GAAP Net Income over the Performance Period (40% weighting):

<u>Cumulative GAAP Net Income</u>	<u>Payout as Percentage of Target</u>
Less than \$XXXXXX	0%
\$XXXXXX (Threshold)	50% (0.5X)
\$XXXXXXX (Target)	100% (1X)
\$XXXXXX or greater (Maximum)	200% (2X)

Achievement between the stated dollar amounts will be interpolated on a straight-line basis with no rounding.

**Award Range**

Depending on (1) the Company's TSR over the Performance Period relative to the TSR Comparator Group and (2) the Company's cumulative GAAP Net Income, the Grantee may earn from 0% to 200% of the Target Award.

## (1) The TSR Comparator Group is comprised of the following companies:

Agco Corp	Federal Signal Corp	Paccar Inc.
Alamo Group Inc.	Freightcar America Inc.	Ritchie Bros Auctioneers
Allison Transmission Holding	GATX Corp	Sypris Solutions Inc.
Art'S-Way Manufacturing Co.	Gencor Industries Inc.	Tennant Co.
Astec Industries Inc.	Greenbrier Companies Inc.	Terex Corp
Caterpillar Inc.	H&E Equipment Services Inc.	Toro Co.
China Yuchai Intl Ltd	Hyster-Yale Materials	Trinity Industries Inc.
CNH Industrial	Komatsu Ltd -Spons ADR	Twin Disc Inc.
Columbus Mckinnon Corp	Kubota Corp-Spons ADR	United Rentals Inc.
Commercial Vehicle Group Inc.	Lindsay Corp	Wabash National Corp
Conrad Industries Inc.	Manitex International Inc.	Wabtec Corp
Cummins Inc.	Manitowoc Company Inc.	Westport Fuel Systems Inc.
Deere & Co.	Miller Industries Inc/Tenn	
Douglas Dynamics Inc.	Oshkosh Corp	

**THE SHYFT GROUP, INC.**  
**RESTRICTED STOCK UNIT AGREEMENT**

This RESTRICTED STOCK UNIT AGREEMENT (the “Agreement”) is made and entered into as of March 29, 2024 (the “Grant Date”), by and between **The Shyft Group, Inc.**, a Michigan corporation (the “Company”) and #ParticipantName+C# (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 awards of Restricted Stock Units may be granted.
- B. The Committee has determined that it is in the best interests of the Company and its shareholders to grant the award of Restricted Stock Units provided for in this Agreement.

Agreement

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

1. **Grant of Restricted Stock Units.** Pursuant to the Plan, the Company has granted to the Grantee on the Grant Date an Incentive Award consisting of, in the aggregate, #QuantityGranted# Restricted Stock Units (the “RSUs”). Each RSU represents the right to receive one share of Common Stock on the terms and conditions and subject to the restrictions set forth in this Agreement and the Plan. The RSUs shall be credited to a separate account maintained for the 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. **Consideration.** The grant of the RSUs is made in consideration of the services to be rendered by the Grantee to the Company during the applicable vesting period and Grantee’s compliance with the restrictive covenant terms and conditions set forth in this Agreement.



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

<u>Vesting Date</u>	<u>Number of RSUs That Vest</u>
First anniversary of Grant Date	33⅓% of RSUs
Second anniversary of Grant Date	Additional 33⅓% of RSUs
Third anniversary of Grant Date	Remainder of RSUs

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

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

5. **Termination of Employment.**

(a) Except as otherwise expressly provided in this Agreement, or The Shyft Group, Inc. Executive Severance Plan or Management Severance Plan (to the extent either such plan applies to the Grantee), if the Grantee's employment terminates for any reason at any time before all of Grantee's RSUs have vested, the Grantee's unvested RSUs 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, if the Grantee's employment terminates during the Restricted Period as a result of the Grantee's death if Grantee becomes Disabled, any unvested RSUs shall immediately become vested in full.

(c) Notwithstanding Section 5(a) above, if the Grantee's employment terminates during the Restricted Period as a result of the Grantee's Qualified Retirement (defined below) that occurs at least nine months after the Grant Date, then any unvested RSUs will continue to vest in accordance with Section 3 as if the Grantee's employment had not terminated. 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 Restricted Period.

7. **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 RSUs unless and until the RSUs vest and are settled by the issuance of such shares of Common Stock.

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

(c) Until such time as the RSUs vest, the 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 RSU granted to 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 vesting restrictions as the RSUs to which they are attributable and shall be paid on the same date that the RSUs to which they are attributable are settled in accordance with Section 8 below. Dividend Equivalents credited to a Grantee's Account shall be distributed in cash or, at the discretion of the Committee, in shares of Common Stock having a fair market value equal to the amount of the Dividend Equivalents and interest, if any.

8. **Settlement of RSUs.**

(a) Subject to Section 8(b), payment for Vested Units will be made within 30 days following the applicable anniversary date specified in Section 3.

(b) Notwithstanding Section 8(a), to the extent that the RSUs are not subject to a "substantial risk of forfeiture" (within the meaning of Section 409A of the Code), the RSUs shall be paid on an accelerated basis within 30 days after any of the following events in a manner and to the extent necessary to comply with Section 409A of the Code: (i) the occurrence of a Change in Control that constitutes a change in control for purposes of Section 409A(a)(2)(A)(v) of the Code (a "409A Change in Control"); (ii) the Grantee's "separation from service" (within the meaning of Section 409A of the Code) that occurs within two years after a Change in Control that is a 409A Change in Control; or (iii) the Grantee's death or Disability.

(c) Settlement shall be subject to any withholding for applicable taxes pursuant to the Plan and this Agreement. At the time of settlement, the Company shall (i) issue and deliver to the Grantee the number of shares of Common Stock equal to the number of vested RSUs and cash equal to any Dividend Equivalents credited with respect to such vested RSUs or, at the discretion of the Committee, shares of Common Stock having a fair market value equal to such Dividend Equivalents; and (ii) enter the Grantee's name on the books of the Company as the shareholder of record with respect to the shares of Common Stock delivered to the Grantee. Notwithstanding the foregoing, the Committee shall have the discretion to settle vested RSUs in cash using the fair market value of the shares of Common Stock underlying the vested RSUs as of the applicable settlement date.

(d) 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).

9. **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.

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

11. **Withholding.** If the Grantee is subject to reporting under Section 16 of the Act, any applicable withholding will be satisfied (but only to the extent required to satisfy up to the maximum amount permitted to be withheld by law or regulation) by the Company withholding shares of Common Stock otherwise deliverable pursuant to the RSUs being paid under this Agreement (and withholding cash and/or shares of Common Stock otherwise deliverable from the Dividend Equivalents being paid under this Agreement).

12. **Restrictive Covenants Regarding Competitive Activity.** The following terms and conditions of this Section 12 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 12 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 12 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 12 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 12 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 12 of this Agreement shall be enforced to the fullest extent legally-permissible. Accordingly, if any particular provision(s) of Section 12 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 12 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 12 of this Agreement shall remain in full force and effect. The Grantee further acknowledges that the terms of Section 12 of this Agreement are agreed to in consideration of, and are adequately supported by consideration in the form of the RSUs 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.

13. **Compliance with Law.** The issuance and transfer of shares of Common Stock 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. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement prevents the Grantee 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 for purpose of clarity the Grantee is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Act).

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

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. **RSUs Subject to Plan.** This Agreement is subject to the Plan as approved by the Company's shareholders. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated in this Agreement by reference. In the event of a conflict between any term or provision contained in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail. 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 policy or policies as may be in effect from time to time, including specifically to implement Section 10D of the Act and any applicable rules or regulations promulgated thereunder (including applicable rules and regulations of any national securities exchange on which the Common Stock may be traded) (the "Compensation Recovery Policy"), and that, to the extent the Compensation Recovery Policy, by its terms, is applicable to such award, applicable terms of this Agreement shall be (if necessary) 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 RSUs 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, and administrators.



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 RSUs in this Agreement does not create any contractual right or other right to receive any RSUs or other Incentive Awards in the future. Future Incentive Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Grantee's employment.

22. **Section 409A.** This Agreement is intended to comply with Section 409A of the Code or an exemption thereunder 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. Notwithstanding the foregoing, the Company makes no representations that the payment 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.

23. **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.

24. **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 RSUs 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 grant, vesting, or settlement of the RSUs or disposition of the underlying shares and that the Grantee has been advised to consult a tax advisor prior to such grant, vesting 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 Restricted Stock Unit Agreement as of the Grant Date.

COMPANY:  
**The Shyft Group, Inc.**

GRANTEE:  
*By clicking accept in the Fidelity  
online system you accept this  
document.*

/s/ Colin Hindman

By: Colin Hindman  
Its: Chief Human Resources Officer

\_\_\_\_\_  
#ParticipantName#

Revision Dated 02.2024

## CERTIFICATION

I, John Dunn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Shyft Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2024

/s/ John Dunn

John Dunn  
President and Chief Executive Officer  
The Shyft Group, Inc.

## CERTIFICATION

I, Jonathan C. Douyard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Shyft Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2024

/s/ Jonathan C. Douyard

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

**EXHIBIT 32**

**CERTIFICATION**

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

1. The Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition at the end of such period and results of operations of the Company for such period.

Dated: April 25, 2024

/s/ John Dunn

John Dunn

President and Chief Executive Officer

Dated: April 25, 2024

/s/ Jonathan C. Douyard

Jonathan C. Douyard

Chief Financial Officer