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 September 30, 2022.

OR

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

Commission File Number 001-33582

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

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

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

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

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

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

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

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

Class	Outstanding at October 21, 2022
Common Stock	35,070,921 shares

THE SHYFT GROUP, INC.

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FORWARD-LOOKING STATEMENTS

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

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

Trademarks and Service Marks

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,862	$ 37,158
Accounts receivable, less allowance of $176 and $187	87,673	87,262
Contract assets	87,099	21,483
Inventories	111,213	67,184
Other receivables – chassis pool agreements	24,277	9,926
Other current assets	12,813	10,813
Total current assets	325,937	233,826
Property, plant and equipment, net	66,970	61,057
Right of use assets – operating leases	53,156	43,316
Goodwill	48,880	48,880
Intangible assets, net	50,054	52,981
Net deferred tax assets	4,816	4,880
Other assets	1,886	2,927
TOTAL ASSETS	$ 551,699	$ 447,867
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 106,621	$ 82,442
Accrued warranty	6,432	5,975
Accrued compensation and related taxes	15,559	19,064
Contract liabilities	10,601	988
Operating lease liability	10,060	7,934
Other current liabilities and accrued expenses	11,703	9,256
Short-term debt – chassis pool agreements	24,277	9,926
Current portion of long-term debt	190	252
Total current liabilities	185,443	135,837
Other non-current liabilities	6,576	8,108
Long-term operating lease liability	44,660	36,329
Long-term debt, less current portion	65,222	738
Total liabilities	301,901	181,012
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, no par value: 2,000 shares authorized (none issued)	-	-
Common stock, no par value: 80,000 shares authorized; 35,063 and 35,416 outstanding	90,160	95,375
Retained earnings	159,537	171,379
Total Shyft Group, Inc. shareholders' equity	249,697	266,754
Non-controlling interest	101	101
Total shareholders' equity	249,798	266,855
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 551,699	$ 447,867

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Sales	$ 286,075	$ 272,622	$ 725,153	$ 714,492
Cost of products sold	231,979	216,564	603,008	566,542
Gross profit	54,096	56,058	122,145	147,950
Operating expenses:				
Research and development	7,051	2,582	19,541	4,304
Selling, general and administrative	25,033	25,368	78,445	78,645
Total operating expenses	32,084	27,950	97,986	82,949
Operating income	22,012	28,108	24,159	65,001
Other income (expense)				
Interest expense	(1,137)	(253)	(1,754)	(310)
Other income (expense)	181	54	(342)	743
Total other income (expense)	(956)	(199)	(2,096)	433
Income from continuing operations before income taxes	21,056	27,909	22,063	65,434
Income tax expense	3,770	6,910	3,346	15,952
Income from continuing operations	17,286	20,999	18,717	49,482
Income from discontinued operations, net of income taxes	-	-	-	81
Net income	17,286	20,999	18,717	49,563
Less: net income attributable to non-controlling interest	-	77	-	1,102
Net income attributable to The Shyft Group Inc.	**$** 17,286	**$** 20,922	**$** 18,717	**$** 48,461
Basic earnings per share				
Continuing operations	$ 0.49	$ 0.59	$ 0.53	$ 1.37
Discontinued operations	-	-	-	-
Basic earnings per share	**$** 0.49	**$** 0.59	**$** 0.53	**$** 1.37
Diluted earnings per share				
Continuing operations	$ 0.49	$ 0.58	$ 0.53	$ 1.34
Discontinued operations	-	-	-	-
Diluted earnings per share	**$** 0.49	**$** 0.58	**$** 0.53	**$** 1.34
Basic weighted average common shares outstanding	35,056	35,346	35,071	35,330
Diluted weighted average common shares outstanding	35,365	36,074	35,481	36,024

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 18,717	$ 49,563
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,055	8,312
Non-cash stock based compensation expense	4,922	6,571
Deferred income taxes	64	134
Loss (gain) on disposal of assets	481	(104)
Changes in accounts receivable and contract assets	(66,026)	(35,842)
Changes in inventories	(44,029)	(35,473)
Changes in accounts payable	24,708	43,230
Changes in accrued compensation and related taxes	(3,505)	910
Changes in accrued warranty	457	1,626
Change in other assets and liabilities	9,663	3,396
Net cash provided by (used in) operating activities	(44,493)	42,323
Cash flows from investing activities:		
Purchases of property, plant and equipment	(14,228)	(18,238)
Proceeds from sale of property, plant and equipment	148	16
Acquisition of business, net of cash acquired	-	904
Net cash used in investing activities	(14,080)	(17,318)
Cash flows from financing activities:		
Proceeds from long-term debt	120,000	25,000
Payments on long-term debt	(55,000)	(47,400)
Payment of dividends	(5,395)	(2,660)
Purchase and retirement of common stock	(26,789)	(3,348)
Issuance and vesting of stock incentive awards	(8,539)	(3,043)
Net cash provided by (used in) financing activities	24,277	(31,451)
Net decrease in cash and cash equivalents	(34,296)	(6,446)
Cash and cash equivalents at beginning of period	37,158	20,995
Cash and cash equivalents at end of period	$ 2,862	$ 14,549

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

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Number of Shares	Common Stock	Retained Earnings	Non-Controlling Interest	Total Shareholders' Equity
Balance at December 31, 2021	35,416	$ 95,375	$ 171,379	$ 101	$ 266,855
Issuance of common stock and tax impact of stock incentive plan	3	(8,372)	-	-	(8,372)
Dividends declared ($0.05 per share)	-	-	(1,794)	-	(1,794)
Purchase and retirement of common stock	(607)	(1,598)	(25,191)	-	(26,789)
Issuance of restricted stock, net of cancellation	215	-	-	-	-
Non-cash stock based compensation expense	-	1,648	-	-	1,648
Net loss	-	-	(3,852)	-	(3,852)
Balance at March 31, 2022	35,027	$ 87,053	$ 140,542	$ 101	$ 227,696
Issuance of common stock and tax impact of stock incentive plan	3	(219)	-	-	(219)
Dividends declared ($0.05 per share)	-	-	(1,784)	-	(1,784)
Issuance of restricted stock, net of cancellation	33	-	-	-	-
Non-cash stock based compensation expense	-	2,060	-	-	2,060
Net income	-	-	5,283	-	5,283
Balance at June 30, 2022	35,063	88,894	144,041	101	233,036
Issuance of common stock and tax impact of stock incentive plan	6	52	-	-	52
Dividends declared ($0.05 per share)		-	(1,790)	-	(1,790)
Issuance of restricted stock, net of cancellation	(6)	-	-	-	-
Non-cash stock based compensation expense		1,214	-	-	1,214
Net income		-	17,286	-	17,286
Balance at September 30, 2022	35,063	90,160	159,537	101	249,798

	Number of Shares	Common Stock	Retained Earnings	Non-Controlling Interest	Total Shareholders' Equity
Balance at December 31, 2020	35,344	$ 91,044	$ 109,286	$ (171)	$ 200,159
Issuance of common stock and tax impact of stock incentive plan	3	(2,255)	-	-	(2,255)
Dividends declared ($0.025 per share)	-	-	(983)	-	(983)
Purchase and retirement of common stock	(100)	(260)	(3,088)	-	(3,348)
Issuance of restricted stock, net of cancellation	61	-	-	-	-
Non-cash stock based compensation expense	-	1,642	-	-	1,642
Net income	-	-	11,576	35	11,611
Balance at March 31, 2021	35,308	$ 90,171	$ 116,791	$ (136)	$ 206,826
Issuance of common stock and tax impact of stock incentive plan	2	(712)	-	-	(712)
Dividends declared ($0.025 per share)	-	-	(901)	-	(901)
Issuance of restricted stock, net of cancellation	36	-	-	-	-
Non-cash stock based compensation expense	-	2,850	-	-	2,850
Net income	-	-	15,963	990	16,953
Balance at June 30, 2021	35,346	92,309	131,853	854	255,016
Issuance of common stock and tax impact of stock incentive plan	3	(76)	-	-	(76)
Dividends declared ($0.025 per share)	-	-	(902)	-	(902)
Issuance of restricted stock, net of cancellation	(7)	-	-	-	-
Non-cash stock based compensation expense	-	2,079	-	-	2,079
Net income	-	-	20,922	77	20,999
Balance at September 30, 2021	35,342	94,312	151,873	931	247,116

See accompanying Notes to Condensed Consolidated Financial Statements.

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

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

Nature of Operations

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

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

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

Supplemental Disclosures of Cash Flow Information

Non-cash investing in the nine months ended September 30, 2022 and September 30, 2021, included $982 and $394 of capital expenditures, respectively. The Company has chassis pool agreements, where it participates in chassis converter pools that are non-cash arrangements and they are offsetting between current assets and current liabilities on the Company’s Consolidated Balance Sheets. See "Note 4 – *Debt*" for further information about the chassis pool agreements.

NOTE 2 – DISCONTINUED OPERATIONS

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

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

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

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

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

NOTE 3 – INVENTORIES

Inventories are summarized as follows:

	September 30, 2022	December 31, 2021
Finished goods	$ 4,685	$ 2,990
Work in process	8,176	2,471
Raw materials and purchased components	98,352	61,723
Total inventories	$ 111,213	$ 67,184

NOTE 4 – DEBT

Short-term debt consists of the following:

	September 30, 2022	December 31, 2021
Chassis pool agreements	$ 24,277	$ 9,926
Total short-term debt	$ 24,277	$ 9,926

Chassis Pool Agreements

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

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

Long-term debt consists of the following:

	September 30, 2022	December 31, 2021
Line of credit revolver	$ 65,000	$ -
Finance lease obligation	412	450
Other	-	540
Total debt	65,412	990
Less current portion of long-term debt	(190)	(252)
Total long-term debt	$ 65,222	$ 738

(Dollar amounts in thousands, except per share data)

Line of Credit Revolver

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

Under the Credit Agreement, we may borrow up to $400,000 from the Lenders under a secured revolving credit facility which matures November 30, 2026. We may also request an increase in the facility of up to $200,000 in the aggregate, subject to customary conditions. The credit facility is also available for the issuance of letters of credit of up to $20,000 and swing line loans of up to $10,000, subject to certain limitations and restrictions. This revolving credit facility carries an interest rate of either (i) the highest of prime rate, the federal funds effective rate from time to time plus 0.5%, or the one month adjusted LIBOR plus 1.0%; or (ii) adjusted LIBOR, in each case plus a margin based upon our ratio of debt to earnings from time to time. The applicable borrowing rate including the margin was 4.14% (or one-month LIBOR plus 1.00%) at September 30, 2022. The credit facility is secured by security interests in, and liens on, all assets of the borrowers and guarantors, other than real property and certain other excluded assets. At September 30, 2022 and December 31, 2021, we had outstanding letters of credit totaling $1,100 and $760, respectively, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled $165,441 and $376,776 at September 30, 2022 and December 31, 2021, respectively. The Credit Agreement requires us to maintain certain financial ratios and other financial covenants; prohibits us from incurring additional indebtedness; limits certain acquisitions, investments, advances or loans; limits our ability to pay dividends in certain circumstances; and restricts substantial asset sales, all subject to certain exceptions and baskets. At September 30, 2022 and December 31, 2021, we were in compliance with all covenants in our Credit Agreement.

NOTE 5 – REVENUE

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

	September 30, 2022	September 30, 2021
Contract Assets		
Contract assets, beginning of period	$ 21,483	$ 9,414
Reclassification of the beginning contract assets to receivables, as the result of rights to consideration becoming unconditional	(21,482)	(9,414)
Contract assets recognized, net of reclassification to receivables	87,098	42,459
Contract assets, end of period	$ 87,099	$ 42,459
Contract Liabilities		
Contract liabilities, beginning of period	$ 988	$ 756
Reclassification of the beginning contract liabilities to revenue, as the result of performance obligations satisfied	(988)	(743)
Cash received in advance and not recognized as revenue	10,601	2,135
Contract liabilities, end of period	$ 10,601	$ 2,148

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 $915,135 and $128,769, respectively.

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

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

	Three Months Ended September 30, 2022			
	FVS	SV	Eliminations and Other	Total
Primary geographical markets				
United States	$ 183,409	$ 103,869	$ (2,335)	$ 284,943
Other	1,085	47	-	1,132
Total sales	$ 184,494	$ 103,916	$ (2,335)	$ 286,075
Timing of revenue recognition				
Products transferred at a point in time	$ 10,821	$ 58,729	$ -	$ 69,550
Products and services transferred over time	173,673	45,187	(2,335)	216,525
Total sales	$ 184,494	$ 103,916	$ (2,335)	$ 286,075

	Three Months Ended September 30, 2021			
	FVS	SV	Eliminations and Other	Total
Primary geographical markets				
United States	$ 186,914	$ 81,230	$ -	$ 268,144
Other	4,473	5	-	4,478
Total sales	$ 191,387	$ 81,235	$ -	$ 272,622
Timing of revenue recognition				
Products transferred at a point in time	$ 8,949	$ 50,286	$ -	$ 59,235
Products and services transferred over time	182,438	30,949	-	213,387
Total sales	$ 191,387	$ 81,235	$ -	$ 272,622

	Nine Months Ended September 30, 2022			
	FVS	SV	Eliminations and Other	Total
Primary geographical markets				
United States	$ 428,606	$ 293,325	$ (2,335)	$ 719,596
Other	5,482	75	-	5,557
Total sales	$ 434,088	$ 293,400	$ (2,335)	$ 725,153
Timing of revenue recognition				
Products transferred at a point in time	$ 31,092	$ 163,068	$ -	$ 194,160
Products and services transferred over time	402,996	130,332	(2,335)	530,993
Total sales	$ 434,088	$ 293,400	$ (2,335)	$ 725,153

(Dollar amounts in thousands, except per share data)

	Nine Months Ended September 30, 2021			
	FVS	SV	Eliminations and Other	Total
Primary geographical markets				
United States	$ 468,725	$ 237,608	$ -	$ 706,333
Other	8,104	55	-	8,159
Total sales	$ 476,829	$ 237,663	$ -	$ 714,492
Timing of revenue recognition				
Products transferred at a point in time	$ 24,197	$ 141,737	$ -	$ 165,934
Products and services transferred over time	452,632	95,926	-	548,558
Total sales	$ 476,829	$ 237,663	$ -	$ 714,492

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2022	December 31, 2021
Land and improvements	$ 12,554	$ 9,810
Buildings and improvements	43,557	45,724
Plant machinery and equipment	52,872	49,305
Furniture and fixtures	15,441	20,421
Vehicles	2,057	2,607
Construction in process	10,396	12,700
Subtotal	136,877	140,567
Less accumulated depreciation	(69,907)	(79,510)
Total property, plant and equipment, net	$ 66,970	$ 61,057

We recorded depreciation expense of $2,404 and $2,138 during the three months ended September 30, 2022 and 2021, respectively, and $7,155 and $5,778 during the nine months ended September 30, 2022 and 2021, respectively.

NOTE 7 – LEASES

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating leases	$ 2,683	$ 2,048	$ 7,492	$ 5,984
Short-term leases(1)	87	135	144	301
Total lease expense	$ 2,770	$ 2,183	$ 7,636	$ 6,285

(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.

(Dollar amounts in thousands, except per share data)

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

	September 30,	
	2022	2021
Weighted average remaining lease term of operating leases (in years)	8.2	9.2
Weighted average discount rate of operating leases	2.7%	3.0%

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for operating leases	$ 6,874	$ 5,870
Right of use assets obtained in exchange for lease obligations:		
Operating leases	$ 16,367	$ 6,305
Finance leases	$ 202	$ 106

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

Years ending December 31:	
2022(1)	$ 5,128
2023	10,214
2024	9,472
2025	8,328
2026	6,672
Thereafter	24,056
Total lease payments	63,870
Less: imputed interest	(9,150))
Total lease liabilities	$ 54,720

(1) Excluding the nine months ended September 30, 2022.

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

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

Warranty Related

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

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

Changes in our warranty liability are summarized below:

	Nine Months Ended September 30,	
	2022	2021
Balance of accrued warranty at January 1	$ 5,975	$ 5,633
Provisions for current period sales	3,597	2,720
Changes in liability for pre-existing warranties	430	1,958
Cash settlements	(3,570)	(3,052)
Acquired	-	289
Balance of accrued warranty at September 30	$ 6,432	$ 7,548

Legal Proceedings Relating to Environmental Matters

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

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

NOTE 9 – TAXES ON INCOME

Our effective income tax rate was 17.9% and 24.8% for the three months ended September 30, 2022 and 2021, respectively, and 15.2% and 24.4% for the nine months ended September 30, 2022 and 2021, respectively.

The effective tax rate for the three months ended September 30, 2022 is lower than the U.S. statutory tax rate of 21.0% primarily due an increase in the tax benefit of research credits, whereas the rate for the same period in 2021 was higher than the U.S. statutory tax rate due to non-deductible executive compensation and state income taxes.

Our effective income tax rate for the first nine months of 2022 at 15.2% was lower as compared to 24.4% in the first nine months of 2021 primarily because of the tax benefit from increased research credits in 2022.

NOTE 10 – BUSINESS SEGMENTS

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

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

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

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

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

The accounting policies of the segments are the same as those described, or referred to, in "Note 1 – *Nature of Operations and Basis of Presentation*.". Assets and related depreciation expense in the column labeled "Eliminations and Other" pertain to capital assets maintained at the corporate level.

(Dollar amounts in thousands, except per share data)

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.

	Three Months Ended September 30, 2022			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 173,673	$ -	$ -	$ 173,673
Motor home chassis sales	-	50,399	-	50,399
Other specialty vehicle sales	-	48,570	(2,335)	46,235
Aftermarket parts and accessories sales	10,821	4,947	-	15,768
Total sales	$ 184,494	$ 103,916	$ (2,335)	$ 286,075
Depreciation and amortization expense	$ 1,144	$ 1,692	$ 523	$ 3,359
Adjusted EBITDA	24,361	15,550	(12,849)	27,062
Segment assets	281,510	231,185	39,004	551,699
Capital expenditures	2,791	220	195	3,206

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	Three Months Ended September 30, 2021			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 182,438	$ -	$ -	$ 182,438
Motor home chassis sales	-	42,507	-	42,507
Other specialty vehicle sales	-	33,773	-	33,773
Aftermarket parts and accessories sales	8,949	4,955	-	13,904
Total sales	$ 191,387	$ 81,235	$ -	$ 272,622
Depreciation and amortization expense	$ 744	$ 1,685	$ 553	$ 2,982
Adjusted EBITDA	36,393	6,247	(8,900)	33,740
Segment assets	179,580	220,775	29,920	430,275
Capital expenditures	3,844	465	882	5,191

	Nine Months Ended September 30, 2022			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 402,996	$ -	$ -	$ 402,996
Motor home chassis sales	-	138,000	-	138,000
Other specialty vehicle sales	-	140,320	(2,335)	137,985
Aftermarket parts and accessories sales	31,092	15,080	-	46,172
Total sales	$ 434,088	$ 293,400	$ (2,335)	$ 725,153
Depreciation and amortization expense	$ 3,074	$ 5,306	$ 1,675	$ 10,055
Adjusted EBITDA	38,015	38,508	(36,415)	40,108
Segment assets	281,510	231,185	39,004	551,699
Capital expenditures	10,590	906	2,202	13,698

	Nine Months Ended September 30, 2021			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 452,635	$ -	$ -	$ 452,635
Motor home chassis sales	-	118,666	-	118,666
Other specialty vehicle sales	-	104,571	-	104,571
Aftermarket parts and accessories sales	24,194	14,426	-	38,620

Total sales	$ 476,829	$ 237,663	$ -	$ 714,492
Depreciation and amortization expense	$ 1,805	$ 5,142	$ 1,365	$ 8,312
Adjusted EBITDA	82,375	22,415	(23,309)	81,481
Segment assets	179,580	220,775	29,920	430,275
Capital expenditures	11,852	3,790	1,485	17,127

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

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

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

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

Executive Overview

- Sales of $286.1 million for the third quarter of 2022, an increase of 4.9% compared to $272.6 million for the third quarter of 2021.
- Gross Margin of 18.9% for the third quarter of 2022, compared to 20.6% for the third quarter of 2021.
- Operating expense of $32.1 million, or 11.2% of sales for the third quarter of 2022, compared to $28.0 million, or 10.3% of sales for the third quarter of 2021.
- Operating income of $22.0 million for the third quarter of 2022, compared to $28.1 million for the third quarter of 2021.
- Income tax expense of $3.8 million for the third quarter of 2022, compared to $6.9 million for the third quarter of 2021.
- Income from continuing operations of $17.3 million for the third quarter of 2022, compared to $21.0 million for the third quarter of 2021.
- Diluted earnings per share from continuing operations of $0.49 for the third quarter of 2022, compared to $0.58 for the third quarter of 2021.
- Order backlog of $1,043.9 million at September 30, 2022, an increase of $191.3 million or 22.4% from our backlog of $852.6 million at September 30, 2021.

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

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

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

    - Leveraging a scalable design, the full Blue Arc EV portfolio is available in Class 3, 4 and 5 walk-in van configurations with body length options from 12 to 22 feet. Designed for high-frequency, last-mile delivery fleets, these vehicles are powered by lithium-ion battery packs that can deliver 150 mile range at 50% payload in parcel mode with optional extended range packs available. With these options, Shyft customers can maximize productivity and minimize cost of ownership, including fuel and maintenance costs.

    - The Blue Arc ecosystem also includes the Power Cube, a fully portable remote-controlled charging station with onboard energy storage to serve a variety of commercial vehicle needs and other applications. Understanding that lack of EV infrastructure is one of the roadblocks to adoption, this design requires no digging and trenching or costly infrastructure changes and can be up and running in a matter of hours.

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

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

- The K3 and K4 motorhome chassis are equipped with the Spartan® RV Chassis Connected Coach®, featuring the new 15-inch anti-glare digital dash that is custom designed for the RV customer to meet their specific display or operational needs. Integrating with the digital dash is the new Tri-Pod Steering Wheel, which places driving features and instrumentation right at the driver's fingertips, enabling a more effortless engagement with driving features and controls.

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

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

RESULTS OF OPERATIONS

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2022	**2021**	**2022**	**2021**
Sales	100.0	100.0	100.0	100.0
Cost of products sold	81.1	79.4	83.2	79.3
Gross profit	18.9	20.6	16.8	20.7
Operating expenses:				
Research and development	2.5	0.9	2.7	0.6
Selling, general and administrative	8.8	9.3	10.8	11.0
Operating income	7.7	10.3	3.3	9.1
Other income (expense), net	(0.3)	(0.1)	(0.3)	0.1
Income from continuing operations before income taxes	7.4	10.2	3.0	9.2
Income tax expense	1.3	2.5	0.5	2.2
Income from continuing operations	6.0	7.7	2.6	6.9
Income from discontinued operations, net of income taxes	-	-	-	-
Non-controlling interest	-	-	-	0.2
Net income attributable to The Shyft Group, Inc.	6.0	7.7	2.6	6.8

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

Sales

For the quarter ended September 30, 2022, we reported consolidated sales of $286.1 million, compared to $272.6 million for the third quarter of 2021, an increase of $13.5 million or 4.9%. This increase reflects strong demand in our Specialty Vehicles (“SV”) segment and favorable pricing implemented to offset material and labor inflation, partially offset by lower sales volumes in our Fleet Vehicles and Services (“FVS”) segment primarily due to supply chain constraints.

Cost of Products Sold

Cost of products sold was $232.0 million in the third quarter of 2022, compared to $216.6 million for the third quarter of 2021, an increase of $15.4 million or 7.1%. Cost of products sold increased by $15.7 million in higher material and labor costs and $2.7 million due to inefficiencies and other costs in locations impacted by supply chain constraints. These increases were partially offset by $3.0 million due to volume and mix.

Gross Profit

Gross profit was $54.1 million for the third quarter of 2022, compared to $56.1 million for the third quarter of 2021, a decrease of $2.0 million or (3.5%). Gross profit decreased $15.7 million due to higher material and labor costs, $5.1 million due to inefficiencies in locations impacted by supply chain constraints and $1.9 million in volume, partially offset by price and mix increases of $20.7 million.

Operating Expenses

Operating expenses were $32.1 million for the third quarter of 2022, compared to $28.0 million for the third quarter of 2021, an increase of $4.1 million or 14.8%. Research and development expense for the third quarter of 2022 was $7.1 million, compared to $2.6 million in the third quarter of 2021, an increase of $4.5 million primarily related to the electric vehicle development initiatives. Selling, general and administrative expense was $25.0 million for the third quarter of 2022, compared to $25.4 million for the third quarter of 2021, a decrease of $0.4 million, primarily driven by cost reduction actions.

Other Income (Expense)

Interest expense was $1.1 million for the third quarter of 2022, compared to $0.3 million for the third quarter of 2021, driven by higher borrowing costs. Other income was $0.2 million for the third quarter of 2022, compared to income of $0.1 million for the third quarter of 2021.

Income Tax Expense

Our effective income tax rate was 17.9% in the third quarter of 2022, compared to 24.8% in the third quarter of 2021. The effective tax rates for 2022 and 2021 reflect the impact of current statutory income tax rates on our Income from continuing operations before taxes, the impact of non-deductible executive compensation, and a discrete tax benefit related to the difference in stock compensation expense recognized for book purposes and tax purposes upon vesting. The rate in 2022 is lower as compared to the 2021 rate primarily due to an increase in the tax benefit of research credits.

Income from Continuing Operations

Income from continuing operations for the third quarter of 2022 decreased by $3.7 million to $17.3 million compared to $21.0 million for the third quarter of 2021. On a diluted per share basis, Income from continuing operations decreased $0.09 to $0.49 for the third quarter of 2022 compared to earnings of $0.58 per share for the third quarter of 2021. Driving this decrease were the factors noted above.

Income from Discontinued Operations

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

Adjusted EBITDA

Our consolidated Adjusted EBITDA for the third quarter of 2022 was $27.1 million, compared to $33.7 million for the third quarter of 2021, a decrease of $6.6 million or (19.8%).

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

Adjusted EBITDA three months ended September 30, 2021	$	33.7
Product pricing and mix		20.7
Material and labor costs		(19.0)
EV development costs		(5.6)
Sales volume and other		(3.7)
General and administrative costs and other		1.0
Adjusted EBITDA three months ended September 30, 2022	$	27.1

Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

Sales

For the nine months ended September 30, 2022, we reported consolidated sales of $725.2 million, compared to $714.5 million for the nine months ended September 30, 2021, an increase of $10.7 million or 1.5%. This increase reflects strong demand in our SV segment and favorable pricing implemented to offset material and labor inflation, partially offset by lower sales volumes in our FVS segment primarily due to supply chain constraints.

Cost of Products Sold

Cost of products sold was $603.0 million for the nine months ended September 30, 2022, compared to $566.5 million for the nine months ended September 30, 2021, an increase of $36.5 million or 6.4%. Cost of products sold increased $47.8 million due to higher material and labor costs, $17.0 million due to inefficiencies and other costs in locations impacted by supply chain constraints, partially offset by lower volume and mix of $28.3 million.

Gross Profit

Gross profit was $122.1 million for the nine months ended September 30, 2022, compared to $148.0 million for the nine months ended September 30, 2021, a decrease of $25.9 million or (17.4%). Gross profit decreased $47.8 million due to higher material and labor costs, $19.5 million due to inefficiencies and other costs in locations impacted by supply chain constraints, and $10.7 million in volume, partially offset by price and mix increases of $52.1 million.

Operating Expenses

Operating expenses were $98.0 million for the nine months ended September 30, 2022, compared to $82.9 million for the nine months ended September 30, 2021, an increase of $15.1 million or 18.1%. Research and development expense for the nine months ended September 30, 2022 was $19.5 million, compared to $4.3 million for the nine months ended September 30, 2021, an increase of $15.2 million primarily related to the electric vehicle development initiatives. Selling, general and administrative expense was $78.4 million for the nine months ended September 30, 2022, compared to $78.6 million for the nine months ended September 30, 2021, a decrease of $0.2 million.

Other Income (Expense)

Interest expense was $1.7 million for the nine months ended September 30, 2022, compared to $0.3 million for the nine months ended September 30, 2021, driven by higher borrowing costs. Other expense was $0.3 million for the nine months ended September 30, 2022, compared to income of $0.7 million for the nine months ended September 30, 2021.

Income Tax Expense

Our effective income tax rate was 15.2% in the first nine months of 2022, compared to 24.4% in the first nine months of 2021. The effective tax rates for 2022 and 2021 reflect the impact of current statutory income tax rates on our Income from continuing operations before taxes, the impact of non-deductible executive compensation, and a discrete tax benefit related to the difference in stock compensation expense recognized for book purposes and tax purposes upon vesting. The lower effective tax rate for 2022 reflects the favorable impact of an increase in the tax benefit of research credits.

Income from Continuing Operations

Income from continuing operations for the nine months ended September 30, 2022 decreased by $30.8 million to $18.7 million compared to income of $49.5 million for the nine months ended September 30, 2021. On a diluted per share basis, Income from continuing operations decreased $0.81 to $0.53 for the nine months ended September 30, 2022, compared to earnings of $1.34 per share for the nine months ended September 30, 2021. Driving this decrease were the factors noted above.

Income from Discontinued Operations

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

Adjusted EBITDA

Our consolidated Adjusted EBITDA for the nine months ended September 30, 2022 was $40.1 million, compared to $81.5 million for the nine months ended September 30, 2021, a decrease of $41.4 million or (50.8%).

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

Adjusted EBITDA nine months ended September 30, 2021	$	81.5
Product pricing and mix		52.1
Material and labor costs		(58.9)
EV development costs		(17.0)
Sales volume and other		(19.1)
General and administrative costs and other		1.5
Adjusted EBITDA nine months ended September 30, 2022	$	40.1

Order Backlog

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

	September 30, 2022		September 30, 2021	
Fleet Vehicles and Services	$	915,135	$	749,731
Specialty Vehicles		128,769		102,829
Total consolidated	$	1,043,904	$	852,560

The consolidated backlog at September 30, 2022, totaled $1,043.9 million, up 22.4%, compared to $852.6 million at September 30, 2021, which reflects strong demand for vehicles across the Company’s product portfolio.

Our Fleet Vehicles and Services backlog increased by $165.4 million, or 22.1%, which reflects strong demand for vehicles across the segment’s walk in van, Velocity and Truck Body products. Our Specialty Vehicles segment backlog increased by $25.9 million, or 25.2%, due to increased service body orders.

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

Reconciliation of Non-GAAP Financial Measures

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

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

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Income from continuing operations	$ 17,286	$ 20,999	$ 18,717	$ 49,482
Net (income) attributable to non-controlling interest	-	(77)	-	(1,102)
Add (subtract):				
Interest expense	1,137	253	1,754	310
Depreciation and amortization expense	3,359	2,982	10,055	8,312
Income tax expense	3,770	6,910	3,346	15,952
Restructuring and other related charges	53	-	514	505
Acquisition related expenses and adjustments	243	594	800	808
Non-cash stock based compensation expense	1,214	2,079	4,922	6,571
Loss from liquidation of JV	-	-	-	643
Adjusted EBITDA	$ 27,062	$ 33,740	$ 40,108	$ 81,481

Our Segments

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

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

Fleet Vehicles and Services

	Financial Data (Dollars in Thousands) Three Months Ended September 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Sales	$ 184,494	100.0%	$ 191,387	100.0%
Adjusted EBITDA	24,361	13.2%	36,393	19.0%

Sales in our FVS segment were $184.5 million for the third quarter of 2022, compared to $191.4 million for the third quarter of 2021, a decrease of $6.9 million or (3.6%). This decrease was primarily attributable to a sales volume decrease due to supply chain constraints, partially offset by pricing actions.

Adjusted EBITDA in our FVS segment for the third quarter of 2022 was $24.4 million compared to $36.4 million for the third quarter of 2021, a decrease of $12.0 million or (33.1%). This decrease was primarily attributable to $12.0 million in material and labor inflation and $9.4 million lower volume and inefficiencies due to supply chain constraints. These costs were partially offset by pricing and mix of $9.4 million.

	Financial Data (Dollars in Thousands) Nine Months Ended September 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Sales	$ 434,089	100.0%	$ 476,829	100.0%
Adjusted EBITDA	38,015	8.8%	82,375	17.3%

Sales in our FVS segment were $434.1 million for the nine months ended September 30, 2022, compared to $476.8 million for nine months ended September 30, 2021, a decrease of $42.7 million or (9.0%). This decrease was primarily attributable to a sales volume decrease due to supply chain constraints, partially offset by pricing actions.

Adjusted EBITDA in our FVS segment for the nine months ended September 30, 2022 was $38.0 million compared to $82.4 million for the nine months ended September 30, 2021, a decrease of $44.4 million or (53.9%). This decrease was primarily attributable to $27.5 million in material and labor inflation, $26.7 million lower volume and inefficiencies due to supply chain constraints, and $10.7 million in manufacturing and other costs. These decreases were partially offset by pricing and mix of $20.5 million.

Specialty Vehicles

	Financial Data (Dollars in Thousands) Three Months Ended September 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Sales	$ 103,916	100.0%	$ 81,235	100.0%
Adjusted EBITDA	15,550	15.0%	6,247	7.7%

Sales in our SV segment were $103.9 million in the third quarter of 2022, compared to $81.2 million for the third quarter of 2021, an increase of $22.7 million or 27.9%. This increase was due to strong sales volume growth coupled with pricing actions to offset material and labor inflation.

Adjusted EBITDA for our SV segment for the third quarter of 2022 was $15.6 million, compared to $6.2 million for the third quarter of 2021, an increase of $9.4 million or 148.9%. This increase was primarily attributable to favorable pricing and mix of $12.5 million, volume and productivity of $3.9 million, offset by material and labor costs of $4.7 million and increased operating and other expenses of $2.4 million.

	Financial Data (Dollars in Thousands) Nine Months Ended September 30,			
	2022		2021	
	Amount	Percentage	Amount	Percentage
Sales	$ 293,400	100.0%	$ 237,663	100.0%
Adjusted EBITDA	38,508	13.1%	22,415	9.4%

Sales in our SV segment were $293.4 million for the nine months ended September 30, 2022, compared to $237.7 million for the nine months ended September 30, 2021, an increase of $55.7 million or 23.4%. This increase was due to strong sales volume growth coupled with pricing actions to offset material and labor inflation.

Adjusted EBITDA for our SV segment for the nine months ended September 30, 2022 was $38.5 million, compared to $22.4 million for the nine months ended September 30, 2021, an increase of $16.1 million or 71.8%. This increase was primarily attributable to favorable pricing and mix of $33.3 million, volume and productivity of $6.9 million, offset by material and labor costs of $20.3 million and increased operating and other expenses of $3.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash and cash equivalents decreased by $34.3 million from December 31, 2021, to a balance of $2.9 million as of September 30, 2022. These funds, in addition to cash generated from future operations and availability under our existing credit facilities, are expected to be sufficient to finance our foreseeable liquidity and capital needs, including potential future acquisitions.

Cash Flow from Operating Activities

We used $44.5 million of cash from operating activities during the nine months ended September 30, 2022, a decrease of $86.8 million from $42.3 million of positive cash flow during the nine months ended September 30, 2021. The decrease is primarily due to a $30.2 million decrease in net income adjusted for non-cash charges to operations and a $56.6 million decrease in the change in net working capital. The change in net working capital is primarily attributable to a $30.2 million decrease in the change in receivables and contract assets, an $18.5 million decrease in the change in payables, an $8.6 million decrease in the change in inventories, a $4.4 million decrease in the change in accrued compensation, and a $1.2 million decrease in the change in accrued warranty, partially offset by a $6.3 million increase in the change in other assets and liabilities.

As of September 30, 2022, contract assets increased $65.6 million and contract liabilities increased by $9.6 million primarily due to increased work in process production resulting from industry wide supply chain constraints. Inventories increased by $44.0 million primarily due to increased raw material inventories relative to finished goods due to industry wide supply chain interruptions. Payables increased by $24.2 million primarily due to the Company's continued focus on extending payment terms with suppliers.

Cash Flow from Investing Activities

We used $14.1 million in investing activities during the nine months ended September 30, 2022, a decrease in cash used of $3.2 million from $17.3 million used during the nine months ended September 30, 2021. The decrease in cash used in investing activities is primarily due to a $4.0 million decrease in the purchases of property, plant and equipment.

Cash Flow from Financing Activities

We generated $24.3 million of cash through financing activities during the nine months ended September 30, 2022, an increase in cash generated of $55.7 million from $31.5 million used during the nine months ended September 30, 2021. The increase in cash provided by financing activities is primarily attributable to $95.0 million of increased proceeds from long-term debt, partially offset by $7.6 million of increased payments on long-term debt, a $23.4 million increase in the purchase and retirement of common stock, a $5.5 million increase in issuance and vesting of stock awards, and a $2.7 million increase in the 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. ("Wells Fargo"), as administrative agent, and the lenders party thereto consisting of Wells Fargo, JPMorgan Chase Bank, N.A., PNC Bank, National Association and Bank of America, N.A. (the "Lenders"). Certain of our other subsidiaries have executed guaranties guarantying the borrowers' obligations under the Credit Agreement.

Under the Credit Agreement, we may borrow up to $400.0 million from the Lenders under a secured revolving credit facility which matures November 30, 2026. We may also request an increase in the facility of up to $200.0 million in the aggregate, subject to customary conditions. The credit facility is also available for the issuance of letters of credit of up to $20.0 million and swing line loans of up to $10.0 million, subject to certain limitations and restrictions. This revolving credit facility carries an interest rate of either (i) the highest of prime rate, the federal funds effective rate from time to time plus 0.5%, or the one month adjusted LIBOR plus 1.0%; or (ii) adjusted LIBOR, in each case plus a margin based upon our ratio of debt to earnings from time to time. The applicable borrowing rate including the margin was 4.14% (or one-month LIBOR plus 1.00%) at September 30, 2022. The credit facility is secured by security interests in, and liens on, all assets of the borrowers and guarantors, other than real property and certain other excluded assets. At September 30, 2022 and December 31, 2021, we had outstanding letters of credit totaling $1.1 million and $0.8 million, respectively, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled $165.4 million and $376.8 million at September 30, 2022 and December 31, 2021, respectively. The Credit Agreement requires us to maintain certain financial ratios and other financial covenants; prohibits us from incurring additional indebtedness; limits certain acquisitions, investments, advances or loans; limits our ability to pay dividends in certain circumstances; and restricts substantial asset sales, all subject to certain exceptions and baskets. At September 30, 2022 and December 31, 2021, we were in compliance with all covenants in our Credit Agreement.

Equity Securities

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

Dividends

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

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

Effect of Inflation

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risks related to changes in interest rates and the effect of such a change on outstanding variable rate short-term and long-term debt. At September 30, 2022, we had $65.0 million debt outstanding under our revolving line of credit agreement. 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.

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

Commodities Risk

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

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

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

In August 2022, Shyft implemented a new enterprise resource planning system at the Corporate location. In connection with this implementation, Shyft replaced multiple internal controls with new or modified controls.

Except as described above, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2022, that have materially affected, or are reasonably 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 8 – *Commitments and Contingent Obligations,*” included in Part I, Item 1, “Notes to Unaudited Consolidated Financial Statements,” within this quarterly report on Form 10-Q.

Item 1A. Risk Factors

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

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

Issuer Purchases of Equity Securities

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under Announced Plans or Programs(1) (In millions)
July 1 to July 31	442	$ 22.40	-	$ 242.1
August 1 to August 31	-	-	-	242.1
September 1 to September 30	1,852	24.15	-	242.1
Total	2,294		-	

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

During the quarter ended September 30, 2022, 2,294 shares were delivered by associates in satisfaction of tax withholding obligations that occurred upon the vesting of restricted shares.

Item 6. Exhibits.

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

Exhibit No.	Document
3	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3 of the Current Report on Form 8-K filed October 21, 2022).
10*	Executive Severance Policy (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed August 10, 2022).
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. § 1350.
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)

*Management contract or compensatory plan or arrangement

SIGNATURES

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

Date: October 27, 2022	THE SHYFT GROUP, INC.	
	By	/s/ Jonathan C. Douyard
		Jonathan C. Douyard
		Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Daryl M. Adams, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 27, 2022

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

EXHIBIT 31.2

CERTIFICATION

I, Jonathan C. Douyard, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 27, 2022

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

EXHIBIT 32

CERTIFICATION

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

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

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

Dated: October 27, 2022	/s/ Daryl M. Adams Daryl M. Adams President and Chief Executive Officer
Dated: October 27, 2022	/s/ Jonathan C. Douyard Jonathan C. Douyard Chief Financial Officer