The Shyft Group Second Quarter 2022 Earnings Results
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Officers and Speakers
Randy Wilson; Vice President, Investor Relations and Group Treasurer
Daryl Adams; President and Chief Executive Officer
Jon Douyard; Chief Financial Officer

Analysts
Steve Dyer; Craig-Hallum
Matt Koranda; Roth Capital
Felix Boeschen; Raymond James
Mike Shlisky; D.A. Davidson

Presentation

Operator: Good morning, and welcome to The Shyft Group's Second Quarter 2022 Conference Call and Webcast. [Operator Instructions] This call is being recorded, and if anyone has any objections, you may disconnect at this time.

I would now like to introduce Randy Wilson, Vice President, Investor Relations and Group Treasurer for The Shyft Group. You may proceed.

Randy Wilson: Good morning, and welcome to The Shyft Group's second quarter 2022 earnings conference call. Joining me on the call this morning are our Daryl Adams, President and Chief Executive Officer; and Jon Douyard, Chief Financial Officer.

For today's conference call, we have included a presentation which is filed with the SEC and is available on our website at www.theshyftgroup.com. You may download the presentation from the Investor Relations section of our website to follow along with our presentation during the call.

Please turn to Slide 2 of the presentation for our Safe Harbor statement. You should be aware that certain statements made during today's conference call regarding The Shyft Group and its operations may be considered forward-looking statements. I caution you that as with any prediction or projection, there are a number of factors that could cause The Shyft Group's actual results to differ materially from projections. All known risks that management believes could materially affect the results are identified in our Forms 10-K and 10-Q filed with the SEC. Except as required by law, the company undertakes no obligation to update or revise its forward-looking statements.

I'd like to remind everyone that our divestiture of the emergency response vehicle business on February 1, 2020 is classified as discontinued operations. The results discussed today will refer to continuing operations unless otherwise noted.

With that, I am pleased to turn the call over to Daryl Adams, beginning on Slide 3.

Daryl Adams: Thank you, Randy. Good morning, and thank you for joining us to discuss our second quarter 2022 results.

Before I begin, I'd like to welcome Randy Wilson to The Shyft Group. We are thrilled to have him on our team, and we look forward to Randy being an excellent liaison between the company and the investment community.

Turning to the quarter. We were pleased with our results as the team continued to manage through supply chain disruptions and inflationary pressures that are affecting the entire vehicle industry. Our specialty vehicle business once again delivered solid results, and we continued to see strong demand across all of our products. We saw good margin expansion in SV business, reflecting the continued efforts by our team to drive efficiency in our operations.

As we discussed on the last earnings conference call, chassis supply disruption continue to impact our fleet vehicle business. But we are pleased to report that disruptions peaked in April, and availability improved steadily through May and June, which was in line with our expectations. The improvement came from the release of units that were produced but on hold at the end of the quarter as well as increased production levels at the OEMs. While the OEMs are not yet back to full production, the improvement does give us confidence as we look out into the second half of the year.

We also continue to make progress on our Blue Arc electric vehicle, which is essential for our customers' long term vision for sustainable fleet operations.

Turning to Slide 4. Demand within our market remains strong, and backlog remains robust. In the quarter, we achieved revenue of $232 million with the results of pricing actions, partially offset by decline in unit volume given the challenges with chassis supply. Profitability was consistent with our previously communicated expectations as supply chain conditions improved compared to the first quarter.

Our team maintained a focused and nimble approach to our operations and remains committed to prudent cost management while also continuing to invest in automation and lean principles to drive efficiency in our operations. Backlog is $1.1 billion, up 51% versus prior year, but down sequentially $138 million, or 11% as production outpaced new orders.

Please turn to Slide 5, where we can discuss our business segments. We expected Fleet Vehicle Services to have a difficult quarter given the chassis supply issues. That said, our team did not stand still. Throughout the quarter, we remained diligent in managing through supply chain disruptions, flex production as needed, launched the Velocity M3 and R2 production vehicles, accelerated automation in our factories and continued to win new business.

I would like to discuss two areas that highlight our growth efforts. In our truck body business, our backlog remains at all-time highs, and we have seen positive order trends from grocery and leasing. Also, we are continuing to make strides as we ramp production in Landisville, which will support the growth we are seeing in the business.

Second, we continue to invest in new technologies to enhance the efficiency of our operations and drive toward our goal of having more sustainable manufacturing processes. As an example, our Bristol facility installed an automated robotic painting system which reduces material and labor costs, improves quality and lowers emissions of volatile organic compounds.

Turning to Special Vehicles segment. The business continued its strong performance for the first quarter as we are focused on our growth strategy. Even in the face of some supply chain challenges, our motorhome chassis business continued to perform well. And our service body business saw significant growth despite chassis supply constraints.

The team's efforts generated solid growth in the sales and demonstrated the operating leverage in our model with even better growth in adjusted EBITDA. High-end Class A motorhomes, our target segment of the RV market, is healthy as dealer inventories remain at historic lows and our share continues to be very strong. We expect these trends to continue for the balance of the year.

In the quarter, we launched the Red Diamond aftermarket brand to expand our luxury motorhome parts and service business for RV, chassis and other motorhome chassis. Across our service body business, we are executing on our strategy of expanding our position as a leading national service body player. We continue to make strides in our geographic expansion initiatives, and we saw continued progress in our Charlotte Shift through location with the shift to 2023 model year products.

Demand remains robust as customers manage replacement demand in addition to market growth. We continued healthy growth trends in our key markets. We feel confident in the continued performance of SV in the second half of the year.

Please turn to Slide 6. Blue Arc product development progress is on track as we hit key project milestones. We began to build prototypes and continue to solidify the supply base. We have made considerable progress and remain on track to deliver these exciting new products in 2023.

We remain excited about the feedback we received regarding Blue Arc EV solutions while attending the ACT show in May. And we continue to have high levels of interest from fleet operators and other vocations.

Last week, I had a pleasure of joining Blue Arc team as they showcased the Blue Arc Power Cube, an EV delivery vehicle, in Washington, D.C. to members of Congress and governmental agencies. We highlighted our efforts to reduce greenhouse gas emissions and assist fleet operators in a range of industries to achieve their long-term environmental goals.

We'll have customer visits, ride-drives and products showcases later this year and look forward to updating you on Blue Arc during the next earnings call.

With that, I'll turn it over to Jon.

Jon Douyard: Thank you, Daryl, and good morning, everyone.

Please turn to Slide 8. Revenue for the second quarter was $232.2 million, down 4.8% from the year ago quarter, but up 12.2% sequentially with seasonal increases and improvements in chassis availability. Net income from continuing operations was $5.3 million, compared to $17 million a year ago. Adjusted net income was $7.5 million, compared with $19 million in the prior year.

Diluted earnings per share from continuing operations was $0.15 per share, compared to $0.44 per share in the second quarter of '21. Adjusted EPS from continuing operations decreased to $0.21 per share from $0.53 per share a year ago.

Second quarter adjusted EBITDA was $13.7 million, compared to $28.6 million in the previous year, while as a percent of sales, adjusted EBITDA declined 5.9%, compared to 11.7% in the same period last year. These results include EV spending of approximately $7 million. Excluding this investment, adjusted EBITDA as a percent of sales was 9%.

Turn to Slide 9. And I will review our results by operating segment. As previously communicated, we expected FBS to have a challenging quarter, driven by chassis availability impacting the production output and efficiency of our velocity and traditional walk-in van product lines. This was particularly true earlier in the quarter, but we did experience the expected improvements in chassis flow and profitability as the quarter progressed.

FBS delivered revenue of $136.9 million, compared to $161.6 million a year ago. The decline was primarily due to reduced production volume as a result of lower chassis supply, partially offset by higher pricing.

FBS adjusted EBITDA was $14.5 million, versus $28.1 million a year ago. Adjusted EBITDA margin was 10.6% of sales. The decrease was primarily driven by volume and productivity inefficiencies as a result of OEM chassis supply, material and labor cost inflation, partially offset by pricing actions. FBS ended the quarter with a robust backlog of $1 billion, up 53% year-over-year.

Turning to Slide 10. Specialty Vehicles delivered another solid quarter. Sales were $95.3 million, an increase of $12.9 million, or 15.7% year-over-year, with strong performance in our service body, Builtmore Contract Manufacturing and luxury motorhome chassis businesses. The growth was driven by strong sales volume coupled with the realization of pricing actions.

Adjusted EBITDA was $12.9 million, or 13.5% of sales, up 280 basis points, compared to $8.8 million, or 10.7% of sales in the same period last year, primarily driven by higher sales volume, pricing actions and improved product mix, partially offset by material and labor cost inflation. SV backlog was up 37% year-over-year to $135 million, with growth in both motorhome and service body backlog.

Turning to Slide 11. And I will discuss our balance sheet and updated 2022 outlook. Overall, our balance sheet and liquidity remain healthy despite the challenging macro environment. In the first half, our cash flow from operating activities was an outflow of $36.7 million, compared to an inflow of $3.2 million in the first half of last year. These results were driven by increased inventory resulting from chassis and component delays. CapEx for the first half of the year was approximately $10 million.

At the end of Q2, we had total liquidity of $206 million, which includes $6.6 million of cash on hand. Our current leverage ratio stands at just 1.1x adjusted EBITDA, which positions us well to fund our operations and invest in our growth strategy. We are committed to maintaining a strong balance sheet and having the flexibility to execute our growth plans.

Turning to our outlook. Our view of the year remains generally consistent with our prior communication, which assumed that chassis supply would improve in Q2 and into the second half of the year. It is important to appreciate that we continue to operate in a dynamic environment. But with that said, our performance in the second quarter and our visibility to chassis supply positions us to increase the midpoint of our profit guidance.

As a result, our updated 2022 outlook is as follows. Revenue to be in the range of $925 million to $1.1 billion; adjusted EBITDA of $55 million to $80 million, including $30 million of expenses related to EV initiatives; adjusted earnings per share of $0.85 to $1.41 per share; and we continue to plan for $25 million to $30 million of capital expenditures in the year.

Overall, we remain confident in the underlying long-term growth trends for our products, and we are well positioned to support our customers. We will continue to leverage the strength of the balance sheet to position the company for future growth.

Now I'll turn it back to Daryl for closing remarks.

Daryl Adams: Thanks, Jon.

Please turn to Slide 12. In summary, our team remains laser focused on executing our growth strategy and driving long-term value for our customers, employees and shareholders. We will continue to invest in growth initiatives, including Blue Arc EV, which are supported by the strength of our balance sheet.

Our second quarter results highlight the team's flexibility and resilience while continuing to deliver on our long-term strategic plans. With a strong team and a portfolio of innovative products, we are well positioned to perform in the second half of the year and into 2023.

Operator, we are now ready for the Q&A portion of the call.

Questions and Answers

Operator: [Operator Instructions] Our first question will come from Steve Dyer with Craig-Hallum.

Steve Dyer: I guess I'll start with supply chain. I guess first of all, is it primarily chassis or are you seeing -- is there other disruptions as well? And as it relates to chassis, clearly, they're starting to flow a little bit better. Would you say it's at the rate that you had hoped three months ago when we talked?

Daryl Adams: Yes. I'll take that, Steve. So it is primarily chassis supply. We are seeing it in our own purchases, but we've been able to manage through those as we've done in the past when volume increases rapidly by bringing on additional suppliers. And I think Jon mentioned too, some of the inventory levels are higher waiting for some of those components. So we are managing through that. But without chassis, it's difficult for us to build. And on your -- can you remind me your second question again?

Steve Dyer: It was just if you're seeing the increase of chassis maybe at the rate that you had hoped or thought?

Daryl Adams: Yes. I think on the SV side, it was probably -- we were more, I guess, happier with those. GM was starting to produce more. Ford was starting to ship some more. But the real Achilles heel we had throughout Q2 was the DCP, which is Walk-in van chassis.

And they're running about where they typically would run. And they've been doing that -- I think last time, I mentioned typically, three deliveries would create a trend. But we want to see three months or more of a trend here on the chassis. And they continue to have some ups and downs. But overall, they're averaging about what they have in the past. So we're excited about that moving forward.

Steve Dyer: Okay. Looking at your backlog, it's still a year of revenue along, which is second best ever. It was down a little bit quarter-over-quarter. Just curious if you're seeing any cancellations in the customer base and how pricing is going when you're pricing out a year.

Daryl Adams: Yes. I think from a customer cancellation standpoint, I think it's an interesting environment. We did see, call it, a modest level of cancellations in the quarter. But in a number of those cases, we actually had other customers pick up those chassis.

And so as we've discussed in the past, a lot of the movement, and we haven't seen a lot of movement, but when we do, it's really related to chassis timing and whether that meets customers' delivery needs in terms of when they get the vehicle.

And so we expect some continued movement there as we go forward. But I think to your point, we're still looking at a backlog that extends beyond a year in our FVS business right now and feel really comfortable with the demand, the underlying demand in the markets that we're playing.

I think from a pricing perspective, we've talked about going back into the backlog multiple times and evaluating cost inflation and those types of items and being successful in repricing that. Our teams continue to look at that on a very regular basis, and we certainly have ongoing discussions with customers when needed in terms of making sure that we're maintaining profitability.

Steve Dyer: Got it. Yes, you talked about when there's cancellations, it's typically because you can't get the chassis to meet the timing demand. I mean, is your perception that there's any competitors or anybody else that's having any easier time or better position than you guys?

Daryl Adams: No, not at this point. I mean, the chassis supply is impacting the entire industry. We don't see customers jumping from us to others. And so it's really about when that chassis comes in. I think as new model years come out, our allocations come out for 2023, we'll probably see a little bit more movement. But we're not seeing any significant share shifts, certainly not away from us.

Steve Dyer: Got it. Last one for me, and then I'll pass it along. As it relates to Blue Arc, just curious anecdotally what's the response been from some of your bigger ICE customers. Are they testing this? And then as you look to next year, I mean, would you anticipate this being sort of a first half of the year revenue generator or more second half?

Daryl Adams: Steve, so on the product and the customers, so I think as a reminder, our POCs are done. As I mentioned, we're in the -- starting to build prototypes. I think we have three of them started. But it's interesting. We have had requests from one of our customers that they want us to get them a vehicle before the end of the year for their testing plan. It's because they have a couple others, or I think one other they're bringing in. So we're making our effort to get that vehicle ready and get it to them so they could put it into their testing. But our plan is to have the vehicles, prototypes, built and on the road this year.

I think we'll have our second POC. We'll be at the track later this month -- sorry, later in August. And by the end of the month, we should have some idea on our range, which we're excited to get that. And then we'll build the demo units probably later this year into Q1 to get them into the customers' hands. And then as we mentioned before, production should be starting in the middle of the second half of '23. But I don't think we'll see any revenue until later in the year next year.

Operator: Our next question will come from Matt Koranda with Roth Capital.

Matt Koranda: Just wanted to follow up on the FVS backlog commentary and just wanted to see if you could put a finer point, maybe, on why you're seeing some small level of cancellation with fleets. I guess my assumption was there's a pretty good amount of pent-up demand. Those fleets have to get into the back of the line if they cancel orders. So any further commentary or just color on what you're hearing from customers would be super helpful.

And then what conditions do we need to see to start to see order flow pick up? Again, obviously, with the understanding that the macro backdrop is pretty weak here. But what are you hearing from folks in terms of when their appetite to increase orders would occur?

Daryl Adams: Yes. Matt, I'll start, and maybe Jon can add in. So I think we've mentioned it on the last call, right, when we had some deterioration in the backlog, mainly because customers would put in orders with us and not have the chassis assigned to them from the OEMs. So when the OEMs look at who they're going to fill the orders to, it would be people that had the chassis committed to them. So that was some of the change.

Other parts of the change is when some of our customers look at it and they can't get vehicles ahead of the busy season, or they're not getting the proper allocation from an OEM, let's say, on a Transit van or a RAM Promaster, they would pull the orders out. So it's nothing -- Steve had a similar question. They're not hopping over to other chassis. They just can't get the chassis that they expected to get for the year for their orders. You want to take the second half of that?

Jon Douyard: Yes. The other piece there, particularly when we had the -- we saw the OEM production gap in March and April, I think, is they reallocated their production schedule for the balance of the year. There was some fallout for that which had some downstream impacts. And so, again, I don't think demand is necessarily an issue for us, particularly when you look at how far out our backlog is.

Matt Koranda: Okay. Fair. Any significant chassis platforms to call out as maybe causing the issue? Is there one you could pinpoint, or is it across the board when you look at the major chassis platforms you build on?

Daryl Adams: I think right now, all of them are producing at a higher rate than they did in Q2. DCP was the real focus that we had problems with in Q2. I think we mentioned a windshield wiper module and then the fuel tank quality issue. So those are resolved now. And we also talked about how we went out and reengineered, reverse engineered, that windshield wiper module so we could produce vehicles.

So on both accounts, we have the ones that we were building, and then we have the normal supply coming in from DCP. So I think they're in good shape. They're running. And that doesn't mean that they won't have another supply issue in the past. But since last quarter, we've seen -- they've hit everything they told us, and they're starting to hit the numbers that we typically would see.

I think on some of the other cargo van type Class II vehicles, both of them are now producing at rates that we expected, and we're receiving vehicles. So I think -- I'm not going to say we're out of the woods yet, but we're seeing nice order flow, nice chassis flow. I mean, and hopefully it will continue through the rest of the year. And we're positive on our numbers and look forward to getting back to some normal business.

Matt Koranda: Great to hear. And then maybe just on the M&A front. Curious, just given that we've had several months of public market volatility, I'd assume that there may be some choppiness in private competitors or private concerns that you may be looking at as potentially strategic acquisitions. Curious what you're seeing on the M&A front, Daryl, just in terms of anything shaking loose, anything in pending or interesting or heating up just given the market weakness that we've had for the last several months.

Daryl Adams: Yes. I think when we look at that, Matt, we're still looking. We do think that, as you mentioned, there might be some better buys later in the second half of the year. So we are monitoring a number of companies, one in particular that we put a pause on because they had the same issue that we had with chassis. So we didn't want to continue to process that opportunity. We're still in communications with them.

So we are continuing to look around. And I think as we normally would, if it's opportunistic, we're going to jump on it. But we also think that there might be some more opportunities later and maybe better buys.

Operator: Our next question will come from Felix Boeschen with Raymond James.

Felix Boeschen: I know a lot of questions around orders and backlog. Daryl or Jon, I was hoping maybe we could take a step back. And I was hoping you could talk about maybe how you see parcel/last mile vehicle demand longer-term. What I'm really trying to understand is are your customers coming to you at all about longer-term capacity conversations, whether that's ICE or BEV?

But what I'm really getting at, you mentioned replacement demand. The post office came out and said they're going to buy almost 35,000 off the shelf commercial vehicles. I know they do buy a lot of Sprinters, but I am curious how those conversations with your customers are going. And if you could just talk directionally about longer-term implications.

Daryl Adams: Yes. I think, Felix, on the chassis side of it, all those conversations are typically with our customers and the OEM chassis providers. But the feedback we're getting, as we mentioned before, they've not been able to get their typical replacement vehicles for three years now, 2.5 years, 2021 and so far this year into 2022.

So they couldn't replace the vehicles they had. They couldn't get vehicles to handle the growth they were seeing. And then when we drive around to the depots near each of our locations, which we typically have people do, they see a lot of rental vehicles in the parking lot instead of the brand name of the company.

So I think as we mentioned on the previous call, we see this, I don't call it pent-up demand, but there's been a lack of supply that will continue. I think if no one's adding capacity, we have checked on that. So it's going to take a little bit of time for this supply shortage, if you will, over the last 2.5 years to get back to where the customers could be replacing their fleets on a regular basis and buying for growth.

So I think it could be probably a two to three-year run until they get back to normal without the rental units in their fleets. Jon, you want to add anything?

Jon Douyard: Just to add on that, I mean, our expectation is that fleets continue to grow. I think the e-commerce trends, while not necessarily linear, the expectation is that continues. Impact volumes go up over time. And so I think that's positive from a fleet perspective.

To your USPS question, I think we'll see how that plays out. There are a couple items that came up there, one on EV, one on commercial off the shelf. We are outfitting vehicles for them today.

And so certainly, it could be an opportunity for us as we move forward, but probably early days on that one.

Felix Boeschen: Okay. That's helpful. And then it sounds like on the EV side, everything is on schedule. Jon, I was hoping we could maybe get an update on your total cost expectations. I think previously, we had talked about $50 million to $75 million with a 60% R&D mix. Curious if that's changed at all now with the Power Cube, or how you're thinking about it maybe going into 2023.

Jon Douyard: Yes. I mean, our investment on that, which we put out on the Class III vehicle, remains consistent. And so we continue, to your point, to be executing along the development milestones and are in line for production here in the second half of the year. We continue to refine production plans and those types of things. And so the numbers may move around a little bit, but our expectation is that we're still in the range that we previously communicated.

Felix Boeschen: Okay. So put another way, though, R&D expense should continue to ease into 2023 as we think about the back half of 2022?

Jon Douyard: Yes. I think there will certainly be a step-down as we get into 2023.

Felix Boeschen: Okay. And then lastly, the specialty vehicle margins looked really great. I'm curious if you could comment on what specifically drove that and how you're thinking about margins for the back half of the year in that business.

Daryl Adams: Yes. I think they had another great quarter, and they really put a string of great quarters here together. I think we talked previously about -- on our service body strategy in particular about being able to acquire businesses and create value through lean initiatives. And so we've been able to see the supply chain or the production benefits of that over time in terms of margin expansion, and our teams will continue to evaluate that. We've certainly been in a position where we've been able to drive pricing into those markets as well. And so we would expect that to continue here into the second half of the year.

I think motorhome business is a similar story in terms of just operating efficiency, that we've been able to get into the business in contract manufacturing, particularly with the launch of the F Series. I think that was in Q4. We've seen volume increases. And so across the board, we've been able to drive operating efficiencies while also gaining the leverage benefit from the growth that we're seeing in the markets.

Operator: Our next and last question will come from Mike Shlisky with D.A. Davidson.

Mike Shlisky: I wanted to first ask another question about the backlog and the situation there. To summarize all your answers today, is your feel with backlog down slightly that at this point, it's more of a sigh of relief given how high they were? And can you give us a sense as to what number of months would you like to have in the backlog on a more normalized basis? It was probably not 13 months to 18 months here. What makes more sense for you eventually for things to settle out?

Daryl Adams: Yes. I think historically, we've operated in that 4 month to 6-month range, which is probably where we can be efficient. And so, I think eventually, we will get back to that range. I don't know if I would say -- call the second quarter, necessarily, relief. But remember, we did come off record orders in the first quarter.

And so I think from a fleet planning perspective as well as an OEM chassis allocation perspective, that's really done for 2022. And so the order books will start opening here '23 out in the next couple of months. And so we would expect to see some activity from that perspective.

But we don't necessarily view it as, call it, anything abnormal. I think to the point we made earlier, I think the demand remains strong and our expectations in the long-term fundamentals in the markets remain healthy. And so we feel like we're in a good position from that perspective.

Mike Shlisky: Great. Thanks for that. I also wanted to ask about on the back half of the year guidance and the cadence here. Assuming there's no reversion to some of those older chassis supply issues and things trend back in the right direction as they have been, is it fair to say that we'll be seeing sequential improvements in 3Q, 4Q and even in the first part of 2023, again, barring any steps backward on the supply chain?

Daryl Adams: Yes. I mean, I think we're seasonally a little bit higher in Q3, typically. And so this is not quite a normal year. So potentially maybe a little bit flatter in the second half of the year than what we would typically see. But certainly from a run rate perspective, as we get into the second half, it'll feel a little bit more normal. And we expect that to continue into '23.

Mike Shlisky: Great. Got it. And then I want to ask another question about the Senate bill that came out, I think it was yesterday, it's a new subsidy for EVs, and what that means for Blue Arc. It sounds like it has to be a Class IV or larger, so Blue Arc might not qualify for the larger subsidies. But there is a decent size for 14,000 pounds and under. I'm curious if you can tell us, do you feel that that could be a material driver if that bill passes for the first wave of Blue Arc sales late next year?

Daryl Adams: Yes. Mike, I'll take that. I think it's too early. The bill is out. We were just in D.C. last week. And then I think there's a lot of money floating around whether, it's at the Federal level or the State level. We do have teams working on it.

I think one other thing to remember is that Blue Arc will have a Class V vehicle as well as shortly after the Class III launches. So that doesn't mean we won't be excluded from that. So we're going to try to move into that Class IV and higher range as well. So it's early in the bill and it takes some time to shake out, but we will definitely be -- have people looking at it and trying to figure out how it can help us.

Mike Shlisky: Got it. If I could squeeze one last one in here. I wanted to just get a sense as to how things are going early stages with the Red Diamond brand. I guess I'm curious for, A, how it's going. But also, is this the kind of brand initiative that can be expanded to all your products either for efficiencies or just to have a brand behind your personal service more broadly?

Daryl Adams: You take the financial question.

Jon Douyard: Yes. I mean, I think it's early days, but it's an opportunity for us to expand the view of what our parts and service has been historically. I mean, we've traditionally been focused on serving Spartan RV chassis customers. And so this provides an opportunity for us to work with other suppliers and manufacturers to expand that into other chassis providers. And so, we think there's long-term value there and certainly have expectations of that, but in the short term certainly seen some positive strides. But I would say it's early days.

Daryl Adams: And Mike, on your question about crossing over brands, I don't see that. I think this is going to be strictly in the motorhome space. Those are the products they have because people are calling in Utilimaster for some type of a service product that's mainly shelving units or something like that that they've built, and they have the expertise to build it there. So right now, it could transform into that. But right now, I think it's going to be just on the motorhome side and maybe into the service body, because that's -- both of those are under Steve, but I don't think there's any plans on drawing book for that yet.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Randy Wilson for any closing remarks.

Randy Wilson: Thank you, operator. A replay of our call will be posted on our Investor Relations website. Also, please see the Investor Relations website for details regarding future investor events, including the Raymond James and D.A. Davidson conferences.

Thank you for your interest in The Shyft Group. And with that, I'd like to conclude today's call. Operator, you may disconnect the call.

Operator: Conference has now concluded. Thank you for attending today's presentation. You may now disconnect.