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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2024.

OR

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

Commission File Number 001-33582

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

Michigan	**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	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

Large accelerated filer	☒	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 Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Class	Outstanding at July 19, 2024
Common Stock	34,462,789 shares

THE SHYFT GROUP, INC.

INDEX

			Page
FORWARD-LOOKING STATEMENTS			3
PART I. FINANCIAL INFORMATION			
	Item 1.	Financial Statements:	
		Condensed Consolidated Balance Sheets – June 30, 2024 and December 31, 2023 (Unaudited)	4
		Condensed Consolidated Statements of Operations – Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)	5
		Condensed Consolidated Statements of Cash Flows – Six Months Ended June 30, 2024 and 2023 (Unaudited)	6
		Condensed Consolidated Statement of Shareholders' Equity – Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)	7
		Notes to Condensed Consolidated Financial Statements	8
	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	26
	Item 4.	Controls and Procedures	27
PART II. OTHER INFORMATION			
	Item 1.	Legal Proceedings	28
	Item 1A.	Risk Factors	28
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	28
	Item 5.	Other Information	28
	Item 6.	Exhibits	29
SIGNATURES			30

FORWARD-LOOKING STATEMENTS

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

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

Trademarks and Service Marks

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,958	$ 9,957
Accounts receivable, less allowance of $412 and $276	93,698	79,573
Contract assets	39,237	50,305
Inventories	94,593	105,135
Other receivables – chassis pool agreements	19,555	34,496
Other current assets	7,489	7,462
Total current assets	263,530	286,928
Property, plant and equipment, net	78,952	83,437
Right of use assets – operating leases	42,810	45,827
Goodwill	48,880	48,880
Intangible assets, net	43,530	45,268
Net deferred tax assets	17,310	17,300
Other assets	2,556	2,409
TOTAL ASSETS	$ 497,568	$ 530,049
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 73,971	$ 99,855
Accrued warranty	8,136	7,231
Accrued compensation and related taxes	14,509	13,526
Contract liabilities	5,623	4,756
Operating lease liability	9,978	10,817
Other current liabilities and accrued expenses	9,551	11,965
Short-term debt – chassis pool agreements	19,555	34,496
Current portion of long-term debt	225	185
Total current liabilities	141,548	182,831
Other non-current liabilities	7,153	8,184
Long-term operating lease liability	34,580	36,724
Long-term debt, less current portion	65,197	50,144
Total liabilities	248,478	277,883
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; 34,448 and 34,303 outstanding	96,651	93,705
Retained earnings	152,439	158,461
Total shareholders' equity	249,090	252,166
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 497,568	$ 530,049

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Sales	$ 192,780	$ 225,101	$ 390,669	$ 468,540
Cost of products sold	152,193	182,347	316,020	382,862
Gross profit	40,587	42,754	74,649	85,678
Operating expenses:				
Research and development	4,506	5,890	8,225	12,839
Selling, general and administrative	32,353	30,270	64,626	62,559
Total operating expenses	36,859	36,160	72,851	75,398
Operating income	3,728	6,594	1,798	10,280
Other income (expense)				
Interest expense	(1,753)	(1,477)	(3,806)	(3,125)
Other income	80	124	177	194
Total other expense	(1,673)	(1,353)	(3,629)	(2,931)
Income (loss) before income taxes	2,055	5,241	(1,831)	7,349
Income tax expense (benefit)	(109)	556	674	986
Net income (loss)	2,164	4,685	(2,505)	6,363
Less: net loss attributable to non-controlling interest	-	-	-	32
Net income (loss) attributable to The Shyft Group Inc.	$ 2,164	$ 4,685	$ (2,505)	$ 6,395
Basic earnings (loss) per share	$ 0.06	$ 0.13	$ (0.07)	$ 0.18
Diluted earnings (loss) per share	$ 0.06	$ 0.13	$ (0.07)	$ 0.18
Basic weighted average common shares outstanding	34,402	34,935	34,361	34,995
Diluted weighted average common shares outstanding	34,474	34,991	34,361	35,161

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income (loss)	$ (2,505)	$ 6,363
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,210	8,050
Non-cash stock-based compensation expense	3,484	3,090
Loss on disposal of assets	83	128
Deferred income taxes	(9)	-
Changes in accounts receivable and contract assets	(3,057)	68,064
Changes in inventories	10,542	(1,142)
Changes in accounts payable	(21,002)	(38,567)
Changes in accrued compensation and related taxes	983	303
Changes in accrued warranty	905	(1,143)
Change in other assets and liabilities	(1,461)	(9,525)
Net cash provided by (used in) operating activities	(2,827)	35,621
Cash flows from investing activities:		
Purchases of property, plant and equipment	(9,243)	(10,963)
Proceeds from sale of property, plant and equipment	90	82
Acquisition of business, net of cash acquired	-	(500)
Net cash used in investing activities	(9,153)	(11,381)
Cash flows from financing activities:		
Proceeds from long-term debt	65,000	70,000
Payments on long-term debt	(50,000)	(81,000)
Payments of dividends	(3,481)	(3,653)
Purchase and retirement of common stock	-	(8,786)
Exercise and vesting of stock incentive awards	(538)	(4,541)
Net cash provided by (used in) financing activities	10,981	(27,980)
Net decrease in cash and cash equivalents	(999)	(3,740)
Cash and cash equivalents at beginning of period	9,957	11,548
Cash and cash equivalents at end of period	$ 8,958	$ 7,808

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Number of Shares	Common Stock	Retained Earnings	Non-Controlling Interest	Total Shareholders' Equity
Balance at January 1, 2024	34,303	$ 93,705	$ 158,461	$ -	$ 252,166
Issuance of common stock and tax impact of stock incentive plan	10	(389)	-	-	(389)
Dividends declared ($0.05 per share)	-	-	(1,757)	-	(1,757)
Issuance of restricted stock, net of cancellation	48	-	-	-	-
Non-cash stock-based compensation expense	-	1,474	-	-	1,474
Net loss	-	-	(4,669)	-	(4,669)
Balance at March 31, 2024	34,361	$ 94,790	$ 152,035	$ -	$ 246,825
Issuance of common stock and tax impact of stock incentive plan	12	(149)	-	-	(149)
Dividends declared ($0.05 per share)	-	-	(1,760)	-	(1,760)
Issuance of restricted stock, net of cancellation	75	-	-	-	-
Non-cash stock-based compensation expense	-	2,010	-	-	2,010
Net income	-	-	2,164	-	2,164
Balance at June 30, 2024	34,448	$ 96,651	$ 152,439	$ -	$ 249,090

	Number of Shares	Common Stock	Retained Earnings	Non-Controlling Interest	Total Shareholders' Equity
Balance at January 1, 2023	35,066	$ 92,982	$ 175,611	$ 101	$ 268,694
Issuance of common stock and tax impact of stock incentive plan	5	(4,656)	-	-	(4,656)
Dividends declared ($0.05 per share)	-	-	(1,820)	-	(1,820)
Purchase and retirement of common stock	(349)	(893)	(7,872)	-	(8,765)
Issuance of restricted stock, net of cancellation	193	-	-	-	-
Non-cash stock-based compensation expense	-	1,827	-	-	1,827
Net income (loss)	-	-	1,710	(32)	1,678
Balance at March 31, 2023	34,915	$ 89,260	$ 167,629	$ 69	$ 256,958
Issuance of common stock and tax impact of stock incentive plan	5	83	-	-	83
Dividends declared ($0.05 per share)	-	-	(1,770)	-	(1,770)
Issuance of restricted stock, net of cancellation	36	-	(21)	-	(21)
Non-cash stock-based compensation expense	-	1,263	-	-	1,263
Net income	-	-	4,685	-	4,685
Balance at June 30, 2023	34,956	$ 90,606	$ 170,523	$ 69	$ 261,198

See accompanying Notes to Condensed Consolidated Financial Statements.

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

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

Nature of Operations

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

The accompanying unaudited interim condensed consolidated financial statements reflect all normal and recurring adjustments that are necessary for the fair presentation of our financial position as of June 30, 2024, our results of operations for the three and six months ended June 30, 2024 and our cash flows for the six months ended June 30, 2024. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission on February 22, 2024. The results of operations for the three and six months ended June 30, 2024, are not necessarily indicative of the results expected for the full year.

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

Supplemental Disclosures of Cash Flow Information

Non-cash investing in the six months ended June 30, 2024 and June 30, 2023 included $703 and $2,106 of capital expenditures, respectively. The Company has chassis pool agreements, where it participates in chassis converter pools that are non-cash arrangements and they are offsetting between current assets and current liabilities on the Company’s Consolidated Balance Sheets. See "Note 3 – *Debt*" for further information about the chassis pool agreements.

NOTE 2 – INVENTORIES

Inventories are summarized as follows:

	June 30, 2024	December 31, 2023
Finished goods	$ 6,013	$ 9,374
Work in process	2,124	2,543
Raw materials and purchased components	86,456	93,218
Total inventories	$ 94,593	$ 105,135

NOTE 3 – DEBT

Short-term debt consists of the following:

	June 30, 2024	December 31, 2023
Chassis pool agreements	$ 19,555	$ 34,496
Total short-term debt	$ 19,555	$ 34,496

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

Chassis Pool Agreements

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

Although the Company is party to related finance agreements with manufacturers, the Company has not historically settled related obligations in cash, except as required under our credit agreement. The obligation is usually settled by the manufacturer upon reassignment of the chassis to an accepted dealer, and the dealer is invoiced for the chassis by the manufacturer. The Company has included this financing agreement on the Company's Condensed Consolidated Balance Sheets within *Other receivables – chassis pool agreements* and *Short-term debt – chassis pool agreements*. Typically, chassis are converted and delivered to customers within 90 days of the receipt of the chassis by the Company. The chassis converter pool is a non-cash arrangement and is offsetting between Current assets and Current liabilities on the Company's Condensed Consolidated Balance Sheets.

Long-term debt consists of the following:

	June 30, 2024	December 31, 2023
Line of credit revolver	$ 65,000	$ 50,000
Finance lease obligation	422	329
Total debt	65,422	50,329
Less current portion of long-term debt	(225)	(185)
Total long-term debt	$ 65,197	$ 50,144

Revolving Credit Facility

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

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

Under the Credit Agreement, we may borrow up to $300,000 from the Lenders under a secured revolving credit facility, which matures November 30, 2026. We may also request an increase in the facility of up to $200,000 in the aggregate, subject to customary conditions. The revolving credit facility is also available for the issuance of letters of credit of up to $20,000 and swing line loans of up to $15,000, subject to certain limitations and restrictions. The revolving credit facility carries an interest rate of either (i) the highest of prime rate, the federal funds effective rate from time to time plus 0.5%, or the one month adjusted SOFR including a credit spread adjustment plus 1.50%; or (ii) adjusted SOFR, in each case plus a margin based upon our ratio of debt to earnings from time to time. The applicable borrowing rate including the margin was 6.93% (or one-month SOFR including a credit spread adjustment plus 1.50%) at June 30, 2024.

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

The revolving credit facility is secured by security interests in, and liens on, all assets of the borrowers and guarantors, other than real property and certain other excluded assets. At June 30, 2024 and December 31, 2023, we had outstanding letters of credit totaling $1,900 and $1,550, respectively, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled $42,320 and $83,243 at June 30, 2024 and December 31, 2023, respectively. The Credit Agreement requires us to maintain certain financial ratios and other financial covenants; prohibits us from incurring additional indebtedness; limits certain acquisitions, investments, advances or loans; limits our ability to pay dividends in certain circumstances; and restricts substantial asset sales, all subject to certain exceptions and baskets. At June 30, 2024 and December 31, 2023, we were in compliance with all financial covenants in our Credit Agreement.

NOTE 4 – REVENUE

Changes in our contract assets and liabilities for the six months ended June 30, 2024 and 2023 are summarized below:

	June 30, 2024	June 30, 2023
Contract Assets		
Contract assets, beginning of period	$ 50,304	$ 86,993
Reclassification of the beginning contract assets to receivables, as the result of rights to consideration becoming unconditional	(46,118)	(83,470)
Contract assets recognized, net of reclassification to receivables	35,051	37,707
Contract assets, end of period	$ 39,237	$ 41,230
Contract Liabilities		
Contract liabilities, beginning of period	$ 4,756	$ 5,255
Reclassification of the beginning contract liabilities to revenue, as the result of performance obligations satisfied	(3,702)	(4,912)
Cash received in advance and not recognized as revenue	4,569	3,855
Contract liabilities, end of period	$ 5,623	$ 4,198

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 $294,586 and $59,856, respectively.

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

	Three Months Ended June 30, 2024			
	FVS	SV	Eliminations and Other	Total
Primary geographical markets				
United States	$ 94,358	$ 82,710	$ 76	$ 177,144
Other	15,482	154	-	15,636
Total sales	$ 109,840	$ 82,864	$ 76	$ 192,780
Timing of revenue recognition				
Products transferred at a point in time	$ 17,596	$ 30,622	$ 76	$ 48,294
Products and services transferred over time	92,244	52,242	-	144,486
Total sales	$ 109,840	$ 82,864	$ 76	$ 192,780

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

	Three Months Ended June 30, 2023			
	FVS	**SV**	**Eliminations and Other**	**Total**
Primary geographical markets				
United States	$ 124,463	$ 87,519	$ (1,443)	$ 210,539
Other	14,520	42	-	14,562
Total sales	$ 138,983	$ 87,561	$ (1,443)	$ 225,101
Timing of revenue recognition				
Products transferred at a point in time	$ 13,692	$ 38,118	$ -	$ 51,810
Products and services transferred over time	125,291	49,443	(1,443)	173,291
Total sales	$ 138,983	$ 87,561	$ (1,443)	$ 225,101

	Six Months Ended June 30, 2024			
	FVS	**SV**	**Eliminations and Other**	**Total**
Primary geographical markets				
United States	$ 175,727	$ 172,808	$ 76	$ 348,611
Other	41,872	186	-	42,058
Total sales	$ 217,599	$ 172,994	$ 76	$ 390,669
Timing of revenue recognition				
Products transferred at a point in time	$ 29,877	$ 73,379	$ 76	$ 103,332
Products and services transferred over time	187,722	99,615	-	287,337
Total sales	$ 217,599	$ 172,994	$ 76	$ 390,669

	Six Months Ended June 30, 2023			
	FVS	**SV**	**Eliminations and Other**	**Total**
Primary geographical markets				
United States	$ 278,491	$ 174,703	$ (4,624)	$ 448,570
Other	19,925	45	-	19,970
Total sales	$ 298,416	$ 174,748	$ (4,624)	$ 468,540
Timing of revenue recognition				
Products transferred at a point in time	$ 25,846	$ 75,680	$ -	$ 101,526
Products and services transferred over time	272,570	99,068	(4,624)	367,014
Total sales	$ 298,416	$ 174,748	$ (4,624)	$ 468,540

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

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2024	December 31, 2023
Land and improvements	$ 12,583	$ 12,578
Buildings and improvements	55,734	53,789
Plant machinery and equipment	64,415	60,517
Furniture and fixtures	19,951	19,474
Vehicles	2,164	2,015
Construction in process	5,808	10,570
Subtotal	160,655	158,943
Accumulated depreciation	(81,703)	(75,506)
Total property, plant and equipment, net	$ 78,952	$ 83,437

We recorded depreciation expense of $3,906 and $3,233 during the three months ended June 30, 2024 and 2023, respectively, and $7,472 and $6,145 during the six months ended June 30, 2024 and 2023, respectively.

NOTE 6 – LEASES

We have operating and finance leases for land, buildings and certain equipment. Our leases have remaining lease terms of one year to 16 years, some of which include options to extend the leases for up to 15 years. Our leases do not contain residual value guarantees. Assets recorded under finance leases were immaterial (See "Note 3 – *Debt*").

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating leases	$ 2,746	$ 2,983	$ 5,490	$ 5,947
Short-term leases(1)	328	370	646	622
Total lease expense	$ 3,074	$ 3,353	$ 6,136	$ 6,569

(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:

	June 30, 2024	June 30, 2023
Weighted average remaining lease term of operating leases (in years)	6.9	7.2
Weighted average discount rate of operating leases	3.0%	2.8%

Supplemental cash flow information related to leases was as follows:

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for operating leases	$ 5,857	$ 5,622
Right of use assets obtained in exchange for lease obligations:		
Operating leases	$ 2,204	$ 8,672
Finance leases	$ 290	$ 65

Maturities of operating lease liabilities as of June 30, 2024 are as follows:

Years ending December 31:	
2024(1)	$ 5,743
2025	10,682
2026	8,547
2027	5,792
2028	4,160
2029	3,650
Thereafter	10,716
Total lease payments	49,290
Imputed interest	(4,732)
Total lease liabilities	$ 44,558

(1) Excluding the six months ended June 30, 2024.

NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES

At June 30, 2024, we and our subsidiaries were parties, both as plaintiff and defendant, to a number of lawsuits and claims arising out of the normal course of our businesses. In the opinion of management, our financial position, future operating results or cash flows will not be materially affected by the final outcome of these legal proceedings.

Warranty Related

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

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

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

Changes in our warranty liability are summarized below:

	Six Months Ended June 30,	
	2024	**2023**
Balance of accrued warranty at January 1	$ 7,231	$ 7,161
Accruals for warranties issued	3,540	2,002
Changes in liability for pre-existing warranties	222	(1,437)
Cash settlements	(2,857)	(1,708)
Balance of accrued warranty at June 30	$ 8,136	$ 6,018

Legal Proceedings Relating to Environmental Matters

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

On April 6, 2022, the Company received a Notice of Violation from the EPA alleging a failure to secure certain certifications on manufactured chassis and a failure to comply with recordkeeping and reporting requirements related to supplier-provided chassis. The Company continues to investigate this matter, including potential defenses, and is continuing to discuss the allegations with the EPA. We have recorded an accrual of $2,000 at June 30, 2024 for this matter and do not believe the outcome will be materially different from the amount accrued.

NOTE 8 – TAXES ON INCOME

Our income tax expense(benefit) was ($109) and $556 for the three months ended June 30, 2024 and 2023, respectively. The tax expense represented a (5.3%) effective tax rate and 10.6% effective tax rate for the three months ended June 30, 2024 and 2023, respectively. Income tax expense was $674 and $986 for six months ended June 30, 2024 and 2023, respectively. The tax expense represented a (36.8%) effective tax rate and 13.4% effective tax rate for the six months ended June 30, 2024 and 2023, respectively

The effective tax rate for the three and six months ended June 30, 2024 and 2023 differs from the U.S. statutory rate of 21% primarily due to the tax benefit of research credits offset by state tax expense and non-deductible officer compensation and a discrete tax expense in 2024 related to the difference in stock compensation expense recognized for financial reporting purposes and tax purposes upon vesting.

NOTE 9 – BUSINESS SEGMENTS

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

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

Our FVS segment focuses on designing and manufacturing walk-in vans for parcel delivery, trades, and construction industries, the production of commercial truck bodies, and the distribution of related aftermarket parts and accessories.

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

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

The accounting policies of the segments are the same as those described, or referred to, in “Note 1 – *Nature of Operations and Basis of Presentation.*” Assets and related depreciation expense in the column labeled “Eliminations and Other” pertain to capital assets maintained at the corporate level. Eliminations for inter-segment sales are shown in the column labeled “Eliminations and Other.” Adjusted EBITDA in the “Eliminations and Other” column contains corporate related expenses not allocable to the operating segments. Interest expense and Income tax expense are not included in the information utilized by the chief operating decision maker to assess segment performance and allocate resources, and accordingly, are excluded from the segment results presented below.

	Three Months Ended June 30, 2024			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 92,244	$ -	$ -	$ 92,244
Motorhome chassis sales	-	18,946	-	18,946
Other specialty vehicle sales	-	58,062	76	58,138
Aftermarket parts and accessories sales	17,596	5,856	-	23,452
Total sales	$ 109,840	$ 82,864	$ 76	$ 192,780
Depreciation and amortization expense	$ 2,016	$ 1,543	$ 1,216	$ 4,775
Adjusted EBITDA	8,368	17,549	(13,445)	12,472
Segment assets	219,306	204,030	74,232	497,568
Capital expenditures	578	193	1,449	2,220

	Three Months Ended June 30, 2023			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 125,291	$ -	$ -	$ 125,291
Motorhome chassis sales	-	30,099	-	30,099
Other specialty vehicle sales	-	51,652	(1,443)	50,209
Aftermarket parts and accessories sales	13,692	5,810	-	19,502
Total sales	$ 138,983	$ 87,561	$ (1,443)	$ 225,101
Depreciation and amortization expense	$ 1,641	$ 1,700	$ 845	$ 4,186
Adjusted EBITDA	12,468	17,367	(13,968)	15,867
Segment assets	252,352	194,718	48,776	495,846
Capital expenditures	1,702	438	5,137	7,277

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

	Six Months Ended June 30, 2024			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 187,722	$ -	$ -	$ 187,722
Motorhome chassis sales	-	49,717	-	49,717
Other specialty vehicle sales	-	111,467	76	111,543
Aftermarket parts and accessories sales	29,877	11,810	-	41,687
Total sales	$ 217,599	$ 172,994	$ 76	$ 390,669
Depreciation and amortization expense	$ 3,769	$ 3,085	$ 2,356	$ 9,210
Adjusted EBITDA	9,303	34,522	(25,265)	18,560
Segment assets	219,306	204,030	74,232	497,568
Capital expenditures	1,363	606	2,392	4,361

	Six Months Ended June 30, 2023			
	Segment			
	FVS	SV	Eliminations and Other	Consolidated
Fleet vehicle sales	$ 272,570	$ -	$ -	$ 272,570
Motorhome chassis sales	-	58,059	-	58,059
Other specialty vehicle sales	-	106,349	(4,624)	101,725
Aftermarket parts and accessories sales	25,846	10,340	-	36,186
Total sales	$ 298,416	$ 174,748	$ (4,624)	$ 468,540
Depreciation and amortization expense	$ 2,979	$ 3,379	$ 1,692	$ 8,050
Adjusted EBITDA	24,941	31,219	(29,505)	26,655
Segment assets	252,352	194,718	48,776	495,846
Capital expenditures	3,567	1,179	7,435	12,181

NOTE 10 – SUBSEQUENT EVENT

On July 24, 2024, the Company acquired 100% of the outstanding membership interests of Independent Truck Upfitters (“ITU”) for cash consideration of $46,150, subject to conveyance of real estate and customary adjustments and an additional $8,000 earn-out amount subject to meeting certain performance criteria within the first two years after the acquisition. The purchase price was funded with cash on hand and borrowings under our existing credit facility. ITU is a Midwest-based provider of turnkey upfit services for fleets of commercial and government service vehicles. Due to the proximity of the closing date of the acquisition to the date of this filing, the initial accounting for the business combination is incomplete. As a result, the Company is unable to disclose certain information including provisional fair value estimates of the identifiable net assets acquired and goodwill at this time. Due to its insignificant size relative to the Company, we do not expect to provide supplemental pro forma financial information of the combined entity for the current and prior reporting period. The Company will provide preliminary purchase price allocation with its third quarter Quarterly Report on Form 10-Q.

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

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

Our vehicles, parts and services are sold to commercial users, original equipment manufacturers (OEMs), dealers, individual end users, and municipalities and other governmental entities. Our diversification across several sectors provides numerous opportunities while reducing overall risk as the various markets we serve tend to have different cyclicality. We have an innovative team focused on building lasting relationships with our customers by designing and delivering market leading specialty vehicles, vehicle components, and services. Additionally, our business structure provides agility to quickly respond to market needs, take advantage of strategic opportunities when they arise and correctly size and scale operations to ensure stability and growth.

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 $192.8 million for the second quarter of 2024, a decrease of 14.4% compared to $225.1 million for the second quarter of 2023.
- Gross margin of 21.1% for the second quarter of 2024, compared to 19.0% for the second quarter of 2023.
- Operating expense of $36.9 million, or 19.1% of sales for the second quarter of 2024, compared to $36.2 million, or 16.1% of sales for the second quarter of 2023.
- Operating income of $3.7 million for the second quarter of 2024, compared to $6.6 million for the second quarter of 2023.
- Income tax benefit of $0.1 million for the second quarter of 2024, compared to income tax expense of $0.6 million for the second quarter of 2023.
- Net income of $2.2 million for the second quarter of 2024, compared to $4.7 million for the second quarter of 2023.
- Diluted earnings per share of $0.06 for the second quarter of 2024, compared to $0.13 for the second quarter of 2023.
- Order backlog of $354.4 million at June 30, 2024, a decrease of $155.8 million or 34.2% from our backlog of $510.2 million at June 30, 2023.
- On July 24, 2024, the Company acquired 100% of the outstanding membership interests of Independent Truck Upfitters ("ITU") for cash consideration of $46.2 million, subject to conveyance of real estate and customary adjustments and an additional $8.0 million earn-out amount subject to meeting certain performance criteria within the first two years after the acquisition. The purchase price was funded with cash on hand and borrowings under our existing credit facility.

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:

- Acquired ITU, a Midwest-based provider of vocational service body upfit for commercial fleets and government service vehicles on July 24, 2024. The ITU acquisition aligns with our growth strategy by expanding our service body product offerings and upfit capabilities. This transaction provides unique synergies and cross-selling opportunities with current products, adds chassis pools, and increases ship-thru capability to support future growth.

- In March 2022, we announced Blue Arc™ Electric Vehicle ("EV") Solutions, a new go-to-market brand. Leveraging a scalable, commercial grade, purpose built design, the full Blue Arc EV offering will include Class 3, 4 and 5 walk-in van configurations with body length options from 12 to 22 feet. Designed for last-mile delivery fleets, these vehicles will be powered by lithium-ion battery packs that can deliver over 150 mile range at 50% payload. We expect Shyft customers can maximize productivity and minimize cost of ownership, including fuel and maintenance costs with our Blue Arc EV product offering.

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

- Royal Truck Body's Severe Duty body, built to fit General Motors' medium duty truck class and Ford's Super Duty truck class, includes more standard features than any other service body on the market. With its fortress five-point lock system, 10-gauge steel box tops treated with a protective 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.

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

The following section provides a narrative discussion about our financial condition and results of operations. Certain amounts in the narrative may not sum due to rounding. The comments should be read in conjunction with our Condensed Consolidated Financial Statements and related Notes thereto included in Item 1 of this Form 10-Q and in conjunction with our 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2024.

RESULTS OF OPERATIONS

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

	Three Months Ended June 30		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Sales	100.0	100.0	100.0	100.0
Cost of products sold	78.9	81.0	80.9	81.7
Gross profit	21.1	19.0	19.1	18.3
Operating expenses:				
Research and development	2.3	2.6	2.1	2.7
Selling, general and administrative	16.8	13.4	16.5	13.4
Operating income	1.9	2.9	0.5	2.2
Other expense	(0.9)	(0.6)	(0.9)	(0.6)
Income (loss) before income taxes	1.1	2.3	(0.5)	1.6
Income tax expense (benefit)	(0.1)	0.2	0.2	0.2
Net income (loss)	1.1	2.1	(0.6)	1.4
Non-controlling interest	-	-	-	-
Net income (loss) attributable to The Shyft Group, Inc.	1.1	2.1	(0.6)	1.4

Three Months Ended June 30, 2024 Compared to the Three Months Ended June 30, 2023

Sales

For the three months ended June 30, 2024, we reported consolidated sales of $192.8 million, compared to $225.1 million for the three months ended June 30, 2023, a decrease of $32.3 million or 14.4%. This decrease is driven by lower sales volumes in our Specialty Vehicles ("SV") segment attributed to lower motorhome chassis sales, and lower sales in the Fleet Vehicles and Services ("FVS") segment attributed to lower sales volumes of walk-in vans and lower USPS pass-through chassis sales, partially offset by higher upfit sales.

Cost of Products Sold

Cost of products sold was $152.2 million in the second quarter of 2024, compared to $182.3 million for the second quarter of 2023, a decrease of $30.1 million or 16.5%. The decrease was due to $25.5 million in lower volume and mix and $7.5 million in lower pass-through chassis costs, partially offset by $2.9 million higher manufacturing and other costs.

Gross Profit

Gross profit was $40.6 million for the second quarter of 2024, compared to $42.8 million for the second quarter of 2023, a decrease of $2.2 million or 5.1%. The decrease was due to $2.9 million in higher manufacturing and other costs, partially offset with $0.7 million in lower volume and mix.

Operating Expenses

Operating expenses were $36.9 million for the second quarter of 2024, compared to $36.2 million for the second quarter of 2023, an increase of $0.7 million or 1.9%. Research and development expense for the second quarter of 2024 was $4.5 million, compared to $5.9 million in the second quarter of 2023, a decrease of $1.4 million, of which $1.3 million was related to electric vehicle development initiatives as the program moves closer to production. Selling, general and administrative expense was $32.4 million for the second quarter of 2024, compared to $30.3 million for the second quarter of 2023. The increase was primarily attributed to $1.7 million in higher compensation and other employee costs and $0.4 million in acquisition-related costs.

Other Income (Expense)

Other expense was $1.7 million for the second quarter of 2024, compared to $1.4 million for the second quarter of 2023, driven by higher borrowing costs.

Income Tax Expense (Benefit)

Our income tax benefit was $0.1 million for the second quarter of 2024, compared to an expense of $0.6 million for the second quarter 2023. The tax expense(benefit) represented a (5.3%) effective tax rate and 10.6% effective tax rate for the three months ended June 30, 2024 and 2023, respectively, which reflects the impact of current statutory income tax rates on our income before income taxes combined with the tax expense of non-deductible officer compensation offset by the benefit of research credits combined with a discrete tax expense in 2024 related to the difference in stock compensation expense recognized for financial reporting purposes and tax purposes upon vesting.

Net Income

Net income was $2.2 million for the second quarter of 2024 compared $4.7 million for the second quarter of 2023, a decrease of $2.5 million. Diluted earnings per share was $0.06 for the second quarter of 2024 compared to $0.13 for the second quarter of 2023. Driving this decrease were the factors noted above.

Adjusted EBITDA

Our consolidated Adjusted EBITDA for the second quarter of 2024 was $12.5 million, compared to $15.9 million for the second quarter of 2023, a decrease of $3.4 million.

The table below describes the changes in Adjusted EBITDA for the three months ended June 30, 2024 compared to the same period for 2023 (in millions):

Adjusted EBITDA three months ended June 30, 2023	$	15.9
Sales volume and other		(7.8)
Product pricing and mix		5.9
EV development/program costs		1.3
General and administrative costs and other		(2.8)
Adjusted EBITDA three months ended June 30, 2024	$	12.5

Six Months Ended June 30, 2024 Compared to the Six Months Ended June 30, 2023

Sales

For the six months ended June 30, 2024, we reported consolidated sales of $390.7 million, compared to $468.5 million for the first six months of 2023, a decrease of $77.8 million or 16.6%. This decrease is driven by lower sales volumes in our SV segment attributed to lower motorhome chassis sales, partially offset by higher service body sales, and lower sales volumes in our FVS segment attributed to lower sales of walk-in vans and lower USPS pass-through chassis sales, partially offset by higher upfit sales.

Cost of Products Sold

Cost of products sold was $316.0 million in the first six months of 2024, compared to $382.9 million for the first six months of 2023, a decrease of $66.9 million or 17.5%. The decrease was due to $63.8 million in lower volume and mix and $9.7 million in lower pass-through chassis costs, partially offset by $6.6 million higher manufacturing and other costs.

Gross Profit

Gross profit was $74.6 million for the first six months of 2024, compared to $85.7 million for the first six months of 2023, a decrease of $11.1 million or 12.9%. The decrease was due to $4.5 million in lower volume and mix, net of favorable pricing, and $6.6 million in higher manufacturing and other costs.

Operating Expenses

Operating expenses were $72.9 million for the first six months of 2024, compared to $75.4 million for the first six months of 2023, a decrease of $2.5 million or 3.4%. Research and development expense for the first six months of 2024 was $8.2 million, compared to $12.8 million in the first six months of 2023, a decrease of $4.6 million, of which $4.2 million was related to electric vehicle development initiatives as the program moves closer to production. Selling, general and administrative expense was $64.6 million for the first six months of 2024, compared to $62.6 million for the first six months of 2023, primarily driven by an increase in environmental reserves.

Other Income (Expense)

Other expense was $3.6 million for the first six months of 2024, compared to $2.9 million for the first six months of 2023, driven by higher borrowing costs.

Income Tax Expense (Benefit)

Our income tax expense was $0.7 million for the six months ended June 30, 2024, compared to $1.0 million for the six months ended June 30, 2023. The tax expense represented a (36.8%) effective tax rate and 13.4% effective tax rate for the six months ended June 30, 2024 and 2023, respectively, which reflects the impact of current statutory income tax rates on our income before income taxes combined with the tax expense of non-deductible officer compensation offset by the benefit of research credits combined with a discrete tax expense in 2024 related to the difference in stock compensation expense recognized for financial reporting purposes and tax purposes upon vesting.

Net Income (Loss)

Net loss was $2.5 million for the first six months of 2024 compared to net income of $6.4 million for the first six months of 2023, a decrease of $8.9 million. Diluted loss per share was $0.07 for the first six months of 2024 compared to diluted earnings per share of $0.18 for the first six months of 2023. Driving this decrease were the factors noted above.

Adjusted EBITDA

Our consolidated Adjusted EBITDA for the first six months of 2024 was $18.6 million, compared to $26.7 million for the first six months of 2023, a decrease of $8.1 million.

The table below describes the changes in Adjusted EBITDA for the six months ended June 30, 2024 compared to the same period for 2023 (in millions):

Adjusted EBITDA six months ended June 30, 2023	$	26.7
Sales volume and other		(19.7)
Product pricing and mix		9.3
EV development/program costs		4.3
General and administrative costs and other		(2.0)
Adjusted EBITDA six months ended June 30, 2024	$	18.6

Order Backlog

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

	June 30, 2024	June 30, 2023
Fleet Vehicles and Services	$ 294,586	$ 437,802
Specialty Vehicles	59,856	72,402
Total consolidated	$ 354,442	$ 510,204

The consolidated backlog at June 30, 2024 totaled $354.4 million, a decrease of $155.8 million, or 30.5%, compared to $510.2 million at June 30, 2023.

Our FVS backlog decreased by $143.2 million, or 32.7%, primarily due to vehicle sales and softer demand in delivery vans. Our SV segment backlog decreased by $12.5 million, or 17.3%, primarily due to lower motorhome orders.

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

Reconciliation of Non-GAAP Financial Measures

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

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

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net Income (loss)	$ 2,164	$ 4,685	$ (2,505)	$ 6,363
Net loss attributable to non-controlling interest	-	-	-	32
Add (subtract):				
Interest expense	1,753	1,477	3,806	3,125
Depreciation and amortization expense	4,775	4,186	9,210	8,050
Income tax expense (benefit)	(109)	556	674	986
Restructuring and other related charges	1,146	1,253	1,198	1,315
Acquisition related expenses and adjustments	399	-	399	291
Non-cash stock-based compensation expense	2,010	1,263	3,484	3,090
Legacy legal matters	150	-	2,000	956
Non-recurring professional fees	-	160	-	160
Loss from write-off of assets	147	-	147	-
CEO transition	37	2,287	147	2,287
Adjusted EBITDA	$ 12,472	$ 15,867	$ 18,560	$ 26,655

Our Segments

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

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

Fleet Vehicles and Services

	Financial Data (Dollars in Thousands) Three Months Ended June 30,			
	2024		2023	
	Amount	Percentage	Amount	Percentage
Sales	$ 109,840	100.0%	$ 138,983	100.0%
Adjusted EBITDA	8,368	7.6%	12,468	9.0%

Sales in our FVS segment were $109.8 million for the second quarter of 2024, compared to $139.0 million for the second quarter of 2023, a decrease of $29.2 million or 21.0%. This decrease was primarily attributable to softness in the delivery van markets and lower pass-through chassis sales, partially offset by higher upfit volume.

Adjusted EBITDA in our FVS segment for the second quarter of 2024 was $8.4 million compared to $12.5 million for the second quarter of 2023, a decrease of $4.1 million. This decrease was attributable to $3.1 million in lower volume, $4.2 million of lower productivity net of material, labor costs, and other costs, partially offset by $3.2 million of favorable mix.

	Financial Data (Dollars in Thousands) Six Months Ended June 30,			
	2024		2023	
	Amount	Percentage	Amount	Percentage
Sales	$ 217,599	100.0%	$ 298,416	100.0%
Adjusted EBITDA	9,303	4.3 %	24,941	8.4%

Sales in our FVS segment were $217.6 million for the first six months of 2024, compared to $298.4 million for the first six months of 2023, a decrease of $80.8 million or 27.1%. This decrease was primarily attributable to softer delivery van markets and lower pass-through chassis sales, partially offset by increased truck body and upfit volume.

Adjusted EBITDA in our FVS segment for the first six months of 2024 was $9.3 million compared to $24.9 million for the first six months of 2023, a decrease of $15.6 million. This decrease was attributable to $9.8 million in lower volume, and $7.3 million of lower productivity net of material, labor costs, and other costs, partially offset by $1.5 million of favorable mix.

Specialty Vehicles

	Financial Data (Dollars in Thousands) Three Months Ended June 30,			
	2024		2023	
	Amount	Percentage	Amount	Percentage
Sales	$ 82,864	100.0%	$ 87,561	100.0%
Adjusted EBITDA	17,549	21.2%	17,367	19.8%

Sales in our SV segment were $82.9 million in the second quarter of 2024, compared to $87.6 million for the second quarter of 2023, a decrease of $4.7 million or 5.4%. This decrease was primarily attributable to lower motorhome chassis market demand partially offset by higher service body sales.

Adjusted EBITDA for our SV segment for the second quarter of 2024 was $17.5 million, compared to $17.4 million for the second quarter of 2023, an increase of $0.1 million or 1.0%.

	Financial Data (Dollars in Thousands) Six Months Ended June 30,			
	2024		2023	
	Amount	Percentage	Amount	Percentage
Sales	$ 172,994	100.0%	$ 174,748	100.0%
Adjusted EBITDA	34,522	20.0 %	31,219	17.9%

Sales in our SV segment were $173.0 million in the first six months of 2024, compared to $174.7 million for the first six months of 2023, a decrease of $1.7 million or 1.0%. This decrease was primarily attributable to lower motorhome chassis market demand and a decline in other specialty vehicle sales partially offset by higher service body sales.

Adjusted EBITDA for our SV segment for the first six months of 2024 was $34.5 million, compared to $31.2 million for the first six months of 2023, an increase of $3.3 million or 10.6%. This increase was primarily attributable to $4.8 million of favorable pricing and mix and $1.8 million of lower manufacturing costs, partially offset by $0.9 million lower volume and $2.4 million other costs.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash and cash equivalents decreased by $1.0 million from December 31, 2023, to a balance of $9.0 million as of June 30, 2024. These funds, in addition to cash generated from future operations and availability under our existing credit facility, are expected to be sufficient to finance our foreseeable liquidity and capital needs, including potential future acquisitions.

Cash Flow from Operating Activities

We used $2.8 million of cash from operating activities during the six months ended June 30, 2024, an increase in cash used of $38.4 million from $35.6 million of cash provided by operating activities during the six months ended June 30, 2023. The $2.8 million of cash used in the first six months of 2024 was driven by a $10.3 million net inflow related to income adjusted for non-cash charges to operations and by a $13.1 million net outflow related to the change in net working capital. The change in working capital in the first six months of 2024 was driven by a $21.0 million net outflow related to decreased payables primarily attributable to payment timing and lower purchasing volume and a $3.1 million net outflow driven by changes in accounts receivable and contract assets, partially offset by a $10.5 million net inflow related to decreased inventories.

Cash Flow from Investing Activities

We used $9.2 million in investing activities during the six months ended June 30, 2024, a decrease in cash used of $2.2 million from $11.4 million used during the six months ended June 30, 2023. The decrease in cash used in investing activities is primarily due to a $1.7 million decrease in the purchases of property, plant and equipment and a $0.5 million decrease related to the acquisition of a business in prior year.

Cash Flow from Financing Activities

We generated $11.0 million of cash through financing activities during the six months ended June 30, 2024, an increase in cash generated of $39.0 million from $28.0 million used during the six months ended June 30, 2023. The increase in cash generated by financing activities is primarily attributable to $31.0 million of decreased payments on long-term debt, a $8.8 million decrease in the purchase and retirement of common stock, a $4.0 million decrease in exercise and vesting of stock awards and a $0.2 million decrease in payments of dividends, partially offset by a $5.0 million decrease in proceeds from long-term debt.

Debt

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

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

Under the Credit Agreement, we may borrow up to $300.0 million from the Lenders under a secured revolving credit facility which matures November 30, 2026. We may also request an increase in the facility of up to $200.0 million in the aggregate, subject to customary conditions. The revolving credit facility is also available for the issuance of letters of credit of up to $20.0 million and swing line loans of up to $15.0 million, subject to certain limitations and restrictions. The revolving credit facility carries an interest rate of either (i) the highest of prime rate, the federal funds effective rate from time to time plus 0.5%, or the one month adjusted SOFR including a credit spread adjustment plus 1.50%; or (ii) adjusted SOFR, in each case plus a margin based upon our ratio of debt to earnings from time to time. The applicable borrowing rate including the margin was 6.93% (or one-month SOFR including a credit spread adjustment plus 1.50%) at June 30, 2024.

The revolving credit facility is secured by security interests in, and liens on, all assets of the borrowers and guarantors, other than real property and certain other excluded assets. At June 30, 2024 and December 31, 2023, we had outstanding letters of credit totaling $1.9 million and $1.6 million, respectively, related to our workers' compensation insurance.

Under the terms of our Credit Agreement, available borrowings (exclusive of outstanding borrowings) totaled $42.3 million and $83.2 million at June 30, 2024 and December 31, 2023, respectively. The Credit Agreement requires us to maintain certain financial ratios and other financial covenants; prohibits us from incurring additional indebtedness; limits certain acquisitions, investments, advances or loans; limits our ability to pay dividends in certain circumstances; and restricts substantial asset sales, all subject to certain exceptions and baskets. At June 30, 2024 and December 31, 2023, we were in compliance with all financial covenants in our Credit Agreement.

Equity Securities

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

Dividends

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

Date dividend declared	Record date	Payment date	Dividend per share ($)	
May 3, 2024	May 17, 2024	June 17, 2024	$	0.05
Feb. 1, 2024	Feb. 16, 2024	Mar. 18, 2024	$	0.05
Oct. 31, 2023	Nov. 16, 2023	Dec. 15, 2023	$	0.05
Aug. 2, 2023	Aug. 17, 2023	Sep. 18, 2023	$	0.05
May 2, 2023	May 17, 2023	Jun. 20, 2023	$	0.05
Jan. 31, 2023	Feb. 17, 2023	Mar. 17, 2023	$	0.05

Effect of Inflation

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risks related to changes in interest rates and the effect of such a change on outstanding variable rate short-term and long-term debt. At June 30, 2024, we had $65.0 million debt outstanding under our revolving credit facility. An increase of 100 basis points in interest rates would result in $0.7 million of incremental interest expense on an annualized basis. We believe that we have sufficient financial resources to accommodate this hypothetical increase in interest rates. We do not enter into market-risk-sensitive instruments for trading or other purposes.

Commodities Risk

We are also exposed to changes in the prices of raw materials, primarily steel and aluminum, along with components that are made from these raw materials. We generally do not enter into derivative instruments for the purpose of managing exposures associated with fluctuations in steel and aluminum prices. We do, from time to time, engage in pre-buys of components that are impacted by changes in steel, aluminum and other commodity prices in order to mitigate our exposure to such price increases and align our costs with prices quoted in specific customer orders. We also actively manage our material supply sourcing and may employ various methods to limit risk associated with commodity cost fluctuations due to normal market conditions and other factors including tariffs. See Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part 1, Item 2 of this Form 10-Q for information on the impacts of changes in input costs during the six months ended June 30, 2024.

We do not believe that there has been a material change in the nature or categories of the primary market risk exposures or in the particular markets that present our primary risk of loss. As of the date of this report, we do not know of or expect any material changes in the general nature of our primary market risk exposure in the near term. In this discussion, "near term" means a period of one year following the date of the most recent balance sheet contained in this Form 10-Q.

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this Quarterly Report. Based on the evaluation of our disclosure controls and procedures as of June 30, 2024, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes during the quarter ended June 30, 2024 in our internal control over financial reporting that have materially affected, or are likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

Issuer Purchases of Equity Securities

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

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under Announced Plans or Programs(2) (In millions)
April 1 to April 30	2,909	$ 10.78	-	$ 223.0
May 1 to May 31	2,462	11.23	-	223.0
June 1 to June 30	19,246	12.05	-	223.0
Total	24,617		-	

(1) During the quarter ended June 30, 2024, 24,617 shares were delivered by employees in satisfaction of tax withholding obligations that occurred upon the vesting of restricted shares.
(2) This column reflects the number of shares that may yet be purchased pursuant to the February 17, 2022 Board of Directors authorization described above.

Item 5. Other Information

During the quarter ended June 30, 2024, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits.

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

Exhibit No.	Document
10.30	Employment Offer Letter dated May 20, 2024 from the Company to Jacob Farmer updating the letters dated June 27, 2023 and December 27, 2023 from the Company to Mr. Farmer (incorporated by reference to Exhibit 10.24 to the Form 10-K filed February 22, 2024).*
10.31	Employment Offer Letter dated June 3, 2024 from the Company to Joshua Sherbin updating the letter dated April 2, 2021 from the Company to Mr. Sherbin (incorporated by reference to Exhibit 10.25 to the Form 10-K filed February 22, 2024.*
10.32	Transition and Separation Agreement dated as of June 3, 2024 with Mr. Colin Hindman.*
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. § 1350.
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)

*Management contract or compensatory plan or arrangement

SIGNATURES

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

Date: July 25, 2024	THE SHYFT GROUP, INC.	
	By	/s/ Jonathan C. Douyard
		Jonathan C. Douyard
		Chief Financial Officer

41280 Bridge St, Novi, MI 48375
THESHYFTGROUP.COM

May 20, 2024

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

Dear Jacob,

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

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

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

The following summarizes the components of the promotion offer. If you find these terms acceptable, please sign and date where indicated, and return a scanned copy to my attention. Your effective date for the promotion will be May 20, 2024 (or such other date to which you and the Company may mutually agree). The terms of this letter supersede and replace the terms of any and all prior letters regarding the matters addressed below (other than with respect to the sign-on bonus addressed in the letter dated June 27, 2023 between the parties and additional transition incentive bonus addressed in the letter dated December 27, 2023 between the parties).

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

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

Compensation
Your annual base salary rate will be $490,000 per year ("Base Salary"), less applicable withholdings and payroll deductions. This position is classified as exempt and you will be paid bi-weekly in accordance with the Company's normal payroll procedures. You will next be eligible for a Base Salary merit increase in the ordinary course starting in 2025.

Annual Incentive Compensation

You will continue to be eligible to participate during employment in the Company's Annual Incentive Compensation ("AIC") program for annual cash-based incentive compensation. The target level for your AIC award will continue to be70% of your Base Salary, which Base Salary will be used in calculating your 2024 AIC for the entire 2024 fiscal year. The actual payout for the AIC award can range from 0% to 200% of target and depends on the achievement of applicable corporate and/or individual performance metrics. Payment of the AIC award is generally dependent upon continued employment as of the date the compensation is paid. AIC award details are further provided by and subject in all respects to The Shyft Group, Inc. Annual Incentive Compensation Policy, as may be amended from time to time, and any other applicable AIC award documentation. All AIC awards are subject to specific approval and administration by the Human Resources and Compensation Committee (the "Committee") of the Board.

Long-Term Incentive Compensation

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

The target level that the Committee will consider for your annual LTIC participation percentage will continue to be 135% of your Base Salary. We expect your next RSU/PSU LTIC awards to be granted in March 2025, subject to your continued employment on the grant date for such awards. LTIC award details are further established under and subject to The Shyft Group, Inc. Stock Incentive Plan or its applicable successors (the "Stock Plan") and the forms of grant agreements approved by the Committee for such awards. All LTIC awards are subject to specific approval and administered by the Committee.

Stock Ownership Requirements Policy

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

Benefits

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

- **Vacation** - You will be entitled to a minimum of four (4) weeks of vacation annually.

- **Health and Welfare Benefits** - You will be eligible to elect health and welfare benefits annually. The Company offers one (1) PPO medical plan and two (2) different High Deductible Health Plans, with optional Health Savings Accounts. Dental, vision and an assortment of other benefit offerings are also available to you. Please reference the benefits guide for additional information.

- **Retirement Plan** - You will also be eligible to continue to participate in the Company's 401(k) Retirement Plan given your current employment. The Company matches 50% of an employee's 401(k) deferral percentage up to the first 6% of eligible compensation.

- **Employee Stock Purchase Program -** We offer participation in an Employee Stock Purchase Plan ("ESPP") to all employees after 180 days of employment. The ESPP allows you to buy Company stock at a 10% discount through payroll deduction, subject to applicable terms and conditions of the ESPP.

- **Executive Officer Perquisites:** You will be eligible to receive perquisites and continue to participate in programs available to other Executive Officers, including the Supplemental Executive Retirement Plan, annual executive physical, Executive Severance Plan, additional life insurance, and available enhanced Long-Term Disability coverage.

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

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

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

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

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

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

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

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

Sincerely,

THE SHYFT GROUP, INC.

/s/ John Dunn
By: John Dunn
Its: President and Chief Executive Officer

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

Acknowledged and agreed to on the 20th day of May, 2024.

/s/ Jacob Farmer
Jacob Farmer

41280 Bridge St, Novi, MI 48375
THESHYFTGROUP.COM

June 3, 2024

Josh Sherbin
Via Email Delivery

Dear Josh,

On behalf of The Shyft Group, Inc. and its subsidiaries (the "Company"), we are pleased to offer you a promotion with the Company to the position of Chief Administrative Officer. You will also continue to serve as the Company's Chief Legal Officer, Corporate Secretary and Chief Compliance Officer.

The following summarizes the terms of the promotion offer. If you find these terms acceptable, please sign and date where indicated, and return to my attention by June 3, 2024. Your start date as Chief Administrative Officer will be June 3, 2024 (the "Promotion Date"). If you accept this promotion by countersigning and returning this letter, the terms of this letter will then supersede and replace, as of the Promotion Date, the terms of your April 2021 letter agreement regarding your employment with the Company.

Workplace Location and Reporting Relationship

You will continue to report to the Company's President and Chief Executive Officer. Your place of employment will be located at the Novi facility, located at 41280 Bridge Street, Novi, MI.

Compensation

Your annual base salary rate will be $475,000, less applicable withholdings and payroll deductions, effective as of (and pro-rated for 2024 based on) the Promotion Date. This position is classified as exempt and you will be paid base salary bi-weekly in accordance with the Company's normal payroll practices. You will next be eligible for a base salary merit increase in the ordinary course in 2025.

Annual Incentive Compensation

You will continue to participate in the Annual Incentive Compensation ("AIC") plan. The target level for this bonus will continue to be 70% of your annual base salary rate. The actual payout depends on the achievement of business performance, which includes key metrics. Payment of AIC is dependent upon continued employment as of the date the compensation is paid. AIC details are defined by and subject in all respects to the AIC Administrative Plan (the "AIC Plan"); provided, however, that for 2024, your AIC award will be based on 12 months of base salary at the new $475,000 rate.

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

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

Commencing in 2025, your LTIC participation percentage will be 120% of your annual base salary rate (for 2024, such participation percentage was 110% of your annual base salary rate at the time such LTIC awards were granted). LTIC award details are defined by and subject in all respects to the Company's Stock Incentive Plan (as then in effect, or its successor) and individual award agreements.

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

Special 2024 Incentive Compensation Award
In connection with this promotion, you will receive, effective as of the Promotion Date, an award of service-based RSUs with a grant date fair value of $100,000 (the "Promotion RSUs"). The number of Promotion RSUs issued to you will be determined using the average closing stock price over the 30 calendar days preceding the date of grant. The Promotion RSUs will vest ratably over a three-year period, subject to any exceptions set forth in the award agreement reflecting the grant of such Promotion RSUs.

Severance

You will continue to participate in the Company's Executive Severance Plan on terms and conditions as in effect for you immediately prior to the Promotion Date.

Benefits

You will continue to be eligible to participate in the Company-sponsored employee benefit plans. A highlight of current benefits is set forth below.

- **Vacation** - You will continue to accrue vacation at a rate of 3.07 hours per week, which is equivalent to four (4) weeks of vacation annually.

- **Health and Welfare Benefits** - You will continue to be eligible to elect health and welfare benefits. The Company offers one PPO Medical Plan and two different High Deductible Health Plans, with optional Health Savings Accounts. Dental, vision and an assortment of other benefit offerings are also available to you.

- **Retirement Plan** - You will also continue to be eligible to participate in the Company's Retirement Plan, a 401(k) plan.

- **Employee Stock Purchase Program** – You will continue to be eligible to purchase stock under the Employee Stock Purchase Plan.

- **Section 16 Officer Perquisites**: You will continue to be eligible to receive perquisites provided to other similarly situated Section 16 officers including but not limited to participation in the Supplemental Executive Retirement Plan, an annual executive physical, and life insurance and disability buy-up benefits.

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

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

Any representations or statements that may have been made to you that are contrary to the information in this letter are superseded by this letter. This letter, together with the various plans and agreements referenced in this letter, is the full and complete outline of the terms of your employment with the Company. By signing this letter, you represent and warrant to the Company that you are under no contractual commitments inconsistent with your obligations to the Company.

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

Sincerely,

THE SHYFT GROUP, INC.

/s/ John Dunn
By: John Dunn
Its: President and Chief Executive Officer

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

Acknowledged and agreed to on the 3rd day of June 2024.

/s/ Joshua Sherbin
Joshua Sherbin

TRANSITION AND SEPARATION AGREEMENT

This Transition and Separation Agreement (this "***Transition Agreement***"), by and between The Shyft Group, Inc. (the "***Company***") and Colin Hindman ("***you***" and similar words), and effective as of June 3, 2024 (the "***Effective Date***"), memorializes certain terms of your transition and separation from the Company and its subsidiaries. The terms of this Transition Agreement also address certain requirements under The Shyft Group, Inc. Executive Severance Plan (the "***Executive Severance Plan***") in order for you to receive, after the Effective Date, certain of the payments and benefits described in this Transition Agreement, as described or set forth in detail below.

By signing this Transition Agreement, you and the Company agree as follows:

1. <u>Provisions Regarding Chief Human Resources Officer Service and Employment Cessation</u>

(a) You and the Company agree that, as of the Effective Date, you will cease serving as the Chief Human Resources Officer ("***CHRO***") of the Company, but will remain a non-executive employee of the Company until the end of June 14, 2024 (such date, the "***Transition End Date***"). Notwithstanding anything in this Transition Agreement to the contrary, the Company's Board of Directors ("***Board***") retains the right (subject to the proviso at the end of **<u>Section 1(b)</u>** of this Transition Agreement) to terminate your employment by the Company prior to the end of the Transition End Date (the date of any such removal, the "***Removal Date***").

(b) You and the Company agree that, from the Effective Date through the earlier of the Transition End Date and any Removal Date, (i) you will provide reasonable assistance to the Company and the Board in the transition of your CHRO duties and responsibilities, to the extent desired and/or requested by the Board or the Company's Chief Executive Officer, plus otherwise support and promote various reasonable tasks and responsibilities related thereto, (ii) you will continue to receive base salary, derived from an annual rate equal to $388,300, in accordance with the normal payroll practices of the Company as may be in effect from time to time, (iii) your awards under the Equity Plans (as defined below) that are outstanding as of Effective Date will continue to vest according to the applicable terms of such awards under such Equity Plans, and (iv) your service during such time shall count for purposes of the pro-rata fraction under Section 4.3 of the Executive Severance Plan; <u>provided</u>, <u>however</u>, that should the Removal Date occur prior to the Transition End Date, you will receive a lump sum amount equal to your base salary for the remaining days between such Removal Date through and including the Transition End Date as if you had remained employed through such Transition End Date, which amount will be paid to you within 30 days of the Removal Date.

(c) At the end of the day on the Transition End Date (or, if earlier, the Removal Date), your employment with the Company and all of its subsidiaries and affiliates will terminate as a "Qualifying Termination" by the Company as defined in the Executive Severance Plan (the "***Qualifying Termination***"). We refer to your last day of employment with the Company and its subsidiaries and affiliates as the "***Separation Date***." You and the Company agree that your Qualifying Termination shall entitle you to the payments and benefits as set forth or described in **Section 2** of this Transition Agreement. You and the Company also agree that, as of the Separation Date, you will terminate from any and all other positions you hold (if any) as an officer, employee or director of the Company and the Company's subsidiaries and affiliates, and that you will promptly execute any documents and take any actions as may be necessary or reasonably requested by the Company to effectuate or memorialize your termination from all positions with the Company and its subsidiaries and affiliates. Notwithstanding anything in this Transition Agreement to the contrary, nothing prohibits the Board from terminating your employment with the Company for Cause (as defined in the Executive Severance Plan, "***Cause***") prior to such Separation Date, and you and the Company agree and acknowledge that your right to receive the Severance Benefits or any other payments or benefits under this Transition Agreement shall immediately cease and be unenforceable if your employment with the Company is terminated for Cause prior to (or on) the Separation Date.

(d) Notwithstanding anything in this Transition Agreement to the contrary, you and the Company agree that your cessation of service under this Transition Agreement will not be claimed by you as constituting, contributing to or supporting "Good Reason" under the Executive Severance Plan, and that the Company will not terminate your designation as a participant under the Executive Severance Plan prior to the Separation Date.

2. "Qualifying Termination" Severance Payments and Benefits

In consideration for you signing this Transition Agreement, and signing no earlier than the Separation Date and no later than 30 days following the Separation Date, a general waiver and release of claims, substantially in the form attached hereto as **Exhibit A** (the "***Release***"), and letting the Release become effective as set forth in the Release:

(a) For purposes of the Executive Severance Plan, this Transition Agreement and any related agreements, and based on actual facts, your separation from the Company will be deemed a "Qualifying Termination" under the terms of the Executive Severance Plan; and

(b) You will receive (due to your Qualifying Termination) the payments and benefits as specified on **Exhibit B** attached hereto, all subject to applicable tax withholding (the "***Severance Benefits***"). The Severance Benefits will be in full satisfaction of any amounts due under the Executive Severance Plan, the Spartan Motors, Inc. Stock Incentive Plan of 2012 (including as amended or amended and restated to date) and all applicable award agreements thereunder (the "***2012 Equity Plan***"), The Shyft Group, Inc. Stock Incentive Plan of 2016 (including as amended or amended and restated to date) and all applicable award agreements thereunder (the "***2016 Equity Plan***" and, together with the 2012 Equity Plan, the "***Equity Plans***"), and all other compensation and benefit arrangements of the Company and its subsidiaries and affiliates. You acknowledge and agree that some or all of the Severance Benefits would not be due and payable unless you sign the Release, and that the Severance Benefits constitute fair and adequate consideration for your promises and covenants set forth in this Transition Agreement and the Release. You and the Company also acknowledge and agree that the Executive Severance Plan will be interpreted in accordance with the terms of this Transition Agreement to the extent necessary or desirable to provide for the Severance Benefits.

3. <u>RESTRICTIVE COVENANTS</u>

By signing this Transition Agreement, you reaffirm that, subject to applicable law, you will continue to abide by the restrictive covenants to which you are subject, including as set forth in or applicable under the Equity Plans and the Executive Severance Plan, which restrictive covenants expressly survive your Qualifying Termination pursuant to their terms.

Notwithstanding anything in this Transition Agreement, the Equity Plans or the Executive Severance Plan (or otherwise) to the contrary, nothing in such documents (or otherwise) prevents you from providing, without prior notice to the Company, information to governmental authorities regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, and for purpose of clarity you are not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended.

No Company policy or individual agreement between the Company and you shall prevent you from providing information to government authorities regarding possible legal violations, participating in investigations, testifying in proceedings regarding the Company's past or future conduct, engaging in any future activities protected under the whistleblower statutes administered by any government agency (e.g., EEOC, NLRB, SEC, etc.) or receiving a monetary award from a government- administered whistleblower award program for providing information directly to a government agency. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by privilege. By executing this Transition Agreement you represent that, as of the date you sign this Transition Agreement, no claims, lawsuits, or charges have been filed by you or on your behalf against the Company or any of its legal predecessors, successors, assigns, fiduciaries, parents, subsidiaries, divisions or other affiliates, or any of the foregoing's respective past, present or future principals, partners, shareholders, directors, officers, employees, agents, consultants, attorneys, trustees, administrators, executors or representatives. You acknowledge and agree that you have in a timely manner received or waived all applicable notices required under the Equity Plans and the Executive Severance Plan (or otherwise) in connection with or reasonably related to this Transition Agreement and your Qualifying Termination. The Company agrees that this Transition Agreement does not extend to, release or modify any rights to indemnification or advancement of expenses to which you are entitled from the Company or its insurers under the Company's articles of incorporation, bylaws, or other corporate governing law or instruments (including any directors and officers liability insurance) or your indemnification agreement(s) with the Company.

You agree that you will not make or issue, or procure any person, firm, or entity to make or issue, any statement in any form, including written, oral and electronic communications of any kind, which conveys negative or adverse information concerning the Company, the Shyft Companies (as defined below), or any and all past, present, or future related persons or entities, including but not limited to the Company's and such Shyft Companies' officers, directors, managers, employees, shareholders, agents, attorneys, successors and assigns, specifically including without limitation the Company and its subsidiaries and affiliates, their business, their actions or their officers or directors, to any person or entity, regardless of the truth or falsity of such statement. Further, the Company will instruct and direct the executive officers and directors of the Company and its subsidiaries not to make or issue, or procure any person, firm, or entity to make or issue, any statement in any form, including written, oral and electronic communications of any kind, which conveys negative or adverse information concerning you or any of your legal successors, assigns, or other affiliates, or any of the foregoing's respective past, present or future directors, officers, employees or representatives (collectively, "***Your Non-Disparagement Parties***"), or any of Your Non-Disparagement Parties' businesses, or their actions, to any person or entity, regardless of the truth or falsity of such statement. Any inquiries to the Company by future employers shall be referred to the Company's human resources department which shall only provide your last position and dates of employment. This paragraph does not apply to truthful testimony compelled by applicable law or legal process.

4. LIMITATIONS

Nothing in this Transition Agreement or the Executive Severance Plan shall be binding upon the parties hereto to the extent it is void or unenforceable for any reason, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices; *provided, however*, that to the extent that any provision in this Transition Agreement, the Equity Plans or the Executive Severance Plan could be reasonably modified to render it enforceable under applicable law, it shall be deemed so modified and enforced to the fullest extent allowed by law.

5. **<u>Material Breach</u>**

You agree that in the event of any breach of any provision of the restrictive covenants described in **<u>Section 3</u>** of this Transition Agreement, the Company will be entitled to equitable and/or injunctive relief and, because the damages for such a breach will be impossible or impractical to determine and will not therefore provide a full and adequate remedy, the Company or (as applicable) any and all past, present or future parents, subsidiaries and affiliates of the Company (the "***Shyft Companies***") will also be entitled to specific performance by you. Except with respect to any clawback rights the Company may have or obtain with respect to equity or incentive awards (or other amounts) under the Equity Plans or otherwise (including under any Company policy adopted to comply with applicable stock exchange listing standards, Section 10D of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), and Rule 10D-1 under the Exchange Act (or other Company clawback policy)), no amount owing to you under this Transition Agreement shall be subject to set-off or reduction by reason of any claims that the Company and its subsidiaries and affiliates have or may have against you. You will be entitled to recover actual damages if the Company materially breaches this Transition Agreement, including any unexcused late or non-payment of any amounts owed under this Transition Agreement, or any unexcused failure to provide any other benefits specified in this Transition Agreement. Failure by any party hereto to enforce any term or condition of this Transition Agreement at any time shall not preclude that party from enforcing that provision, or any other provision, at a later time.

6. **<u>No Re-Employment; Standstill Agreement</u>**

(a) You understand that your employment with the Company is terminated on the Separation Date. You agree that you will not seek or accept employment with the Company and its subsidiaries and affiliates, including assignment to or on behalf of the Company as an independent contractor or through any third party, and the Company and its subsidiaries and affiliates have no obligation to consider you for any future employment or assignment.

(b) You agree that, unless approved in advance in writing by the Board, neither you nor any of your affiliates, and none of such persons' respective directors, officers, employees, managing members, general partners, agents and consultants, as applicable (including attorneys, financial advisors and accountants) (collectively, "***Representatives***"), acting on behalf of or in concert with you (or any of your Representatives) will, for a period of 18 months after the Separation Date, directly or indirectly:

(i) make any statement or proposal to the Board, any of the Company's Representatives or any of the Company's stockholders regarding, or make any public announcement, proposal or offer (including any "solicitation" of "proxies" as such terms are defined or used in Regulation 14A of the Exchange Act) with respect to, or otherwise solicit, seek or offer to effect (including, for the avoidance of doubt, indirectly by means of communication with the press or media) (A) any business combination, merger, tender offer, exchange offer or similar transaction involving the Company or any of its subsidiaries, (B) any restructuring, recapitalization, liquidation or similar transaction involving the Company or any of its subsidiaries, (C) any acquisition of any of the Company's loans, debt securities, equity securities or assets, or rights or options to acquire interests in any of the Company's loans, debt securities, equity securities or assets, (D) any proposal to seek representation on the Board or otherwise seek to control or influence the management, Board or any policies of the Company, (E) any request or proposal to waive, terminate or amend the provisions of this Transition Agreement, or (F) any proposal, arrangement or other statement that is inconsistent with the terms of this Transition Agreement, including this **<u>Section 6(b)(i)</u>**;

(ii) instigate, encourage or assist any third party (including forming a "group" with any such third party) to do, or enter into any discussions or agreements with any third party with respect to, any of the actions set forth in clause (i) above;

(iii) take any action which would reasonably be expected to require the Company or any of its affiliates to make a public announcement regarding any of the actions set forth in clause (i) above; or

(iv) acquire (or propose or agree to acquire), of record or beneficially, by purchase or otherwise, any loans, debt securities, equity securities or assets of the Company or any of its subsidiaries, or rights or options to acquire interests in any of the Company's loans, debt securities, equity securities or assets.

7. <u>Review of Transition Agreement</u>

This Transition Agreement is important. You are advised to review it carefully and consult an attorney before signing it, as well as any other professional whose advice you value, such as an accountant or financial advisor. If you agree to the terms of this Transition Agreement, sign in the space below where your agreement is indicated. The payments and benefits specified in this Transition Agreement are contingent on your (a) signing this Transition Agreement and (b) signing the Release no earlier than the Separation Date and no later than 30 calendar days following the Separation Date, and not revoking the Release.

8. <u>Return of Property</u>

You affirm that you will return, within a reasonable time after the Separation Date, to the Company in reasonable working order all Company Property, as described more fully below. "Company Property" includes company-owned or leased equipment, supplies and documents, including computers and reasonably related equipment or other electronics. Such documents may include but are not limited to customer lists, financial statements, cost data, price lists, invoices, forms, passwords, electronic files and media, mailing lists, contracts, reports, manuals, personnel files, correspondence, business cards, drawings, employee lists or directories, lists of vendors, photographs, maps, surveys, and the like, including copies, notes or compilations made there from, whether such documents are embodied on "hard copies" or contained on computer disk or any other medium. You further agree that you will not retain any copies or duplicates of any such Company Property.

9. FUTURE COOPERATION

You agree that you shall, without any additional compensation, respond to reasonable requests for information from the Company (such requests shall not require you to provide services to the Company (excluding for clarification any services provided under the second and third sentences of this paragraph, which services will not require any additional compensation other than expense reimbursement as described in the last sentence of this paragraph)) regarding matters that may arise in the Company's business. You further agree to fully and completely cooperate with the Company, its advisors and its legal counsel with respect to any litigation that is pending against the Company and any claim or action that may be filed against the Company in the future. Such cooperation shall include making yourself available at reasonable times and places for interviews, reviewing documents, testifying in a deposition or a legal or administrative proceeding, and providing advice to the Company in preparing defenses to any pending or potential future claims against the Company. The Company agrees to (or to cause one of its affiliates to) pay/reimburse you for any approved travel expenses reasonably incurred as a result of your cooperation with the Company, with any such payments/reimbursements to be made in accordance with the Company's expense reimbursement policy as in effect from time to time.

10. TAX MATTERS

By signing this Transition Agreement, you acknowledge that you will be solely responsible for any taxes which may be imposed on you as a result of the Severance Benefits or the provisions of this Transition Agreement, that all amounts payable to you under or in connection with this Transition Agreement will be subject to applicable tax withholding by the Company or its subsidiaries or affiliates, and that the Company has not made any representations or guarantees regarding the tax result for you with respect to any income recognized by you in connection with this Transition Agreement or the Severance Benefits.

11. INTERNAL REVENUE CODE SECTION 409A

The intent of you and the Company is that payments and benefits under this Transition Agreement comply with, or be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively "***Code Section 409A***"); accordingly, to the maximum extent permitted, this Transition Agreement shall be interpreted to be in compliance therewith. Notwithstanding any provision of this Transition Agreement to the contrary, in the event that you are a "specified employee" within the meaning of Code Section 409A (as determined in accordance with the methodology established by the Company as in effect on the Separation Date) (a "***Specified Employee***"), any payments or benefits that are considered non-qualified deferred compensation under Code Section 409A payable under this Transition Agreement on account of a "separation from service" during the six-month period immediately following your "separation from service" shall, to the extent necessary to comply with Code Section 409A and following the application of the relevant exceptions under Treas. Reg. 1.409A-1(b)(9), instead be paid, or provided, as the case may be, on the first regular payroll date after the date that is six months following your "separation from service" within the meaning of Code Section 409A. For purposes of Code Section 409A, your right to receive any installment payments pursuant to this Transition Agreement shall be treated as a right to receive a series of separate and distinct payments. In no event may you, directly or indirectly, designate the calendar year of any payment to be made under this Transition Agreement that is considered nonqualified deferred compensation, subject to Code Section 409A. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits that are deferred compensation subject to Code Section 409A, the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and such payments shall be made on or before the last day of your taxable year following the taxable year in which the expense occurred.

12. COMPENSATION RECOVERY POLICY

Notwithstanding anything in this Transition Agreement to the contrary, you acknowledge and agree that this Transition Agreement and any compensation described herein are subject to the terms and conditions of the Company's clawback provisions, policy or policies (if any) as may be in effect from time to time, including specifically to implement Section 10D of the Exchange Act, and any applicable rules or regulations promulgated thereunder (including applicable stock exchange listing standards or rules and regulations) (the "***Compensation Recovery Policy***"), and applicable sections of this Transition Agreement and any related documents shall be deemed superseded by and subject to (as applicable) the terms and conditions of the Compensation Recovery Policy.

13. NATURE OF AGREEMENT

By signing this Transition Agreement, you acknowledge that you are doing so freely, knowingly and voluntarily. You acknowledge that in signing this Transition Agreement you have relied only on the promises written in this Transition Agreement and on the Executive Severance Plan and the Equity Plans, but not on any other promise made by the Company or Shyft Companies. This Transition Agreement is not, and will not be considered, an admission of liability or of a violation of any applicable contract, law, rule, regulation, or order of any kind. This Transition Agreement, the Executive Severance Plan, the Equity Plans and the Release contain the entire agreement between the Company, other Shyft Companies and you regarding your transition and separation from the Company, except that all post-employment covenants contained in the Executive Severance Plan and Equity Plans remain in full force and effect in accordance with their terms. The Severance Benefits are in full satisfaction of any severance benefits under the Executive Severance Plan and the Equity Plans, and of any other compensation arrangements between you and the Company or the Shyft Companies. This Transition Agreement may not be altered, modified, waived or amended except by a written document signed by a duly authorized representative of the Company and you. Except as otherwise explicitly provided, this Transition Agreement will be interpreted and enforced in accordance with the laws of the State of Michigan, and the parties hereto, including their successors and assigns, consent to the jurisdiction of the state and federal courts of Michigan. The headings in this document are for reference only, and shall not in any way affect the meaning or interpretation of this Transition Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, you and the Company have executed this Transition Agreement as of the dates set forth below.

COLIN HINDMAN

/s/ Colin Hindman

Date: June 14, 2024

THE SHYFT GROUP, INC.

By: /s/ Josh Sherbin
Name: Josh Sherbin
Title: Chief Legal, Administrative and Compliance Officer

Date: June 12, 2024

<u>Exhibit A</u>

Release

This Release (the "***Release***") is between The Shyft Group, Inc. (the "***Company***") and Colin Hindman ("***you***" and similar words), in favor of the Company and its affiliates (meaning any entities that directly or indirectly control, are controlled by, or are under the same control as, the Company or any other entities affiliated with the Company or such entities), in consideration of the benefits provided to you and to be received by you from the Company as described in the Transition and Separation Agreement between the Company and you dated as of the applicable date referenced therein (the "***Transition Agreement***"). Capitalized terms used herein without definition have the meanings ascribed to such terms in the Transition Agreement.

By signing this Release, you and the Company hereby agree as follows:

1. <u>WAIVER AND RELEASE</u>

You, for yourself and on behalf of anyone claiming through you including each and all of your legal representatives, administrators, executors, heirs, successors and assigns (collectively, the "***Releasors***"), do hereby fully, finally and forever release, absolve and discharge the Company and each and all of its legal predecessors, successors, assigns, fiduciaries, parents, subsidiaries, divisions and other affiliates, and each of the foregoing's respective past, present and future principals, partners, shareholders, directors, officers, employees, agents, consultants, attorneys, trustees, administrators, executors and representatives (collectively, the "***Company Released Parties***"), of, from and for any and all claims, causes of action, lawsuits, controversies, liabilities, losses, damages, costs, expenses and demands of any nature whatsoever, at law or in equity, whether known or unknown, asserted or unasserted, foreseen or unforeseen, that the Releasors (or any of them) now have, have ever had, or may have against the Company Released Parties (or any of them) based upon, arising out of, concerning, relating to or resulting from any act, omission, matter, fact, occurrence, transaction, claim, contention, statement or event occurring or existing at any time in the past up to and including the date on which you sign this Release, including, without limitation: (a) all claims arising out of or in any way relating to your employment with or separation of employment from the Company or its affiliates; (b) all claims for compensation or benefits, including salary, commissions, bonuses, vacation pay, expense reimbursements, severance pay, fringe benefits, stock options, restricted stock units or any other ownership interests in the Company Released Parties; (c) all claims for breach of contract, wrongful termination and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, invasion of privacy and emotional distress; (e) all other common law claims; and (f) all claims (including claims for discrimination, harassment, retaliation, attorneys fees, expenses or otherwise) that were or could have been asserted by you or on your behalf in any federal, state, or local court, commission, or agency, or under any federal, state, local, employment, services or other law, regulation, ordinance, constitutional provision, executive order or other source of law, including without limitation under any of the following laws, as amended from time to time: the Age Discrimination in Employment Act (the "***ADEA***"), Title VII of the Civil Rights Act of 1964, 42 U.S.C. §§ 1981 & 1981a, the Americans with Disabilities Act, the Equal Pay Act, the Employee Retirement Income Security Act, the Lilly Ledbetter Fair Pay Act of 2009, the Family and Medical Leave Act, Sarbanes-Oxley Act of 2002, the National Labor Relations Act, the Rehabilitation Act of 1973, the Worker Adjustment Retraining and Notification Act, the Uniformed Services Employment and Reemployment Rights Act, Federal Executive Order 11246, and the Genetic Information Nondiscrimination Act.

2. <u>Scope of Release</u>

Nothing in this Release (a) shall release the Company from any of its obligations set forth in the Transition Agreement, awards under the Equity Plans or any claim that by law is non-waivable, (b) shall release the Company from any obligation to defend and/or indemnify you against any third party claims arising out of any action or inaction by you during the time of your employment and within the scope of your duties with the Company to the extent (i) you have any such defense or indemnification right (including under your indemnification agreement with the Company or to the extent the claims are covered by the Company's director & officer liability insurance), and (ii) permitted by applicable law, (c) shall affect your right to file a claim for workers' compensation or unemployment insurance benefits, or (d) shall prohibit you from instituting any action to challenge the validity of the release under the ADEA.

You further acknowledge that by signing this Release, you do not waive the right to file a charge against the Company with, communicate with or participate in any investigation by the Equal Employment Opportunity Commission, the Securities and Exchange Commission or any comparable state or local agency. However, you waive and release, to the fullest extent legally permissible, all entitlement to any form of monetary relief arising from a charge you or others may file, including without limitation any costs, expenses or attorneys' fees. You understand that this waiver and release of monetary relief would not affect an enforcement agency's ability to investigate a charge or to pursue relief on behalf of others. Notwithstanding the foregoing, you will not give up your right to any benefits to which you are entitled under any retirement plan of the Company that is intended to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, or your rights, if any, under Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended (COBRA), or any monetary award offered by the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended, the Dodd-Frank Wall Street Reform and Consumer Protection Act or The Sarbanes-Oxley Act of 2002.

By executing this Release, you represent that, as of the date you sign this Release, no claims, lawsuits, grievances, or charges have been filed by you or on your behalf against the Company Released Parties.

3. Knowing and Voluntary ADEA Waiver

In compliance with the requirements of the Older Workers' Benefit Protection Act, you acknowledge by your signature below that, with respect to the rights and claims waived and released in this Release under the ADEA, you specifically acknowledge and agree as follows: (a) you have read and understand the terms of this Release; (b) you have been advised and hereby are advised, and have had the opportunity, to consult with an attorney before signing this Release; (c) the Release is written in a manner understood by you; (d) you are releasing the Company and the other Company Released Parties from, among other things, any claims that you may have against them pursuant to the ADEA; (e) the releases contained in this Release do not cover rights or claims that may arise after you sign this Release; (f) you will receive valuable consideration in exchange for the Release other than amounts you would otherwise be entitled to receive; (g) you have been given a period of at least 21 days in which to consider and execute this Release (although you may elect not to use the full consideration period at your option); (h) you may revoke this Release during the seven-day period following the date on which you sign this Release, and this Release will not become effective and enforceable until the seven-day revocation period has expired; and (i) any such revocation must be submitted in writing to the Company c/o Joshua Sherbin, Chief Legal Officer, The Shyft Group, Inc., 41280 Bridge Street, Novi, Michigan 48375, prior to the expiration of such seven-day revocation period. If you revoke this Release within such seven-day revocation period, it shall be null and void.

4. Entire Agreement

This Release, the Transition Agreement, and the documents referenced therein contain the entire agreement between you and the Company regarding the matters described therein, and take priority over any other written or oral understanding or agreement that may have existed in the past regarding the matters described therein. You acknowledge that no other promises or agreements have been offered for this Release (other than those described above) and that no other promises or agreements will be binding unless they are in writing and signed by you and the Company. Should any provision of this Release be declared by a court of competent jurisdiction to be illegal, void, or unenforceable, the remaining provisions shall remain in full force and effect; provided, however, that upon a finding that the Release, in whole or part, is illegal, void, or unenforceable, you shall be required to execute a release that is legal and enforceable.

[SIGNATURE PAGE FOLLOWS]

I agree to the terms and conditions set forth in this Release.

COLIN HINDMAN

/s/ Colin Hindman

Date: June 14, 2024

<u>Exhibit B</u>

Severance Benefits*

1. Severance Benefits under the Equity Plans and the Executive Severance Plan, which Severance Benefits will consist of the following:

- Payment of an amount equal to $388,300 (the equivalent of 12 months of base salary derived from an annual rate equal to $388,300 (your annual base salary rate as CHRO in effect on the Effective Date, which rate will be unchanged through the Separation Date). This amount will be payable in the form of 12 months of base salary continuation, payable in accordance with the Company's normal payroll practices in effect at the applicable time, payable in accordance with Section 4.1(b) of the Executive Severance Plan and its applicable terms;

- If the threshold performance requirements are satisfied for annual cash incentive award payment under the Company's annual cash incentive plan for 2024, payment of a pro-rata portion of your target annual cash incentive award opportunity under the Company's annual cash incentive plan for 2024 (based on $271,810 multiplied by a fraction, the numerator of which is the number of complete calendar months that elapse from January 1, 2024 until the Separation Date occurring in 2024, and the denominator of which is 12). This amount, if any, will be payable in a lump sum after the end of 2024, at the same time as your annual cash incentive plan award payment for 2024 would have been paid if you had not experienced a Qualifying Termination during 2024;

- If you timely elect to continue group health care coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***"), subject to the Company's COBRA policies, reimbursement by the Company to you under Section 4.2 of the Executive Severance Plan for the employer's portion of premiums for your CHRO medical, dental and vision coverage for 12 months after the Separation Date (or until the date on which you become eligible to receive any health care benefits under any plan or program of another employer);

- Your outstanding Company equity awards under the Equity Plans will be governed by the applicable terms of the Equity Plans and Section 4.3 of the Executive Severance Plan for such awards for a Qualifying Termination, with the timing of payment of such awards governed by the Code Section 409A provisions of the Equity Plans and the Executive Severance Plan; and

- The provision to you by the Company of 12 months (running from the Separation Date) of outplacement services as described under Section 4.4 of the Executive Severance Plan.

---

* Except as otherwise expressly provided in this Transition Agreement (including this **<u>Exhibit B</u>**), all benefits are to be paid or provided in the manner and at the time specified in the applicable plan or agreement, or as required under applicable law.

2. As described in the proviso at the end of **Section 1(b)** of the Transition Agreement, but subject to the other terms of the Transition Agreement, should the Removal Date occur prior to the Transition End Date, you will receive a lump sum amount equal to your base salary for the remaining days between such Removal Date through and including the Transition End Date as if you had remained employed through such Transition End Date, which amount will be paid to you within 30 days of the Removal Date.

3. All other accrued vested benefits under the Company's other benefit plans, programs or arrangements pursuant to the terms of such plans, programs or arrangements.

EXHIBIT 31.1

CERTIFICATION

I, John Dunn, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 25, 2024

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

EXHIBIT 31.2

CERTIFICATION

I, Jonathan C. Douyard, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 25, 2024

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

EXHIBIT 32

CERTIFICATION

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

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m); and

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

Dated: July 25, 2024	/s/ John Dunn John Dunn President and Chief Executive Officer
Dated: July 25, 2024	/s/ Jonathan C. Douyard Jonathan C. Douyard Chief Financial Officer