



COMMAND  
YOUR ROAD.

# INVESTOR PRESENTATION

August 2018

# FORWARD LOOKING STATEMENTS

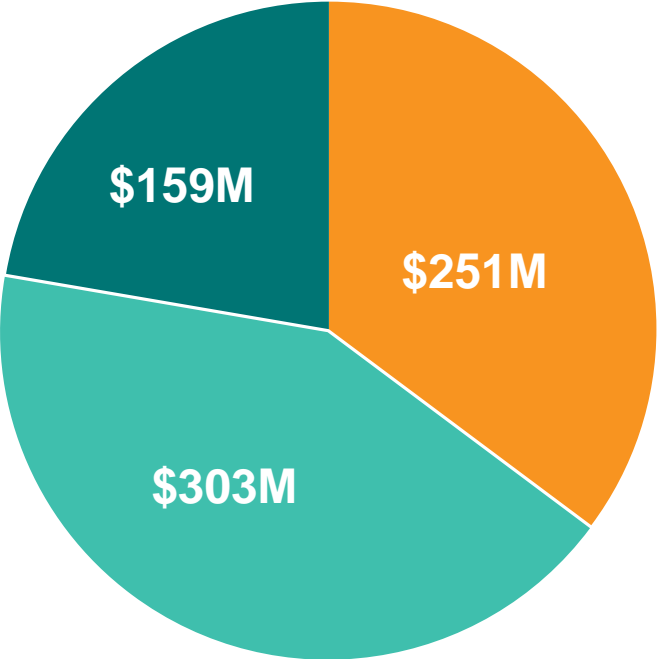


This presentation contains some forward-looking statements that are not historical facts, including statements concerning our business, financial strength, future plans, objectives, and the performance of our products. These statements can be identified by words such as “believe”, “expect”, “forecast”, “potential”, “project”, “future”, “may”, “will”, and “should”, and similar expressions or words. These forward-looking statements involve various known and unknown risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, and likelihood. Therefore, actual performance and results may materially differ from what may be expressed or forecasted in such forward-looking statements. Factors that could contribute to these differences may include operational and other complications that may arise affecting the implementation of our plans and business objectives; continued pressures caused by economic conditions and the pace and extent of the economic recovery; challenges that may arise in connection with the integration of new businesses or assets we acquire or the disposition of assets; issues unique to government contracting, such as competitive bidding processes, qualification requirements, and delays or changes in funding; disruptions within our dealer network; changes in our relationship with major customers or suppliers; changes in the demand or supply of products within our markets or raw materials needed to manufacture those products; and changes in laws and regulations affecting our business. The risk factors disclosed in Part I – Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission and available at [www.sec.gov](http://www.sec.gov) or our website, include all known risks our management believes could materially affect the results described by forward-looking statements contained in this presentation. However, those 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 risks may emerge from time to time that may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements in this presentation are qualified by this paragraph. Investors should not place undue reliance on forward-looking statements as a prediction of actual results. All dividends are considered and declared by our Board of Directors, in its discretion. We undertake no obligation to publicly update or revise any forward-looking statements in this presentation, whether as a result of new information, future events, or otherwise.

# SPARTAN AT A GLANCE



## SEGMENT OVERVIEW 2017 Sales



- Fleet Vehicles & Services (FVS)
- Emergency Response (ER)
- Specialty Chassis & Vehicles (SCV)



**\$707M**  
2017 SALES



**\$16M**  
2017 NET INCOME

**\$31M**  
2017 ADJ. EBITDA



**26 OPERATIONS**  
WITH FACILITIES IN 7  
STATES & 3 COUNTRIES

**Global leader in the design, engineering, manufacture, and service of purpose built specialty vehicles and chassis.**





# COMPANY TIMELINE



1975  
2018

**1975**  
Four young engineers joined to form Spartan Motors, Inc. and produced the first custom fire truck cab and chassis in a few short months



**1983**  
Spartan launches The Gladiator Super Command chassis

**1985**  
Spartan enters the Class A diesel RV chassis market



**1994**  
Spartan supports the industry by launching the Fire Truck Training Conference, promoting education and category advancement for Emergency Vehicle Technicians



FTTC

**1999**  
Spartan re-crafts the fire truck cab designing a flat floor and shorter engine tunnel for improved safety



**2005**  
Spartan provides integration, final assembly, inspection, and logistics support for military vehicles (MRAP & ILAV) built for the Iraq War

**2010**  
Spartan creates the Reach – the next generation commercial walk in van



**2013**  
Production begins at the state-of-the-art new facility in Bristol, IN



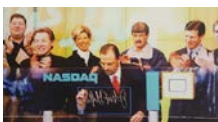
**2011**  
Spartan Motors, Inc. acquires Classic Fire

**2016**  
Spartan constructs a new flexible manufacturing facility in Charlotte, MI to meet the increasing need for contract manufacturing and assembly



**1978**  
Spartan constructs "Plant 1", a 19,200 sq. ft. manufacturing facility, the first of many buildings to come to the Charlotte, MI campus

**1984**  
Spartan Motors goes public on NASDAQ under the symbol "SPAR"



**1990**  
Spartan innovates creating 10 fire truck chassis configurations with raised roofs for better visibility, more headroom, and improved safety

**1997**  
Spartan Motors purchases Luverne Fire Apparatus and Quality Manufacturing which merged to form Crimson Fire



CRIMSON FIRE

**2006**  
Spartan Chassis constructs a new facility in Charlotte, MI to meet increasing demand for fire truck chassis.



**2009**  
Spartan Motors, Inc. acquires Utilimaster, Inc.



**2011**  
Spartan begins production for Isuzu's N-Series gasoline engine, low-cab-forward trucks providing assembly, final inspection, and quality control



**2015**  
Daryl Adams is appointed President & CEO



**2017**  
Spartan acquires Smeal Fire Apparatus and its Ladder Tower and UST brands



A SPARTAN MOTORS BRAND



A SPARTAN MOTORS BRAND



LADDER TOWER

# LEADERSHIP TEAM



***“...I have never before been involved with a company that has so rapidly transformed itself under new leadership to create such a bright future for itself.”***  
Hugh Sloan, Retired Chairman of the Board

## QUICK STATS & DRIVERS

- 161 years of combined executive leadership
- Lean manufacturing ethos
- Culture of accountability and proactivity
- Mantra of “no surprises”

## SHARED SKILL SETS

- Big-company DNA
- Blended automotive and non-automotive experience
- Successful M&A activity
- Progressive experience



**Daryl Adams**  
President & CEO



**Tom Ninneman**  
COO



**Tom Schultz**  
CAO



**Matt Long**  
Interim CFO



**Chad Heminover**  
President, Fleet  
Vehicles & Services



**Tom Ninneman**  
Interim President,  
Emergency Response

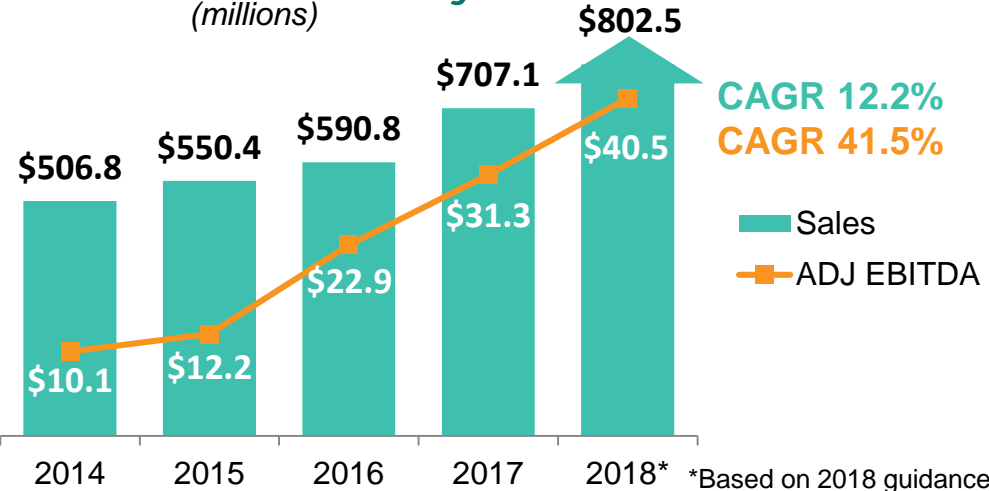


**Steve Guillaume**  
President, Specialty  
Chassis & Vehicles

# SPARTAN MOTORS – BUSINESS SNAPSHOT



Sales & Adj. EBITDA  
(millions)



TAM: \$5.2B



- eCommerce to grow 3x the rate of GDP by 2020

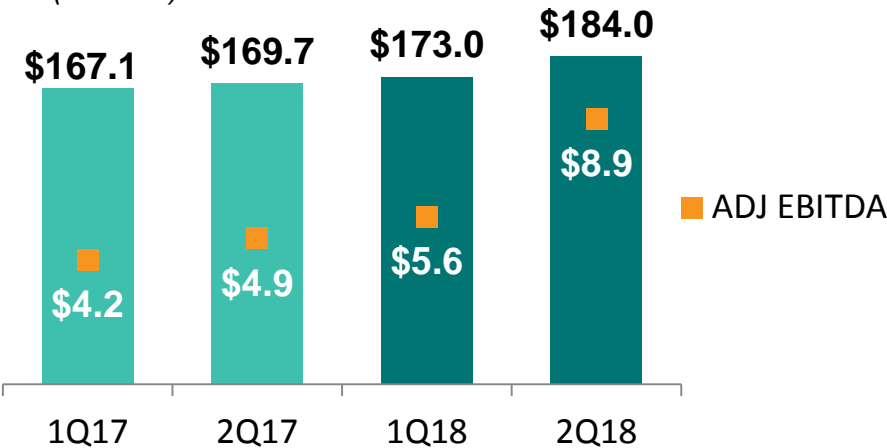


- 66% of all fire trucks are ten years or older

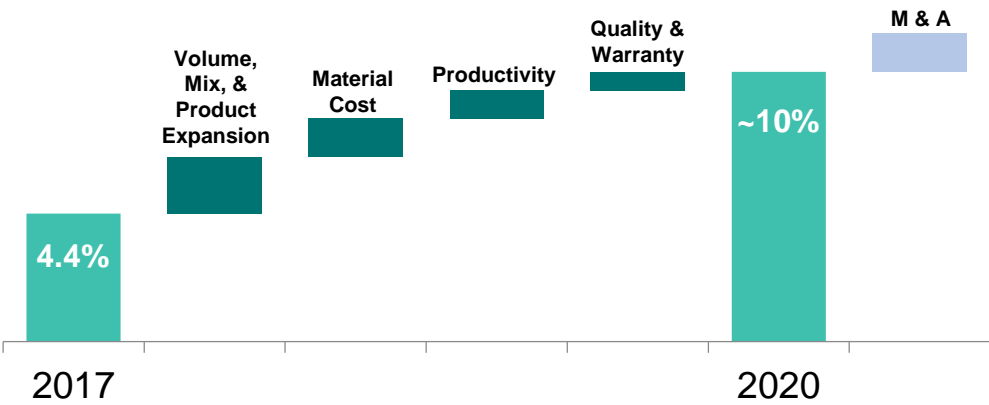


- 21% CAGR Class A Diesel >400 HP shipments ('12-'17)

2Q18 Sales & Adj. EBITDA  
(millions)



2020 Goal – Adj. EBITDA %



# FINANCIAL HIGHLIGHTS AND OUTLOOK



## 2017 Highlights

- Revenue up 20% to \$707.1M
- Net income up 85% to \$15.9M
- Adjusted EBITDA up 37% to \$31.3M
- EPS up 84% to \$0.46
- Adjusted EPS up 34% to \$0.43
- ER segment was profitable – achieving \$3.2M of adjusted EBITDA

## 2018 Guidance

	Low	Mid-point	High	MP % Increase Over 2017
<i>(millions except per share)</i>				
Revenue	\$790.0	\$802.5	\$815.0	13%
Net income	\$20.2	\$21.3	\$22.4	34%
Adjusted EBITDA	\$39.0	\$40.5	\$42.0	29%
EPS	\$0.58	\$0.61	\$0.64	33%
Adjusted EPS	\$0.60	\$0.63	\$0.66	47%

See GAAP reconciliation in Appendix

## 2Q 2018 Highlights

- Revenue up 8.4% to \$184.0M
- Gross Profit Margin improved 280 bps to 14.3% of sales
- Net income up 232.7% to \$3.7M
- Adjusted EBITDA up 79.6% to \$8.9M
- EPS up 267% to \$0.11
- Adjusted EPS up 71.4% to \$0.12
- ER segment profitable 4 qtrs. in a row
- Backlog increased \$151.3 million to \$524.1 million in 2Q18 from 2Q17

**Completed turnaround in 2017 – now focused on growth strategy**

# MANUFACTURING IMPROVEMENTS – GAINING TRACTION



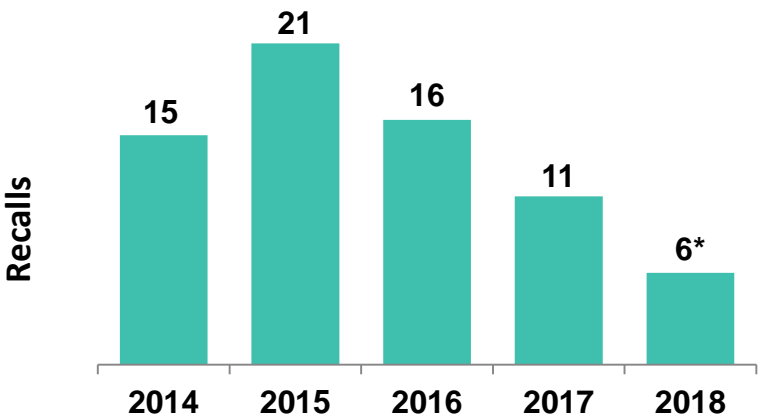
## In 2017, we...

- Created network for standards and support
- Defined organization structure to support accountability
- Conducted extensive KPI deployment
- Established organizational priorities
  - SPS acceleration
  - Cost improvement
  - Focal point KPI's by facility
  - People development

## SPS – Key KPI Initiatives

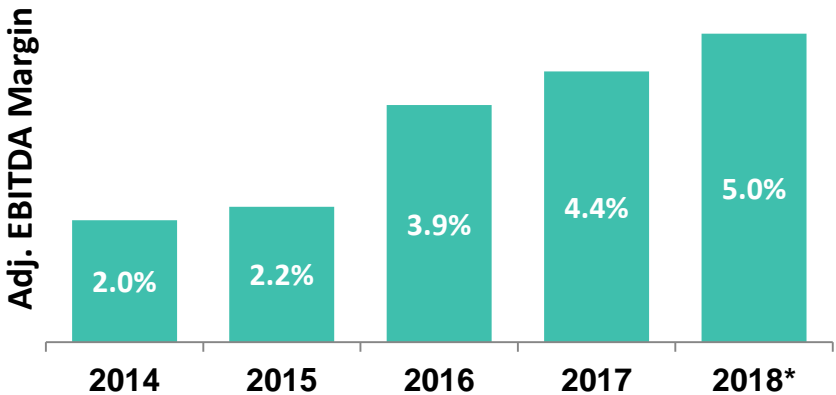
KPI	2017 vs. 2016
First Pass Yield	37 PPT's Improvement
On Time Delivery	14 PPT's Improvement
Direct Labor Efficiency	4 PPT's Improvement
Cost of Poor Quality	\$5.8M Improvement

## Product Recalls



\*Through 2Q18 (1 OEM pass-thru, 5 legacy recalls)

## Adjusted EBITDA Margin



\*Based on 2018 Guidance





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FLEET VEHICLES & SERVICES  
(FVS)

# FLEET VEHICLES & SERVICES



**A leader in the fleet vehicle market, including truck bodies, walk-in vans, highly-customized global fleets, and vocation-specific upfits**

## Walk-in Vans



## Truck Bodies



## Cargo Van Upfits



# FVS - GO-TO-MARKET STRATEGY



National Accounts/  
Large Business Fleets

Leasing Companies

OEM Dealerships



FIAT CHRYSLER AUTOMOBILES

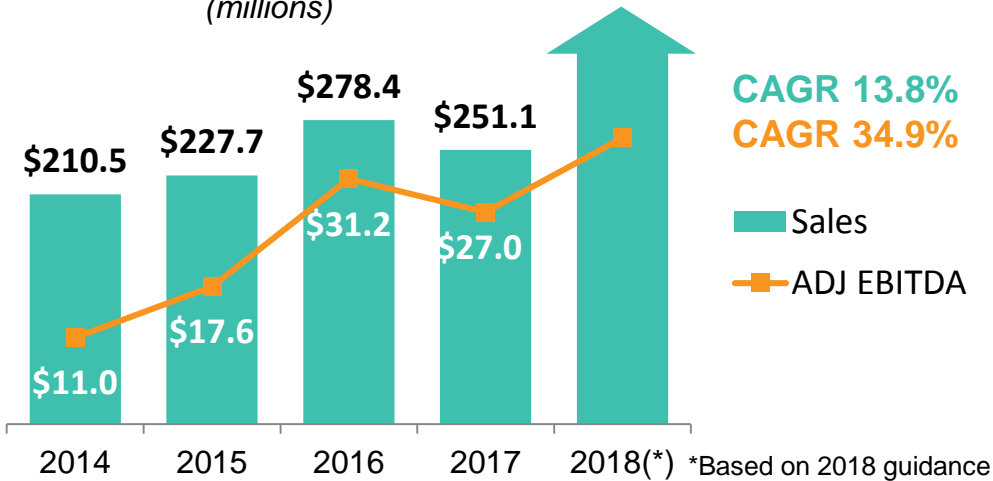


Mercedes-Benz

# FVS – BUSINESS SNAPSHOT



Sales & Adj. EBITDA  
(millions)

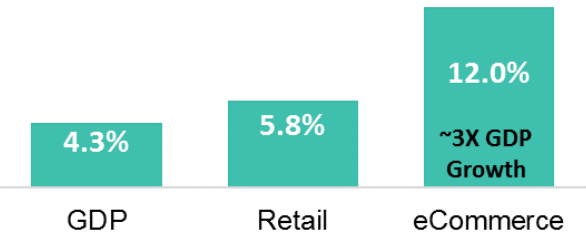


TAM: \$3.4B



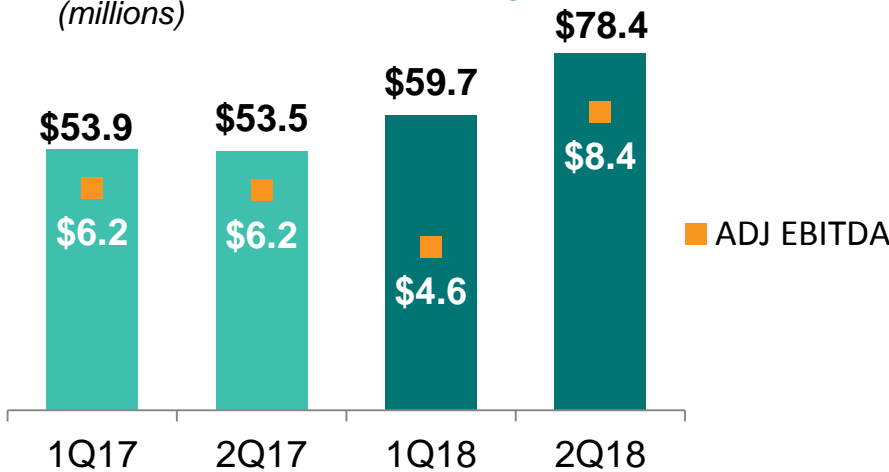
Expected Growth (CAGR) 2016-2020

32M packages delivered daily in 2016 will double to 64M by 2026

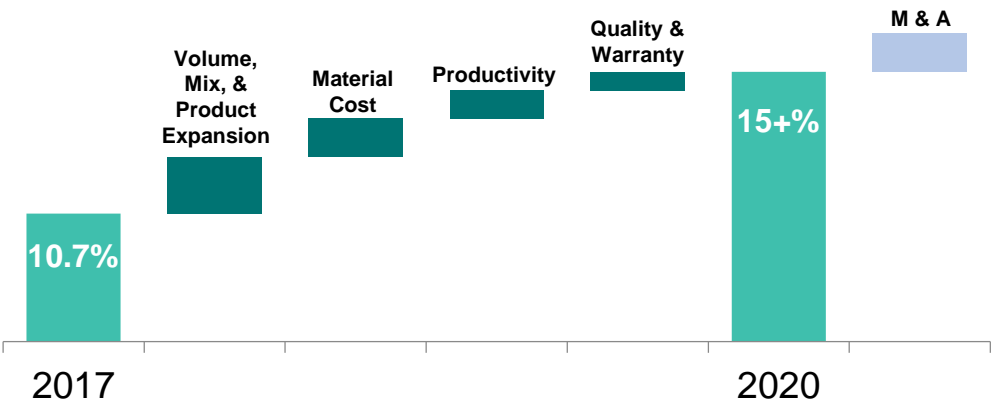


Note: Nominal GDP  
Sources: FedEx, UPS Rates & Forecasting, eMarketer, Forrester

2Q18 Sales & Adj. EBITDA  
(millions)



2020 Goal – Adj. EBITDA %



# FVS – MARKET SHARE



TAM: \$2.2 Billion



TAM: \$1.2 Billion

WALK- IN VANS

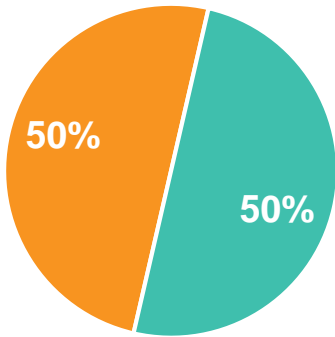
TRUCK BODIES

CARGO VAN UPFITS

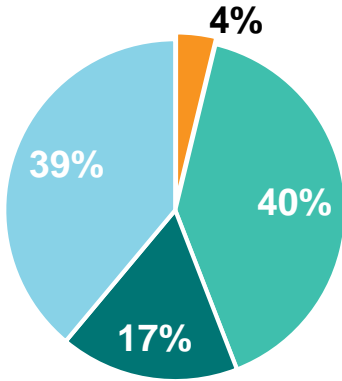
Walk-in Van Market Share

Truck Body Market Share

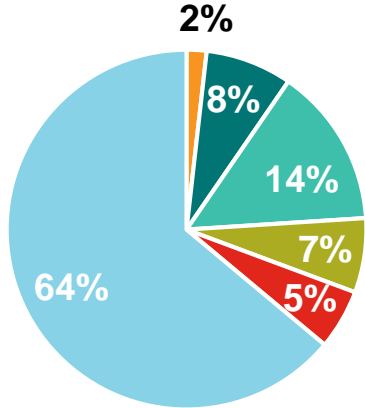
Van Up-fit Market Share



Utilimaster Morgan Olson



Utilimaster Morgan Corp Supreme/WNC Others



Utilimaster MasterRack  
Adrian Steel Ranger Design  
Weather Guard Regional Upfitters

Utilimaster #3 in Van/Truck Body Market

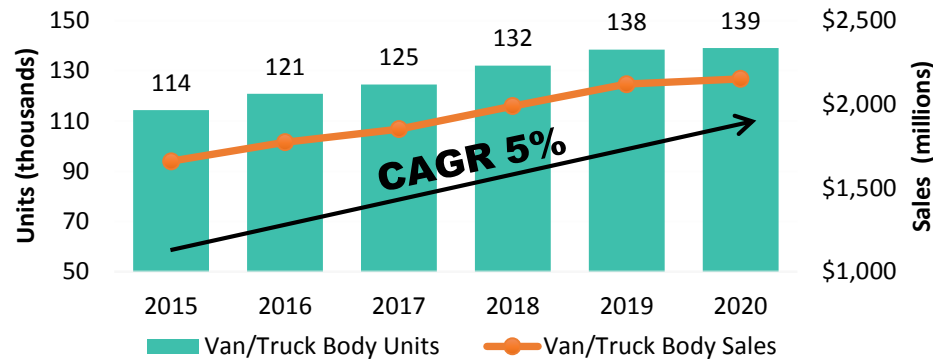


# FVS – VAN/TRUCK BODY & CARGO VAN UPFIT OUTLOOK



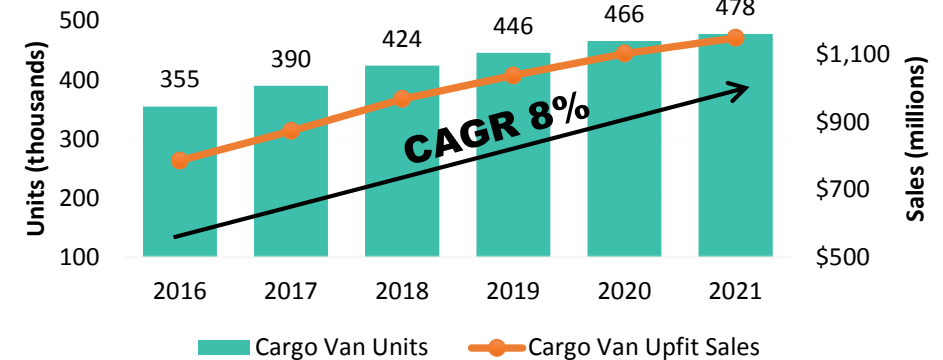
2020 / 2021 Total Addressable Market \$3.4 Billion

## Van/Truck Body Market Growth



- FVS participates in the 3 largest product segments driven by fleet customers
  - Walk-in/style
  - Parcel Delivery
  - Dry Freight
- Supports growth strategy in Last Mile Delivery vehicles
- FVS 2Q18 Backlog up 138.7% to \$313.4M compared to \$131.3M at 2Q17
  - Includes \$214M USPS order

## Cargo Van Upfit Market Growth



- FVS is well positioned to take advantage of the expanding cargo van segment
  - Ship-Thru programs in Saltillo, MX (Dodge Promaster) and Kansas City (Ford Transit)
- Growth driven by proven improvement efficiencies
  - Use of lighter weight material
  - Ergonomic equipment
  - Safety systems (rear view camera)
  - Quick turnaround time

# FLEET GROWTH OPPORTUNITIES



\$3.4B Market Opportunity



Source



Distribution Hub



Doorstep



# FVS – COMPETITIVE ADVANTAGE



**Utility**

ConEd | SDG&E



**Food & Beverage**

Coca-Cola | Frito Lay



**Parcel**

UPS | FedEx | USPS



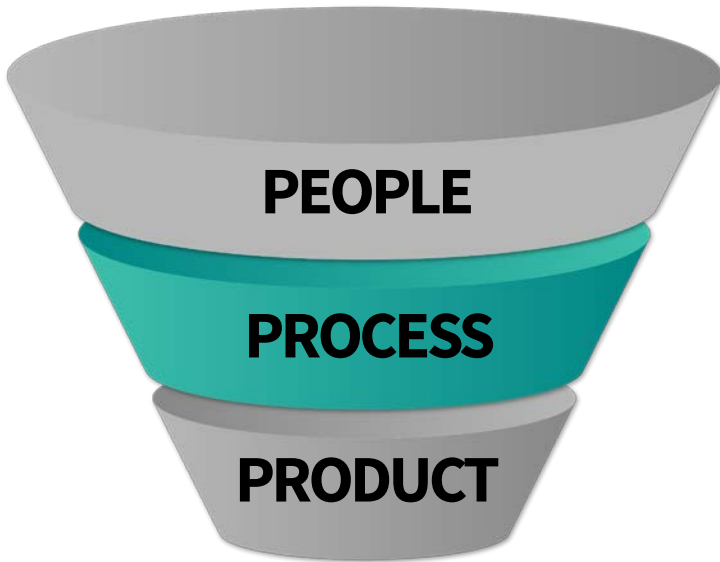
**Linen & Laundry**

Cintas | Aramark



**Retail**

Sysco | Starbucks



**Work-Driven Design = “The Utilimaster Difference”**



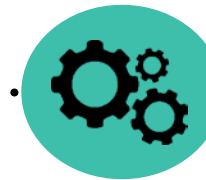
**Listen &  
Learn**



**Needs  
Assessment**



**Design &  
Innovate**

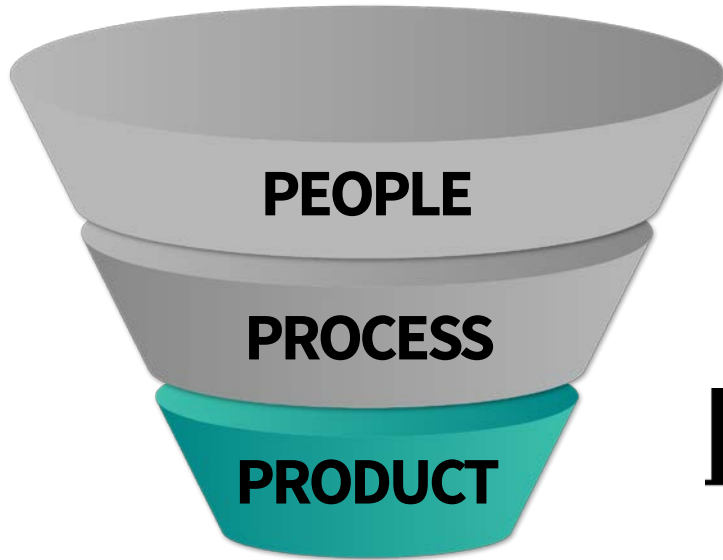


**Build &  
Implement**



**Optimized  
Partnership**

# FVS – BUILDING LONG-TERM RELATIONSHIPS



Truck  
Body



Walk-in  
Van



Van Upfit



Parts



Field  
Service

# BUSINESS UPDATE - FVS



- Last Mile Delivery – momentum continues to build
  - New major ecommerce upfit order
  - Secured manufacturing facility in northern Charleston, SC
- USPS cargo body \$214M two-year contract for 2,141 vehicles
  - Successfully completed launch of Ephrata facility
  - First unit produced in mid-April and required capacity achieved mid-June
  - \$80M in revenue targeted for 2018
- Major fleet orders from Frito Lay and linen company
  - Work-driven design driving sales across multiple product lines
- Refrigeration opportunities – received 96 WIV order from large national food distributor







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EMERGENCY RESPONSE (ER)

# EMERGENCY RESPONSE (ER)



A top three fire truck and cab & chassis manufacturer  
with an emphasis on broad categorical coverage

## Customers We Serve



## Cabs & Chassis



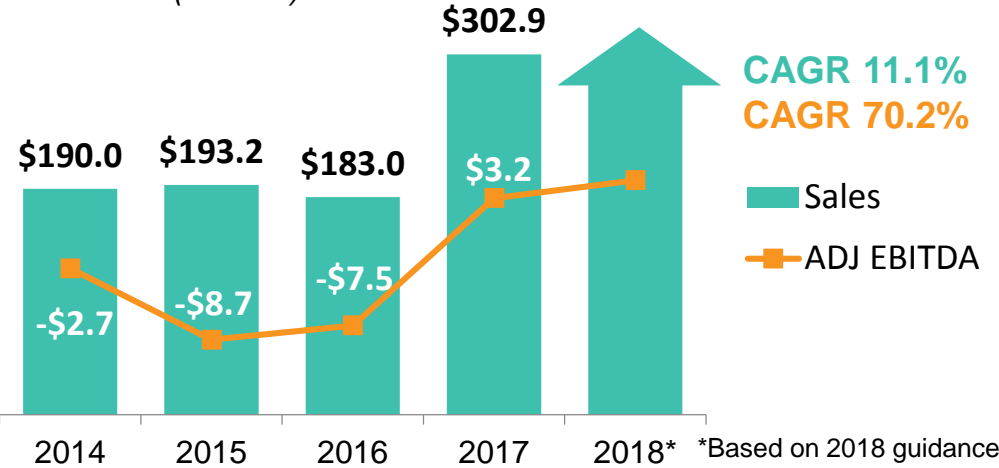
## Complete Apparatus



# ER – BUSINESS SNAPSHOT



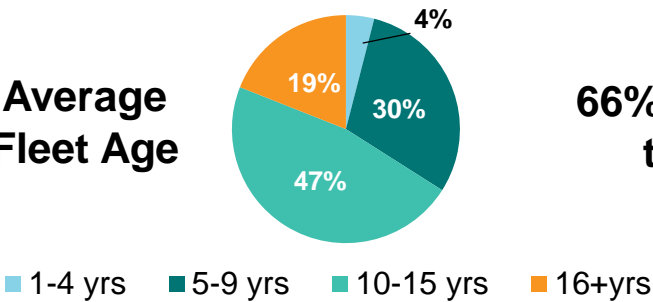
Sales & Adj. EBITDA  
(millions)



TAM: \$1.2B



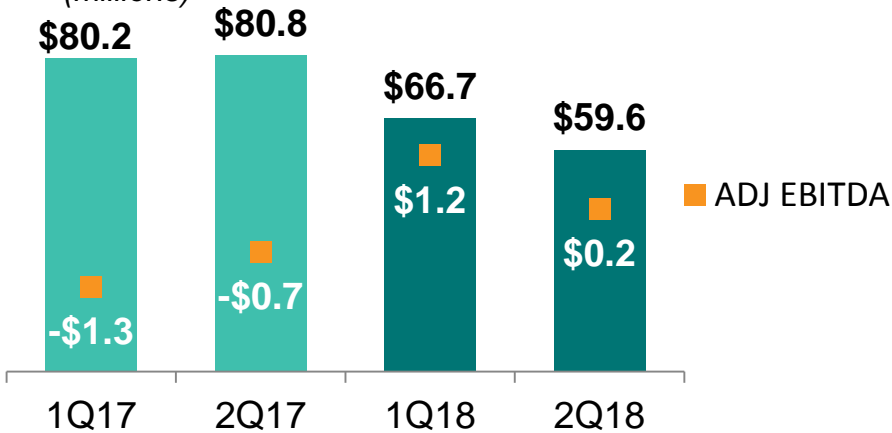
Average Fleet Age



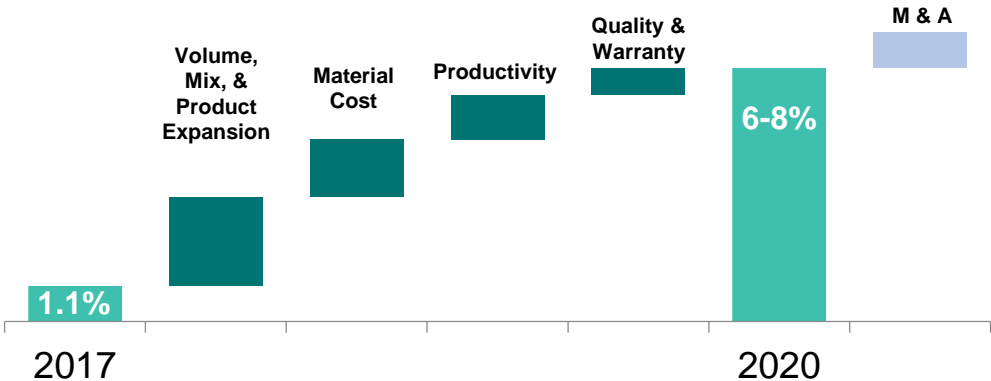
66% of all fire trucks are ten years or older

Source: FAMA shipped data and Management's estimates

2Q18 Sales & Adj. EBITDA  
(millions)



2020 Goal – Adj. EBITDA %



# ER – MARKET SHARE

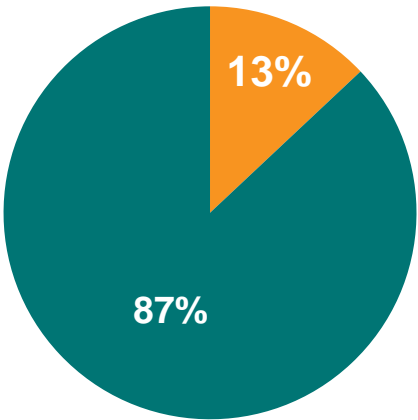


\$1.2 Billion Total Addressable Market



Pumpers

Pumper Market Share

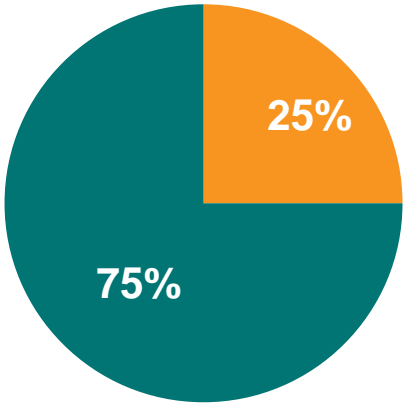


■ Spartan/Smeal   ■ Pierce, REV, Rosenbauer, Other



Aerials

Aerial Market Share

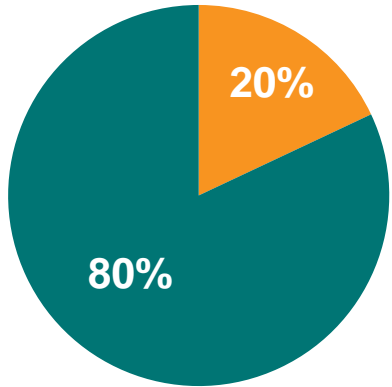


■ Spartan/Smeal   ■ Pierce, REV, Rosenbauer, Other

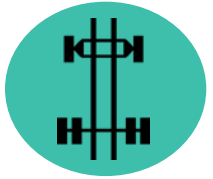


Fire Truck Cabs and Chassis

Chassis Market Share



■ Spartan/Smeal   ■ Pierce, REV, Rosenbauer, Other



## Spartan Independent Front Suspension (IFS)

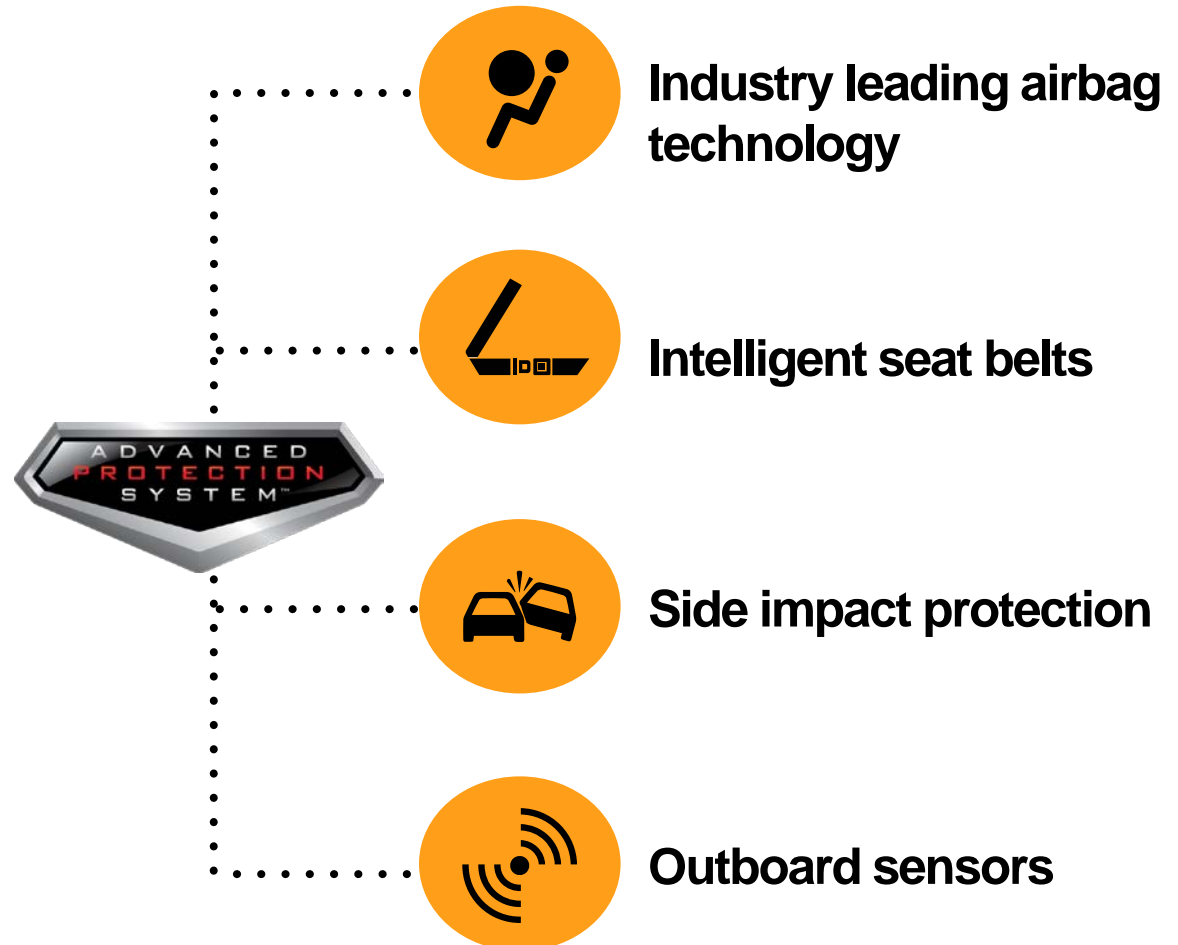
- Outperforms category leader
  - Product performance
  - Value equation



## New 35K Axle

- Greater carry capacity
- Increased maneuverability

## Spartan Advanced Protection System®





# BUSINESS UPDATE - ER



- Achieved 4th consecutive quarter of profitability
- Continue to implement margin improvement initiatives
  - Increased aerial manufacturing capacity
  - New order-to-ship process improvements launched in Brandon, SD facility
  - Facility optimization - UST consolidated into Brandon location
  - S180 production moving to Brandon
  - Dealer consolidation underway in key locations
  - Investing in aftermarket product support – new leader





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SPECIALTY CHASSIS &  
VEHICLES (SCV)

# SPECIALTY CHASSIS & VEHICLES (SCV)



The “Premier Foundation” (custom chassis) for the Class A luxury diesel Motor Coach market, with a core competency in custom manufacturing and assembly for the light duty truck, specialty vehicle, and defense markets.

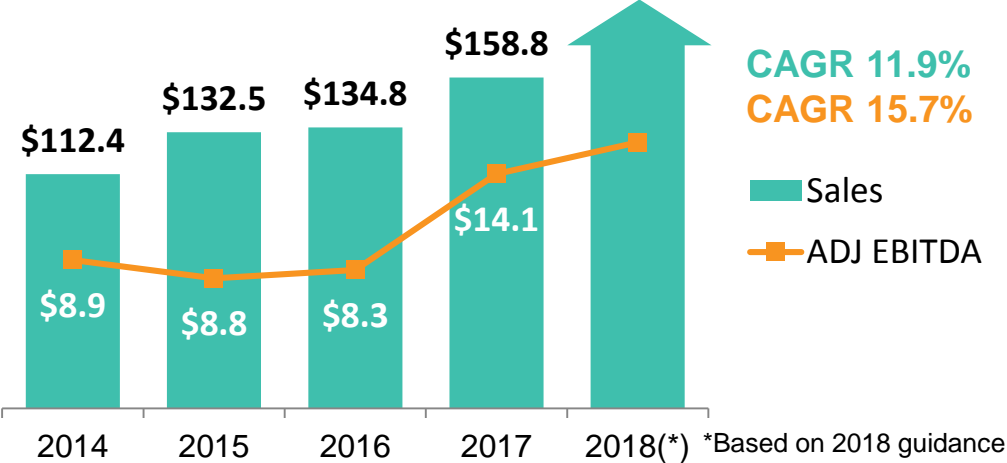
Customers We Serve	RV Chassis	Contract Manufacturing	Defense and Specialty
<div> ENTEGRACOACH®</div> <div> NEWMAR</div> <div> FORETRAVEL MOTORCOACH</div> <div> Glaval Bus <small>A Division Of Forest River, Inc.</small></div> <div> ISUZU</div> <div> GM</div> <div> BAE SYSTEMS</div>	<div></div> <div></div> <div></div> <div></div>	<div></div> <div></div>	<div></div> <div></div>

# SCV – BUSINESS SNAPSHOT

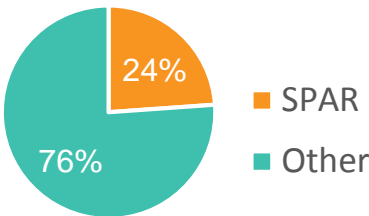


Sales & Adj. EBITDA  
(millions)

TAM: \$620M



Class A Diesel >400hp

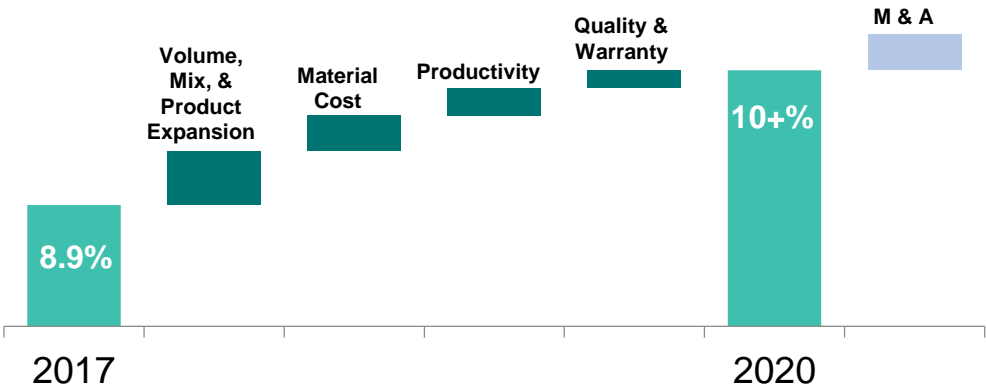
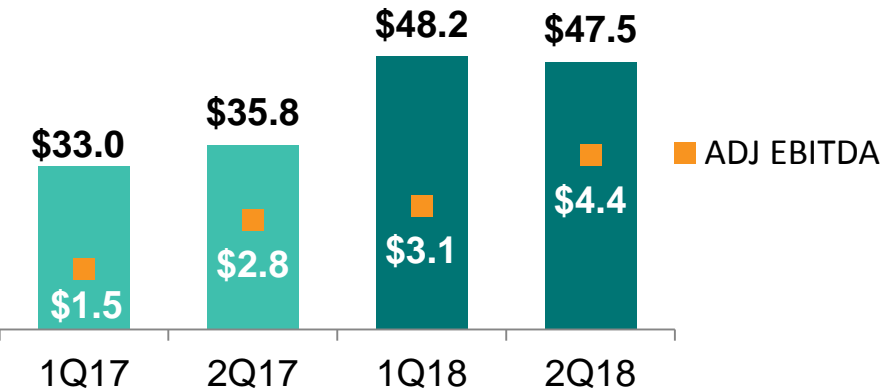


Spartan market share has seen positive growth of 30% since 2014

Source: Statistical Surveys MarketScope, 1/2008 – 12/2017, U.S. Data and Management's estimates

2Q18 Sales & Adj. EBITDA  
(millions)

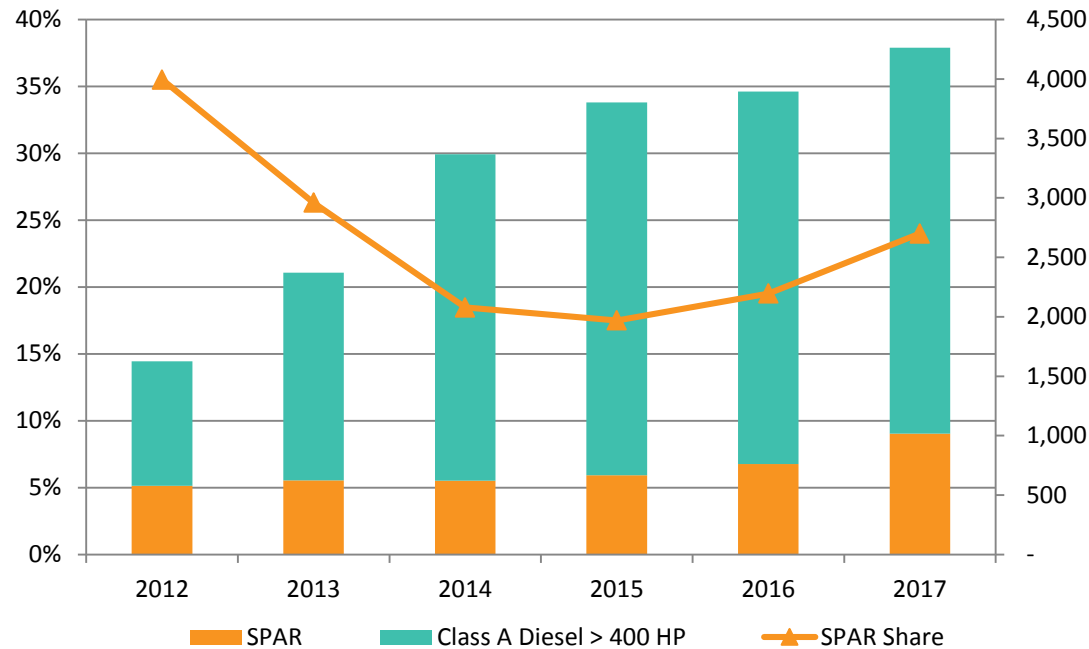
2020 Goal – Adj. EBITDA %



# RV CHASSIS – CLASS A DIESEL MARKET SHARE AND OUTLOOK



**Spartan market share has seen positive growth of 30% since 2014**



**Total Addressable Market  
\$620 Million**

**(Spartan makes chassis for Class A Diesel > 400 HP - 24% share)**

*Source: Statistical Surveys MarketScope, 1/2008 – 12/2017, U.S. Data and Management's estimates*

## LUXURY MOTOR COACH

- Favorable industry trends should support continued momentum, including:
  - Population and demographic trends
  - “Active/outdoor lifestyle” continues to grow
  - RV manufacturers are broadening offerings
  - 400HP diesel growing as % of diesel
- SCV increasing market share with Entegra, Newmar and Foretravel manufacturers
- Jayco – new for 2018
  - K1-360 chassis <400HP
  - \$200M addressable market



# SCV – CATEGORY LEADING INNOVATION



- Digital Dash v2.0
- Adaptive cruise control
- Collision mitigation
- Electronic stability control
- Lane departure warning
- Spartan Safe Haul™ Expansion
- Bluetooth Interface w/ Connected Care App

# SCV – FIRST TO MARKET INNOVATION



Custom tuned suspension



Automatic air leveling



Tire pressure monitoring system



Independent Front Suspension (IFS)



Passive steer tag axle



Rollover mitigation

# SCV – FUTURE INNOVATION



Today



Key Entry



Manual driving



Passive entry/start



Autonomous vehicles

Tomorrow

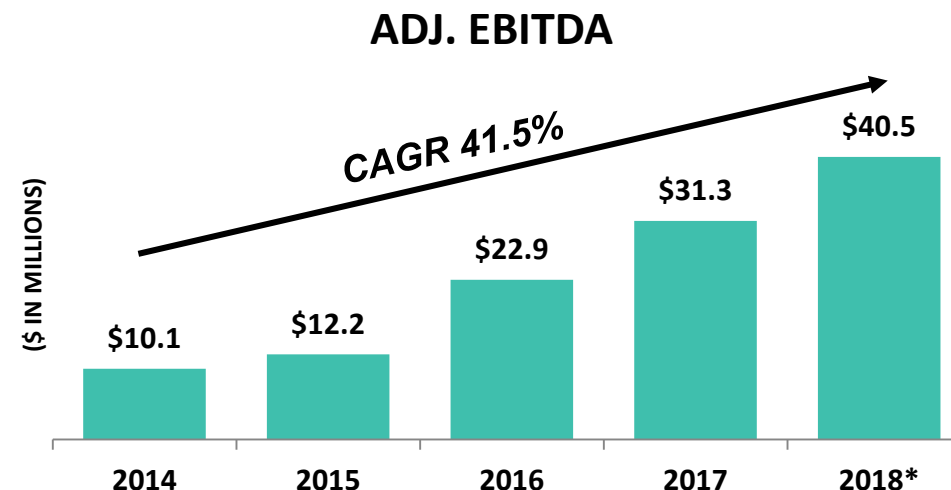
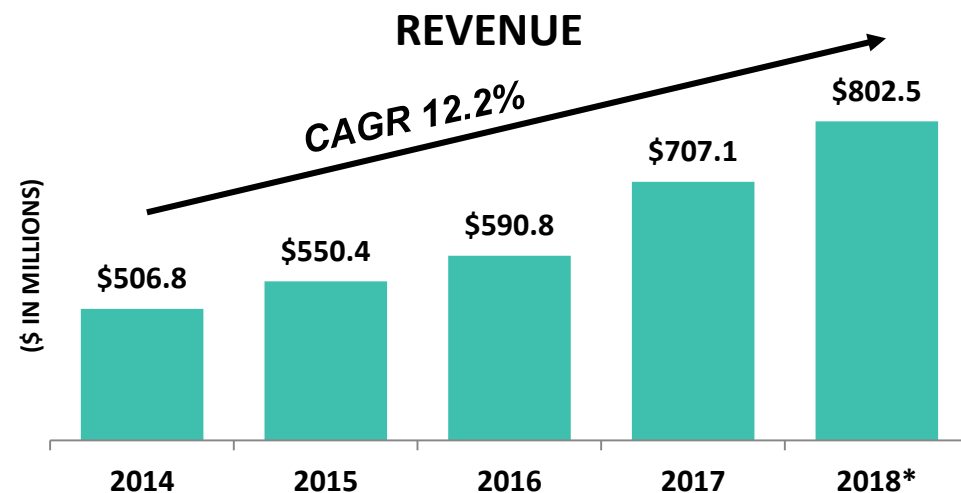
# BUSINESS UPDATE - SCV



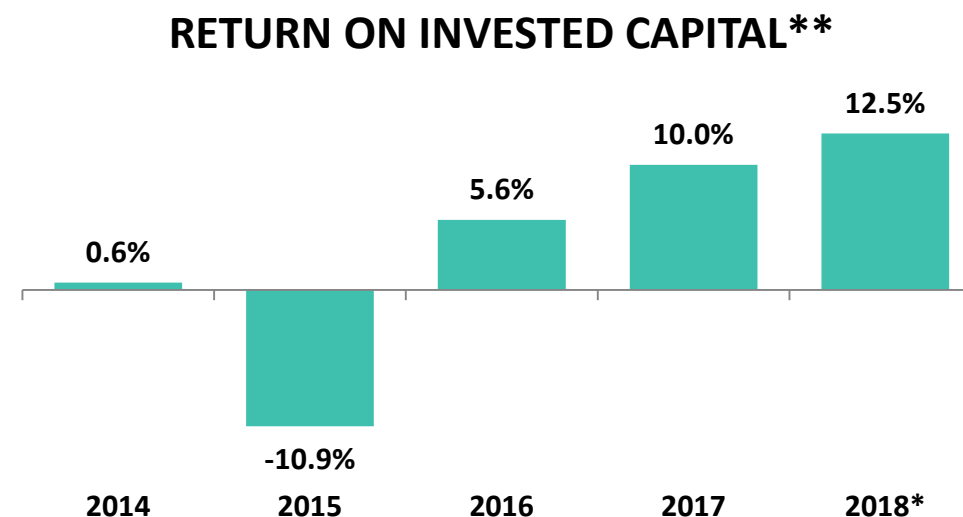
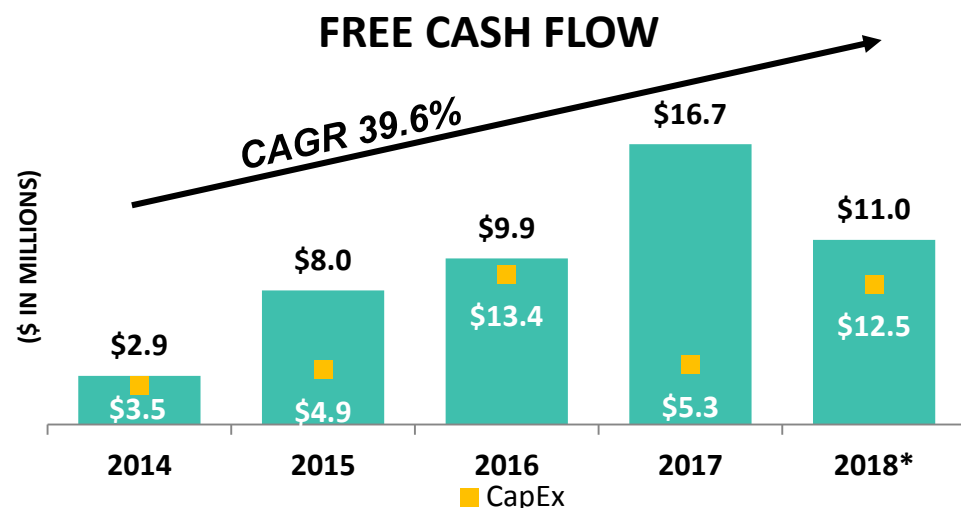
- Continues to gain share in luxury Motor Coach chassis market
- Launched new Ventana Tag 400HP chassis for Newmar 2019 model
- Launched new Reatta 39' Entegra
- New innovations include Safe Haul tow package with integrated car kit braking system



# POSITIONED FOR SUSTAINABLE GROWTH



See GAAP reconciliation in Appendix



See GAAP reconciliation in Appendix

© 2018 SPARTAN MOTORS, INC.

\* Based on 2018 guidance

\*\*Net operating profit after taxes / average invested capital balance



# THE PATH FORWARD



## Our Goal

**To become #1 or #2 in each market we serve**

***Leading purpose-built vehicle manufacturer***



## Well-positioned

**New management team  
Operational improvements  
Improved product portfolio  
Customer-centric focus  
Financial strength**

***Strengthen and grow the core business***



## Financial Objectives

**\$1 Billion in Sales  
~10% Adj. EBITDA Margins  
Improved Cash Flows  
Increase ROIC  
Enhance shareholder returns**

***Accelerate the path forward***



## Shareholder Alignment

**Management's long-term goals closely aligned with shareholders**

***Increase shareholder value***

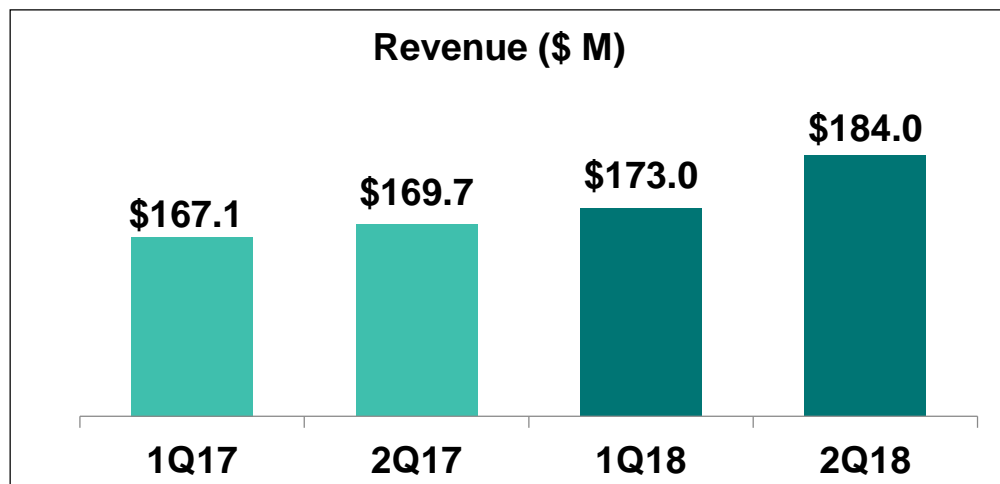




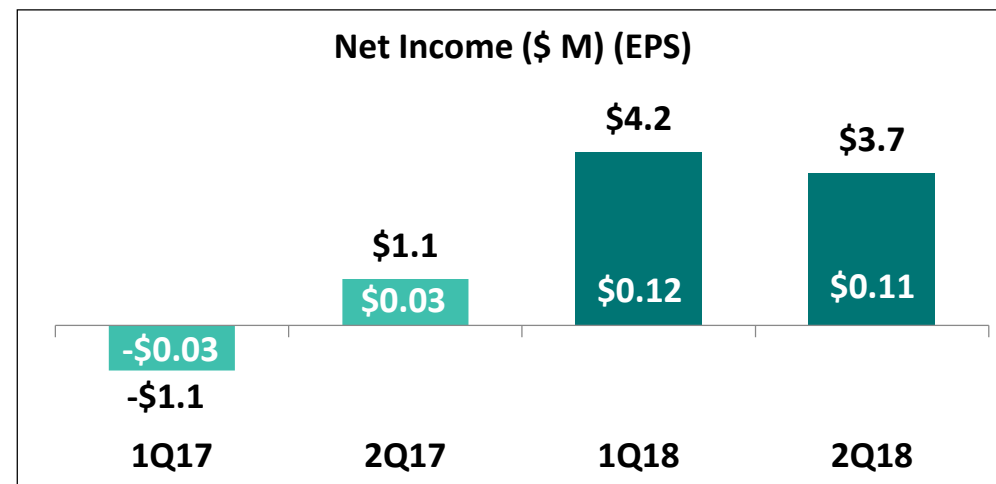
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# FINANCIAL REVIEW

# OVERVIEW – 2Q18 VS. 2Q17

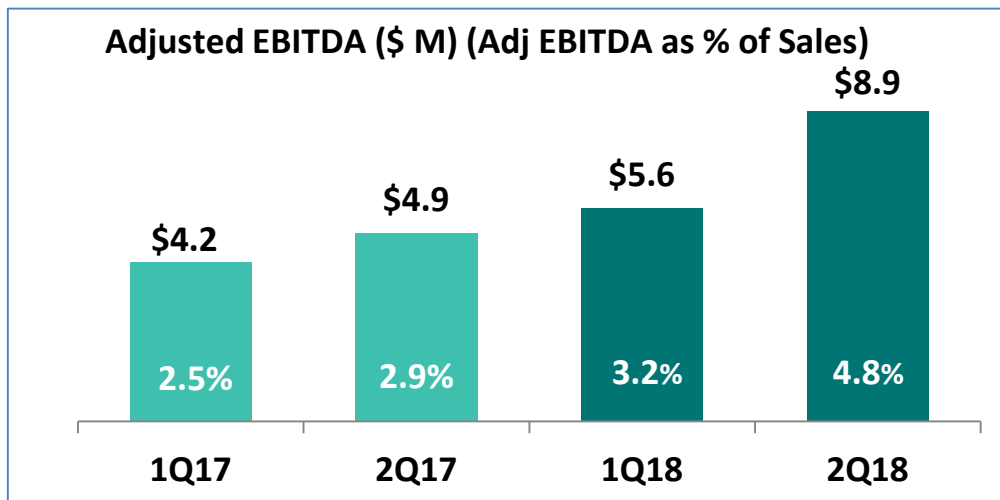


- Revenue for 2Q18 up \$14.3M, or 8.4%, to \$184.0M from \$169.7M
  - FVS up \$24.9M – higher Reach and upfit center volume
  - ER down \$21.2M – prior year includes \$8.3M for the timing of revenue relating to the Smeal acquisition
  - SCV up \$11.7M – strength of luxury motor coach sales

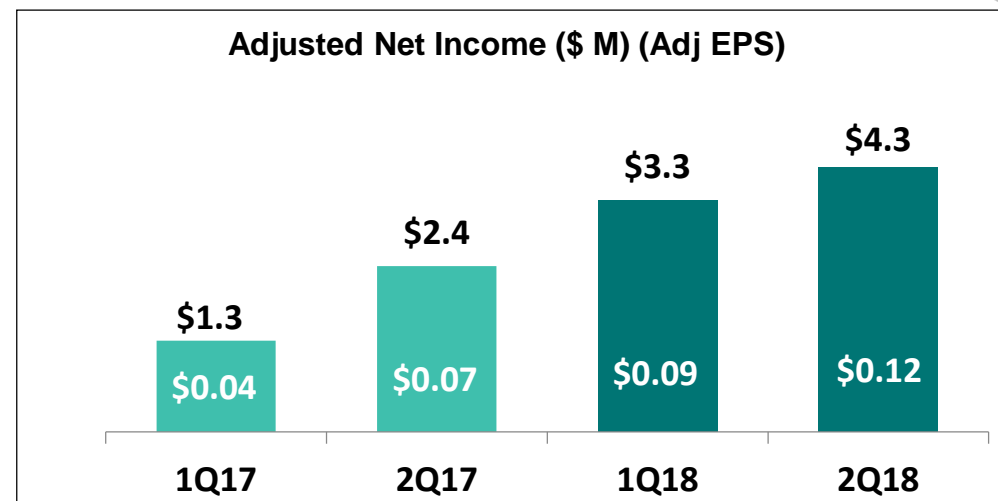


- Net Income for 2Q18 rose \$2.6M, or 232.7%, to \$3.7M from \$1.1M
- EPS increased \$0.08, or 266.7%, to \$0.11 from \$0.03 last year.
- Gross profit margin improved 280 bps to 14.3% of sales from 11.5% of sales
  - In spite of \$1M in higher commodity costs
  - Reflects higher luxury motor coach volume, ER pricing, and operational and organizational improvements across all business segments

# OVERVIEW – 2Q18 VS. 2Q17



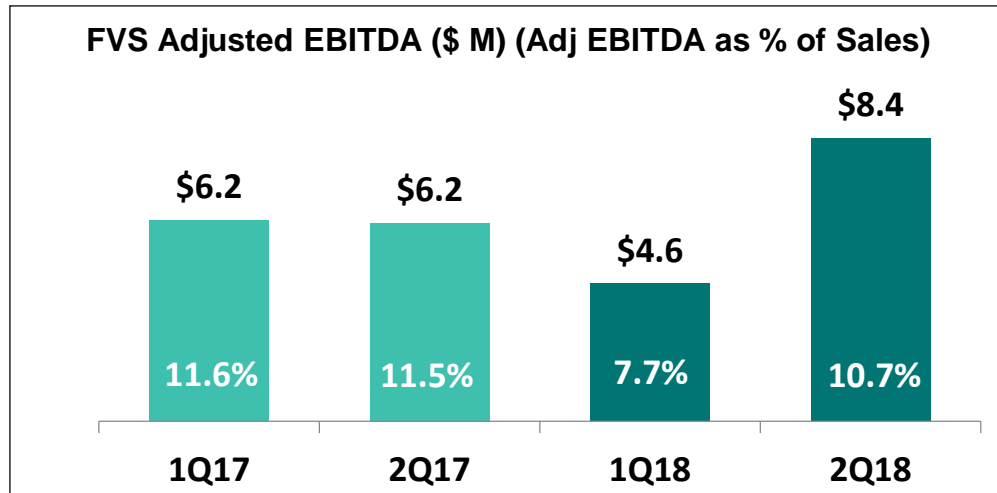
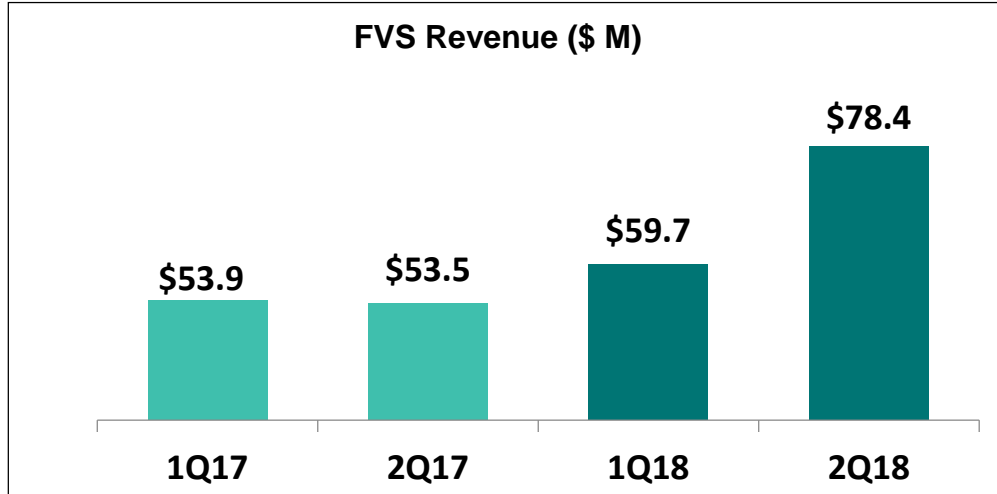
- Adjusted EBITDA rose \$4.0M, or 79.6%, to \$8.9M from \$4.9M
- Adjusted EBITDA margin improved 190 basis points to 4.8% of sales compared to 2.9% of sales
  - Reflects operational and organizational improvements from all three business segments



- Adjusted net income up 82.6% to \$4.3M from \$2.4M
- Adjusted EPS of \$0.12 versus \$0.07 a year ago
- Backlog up 40.6% to \$524.1M from \$372.8M a year ago.

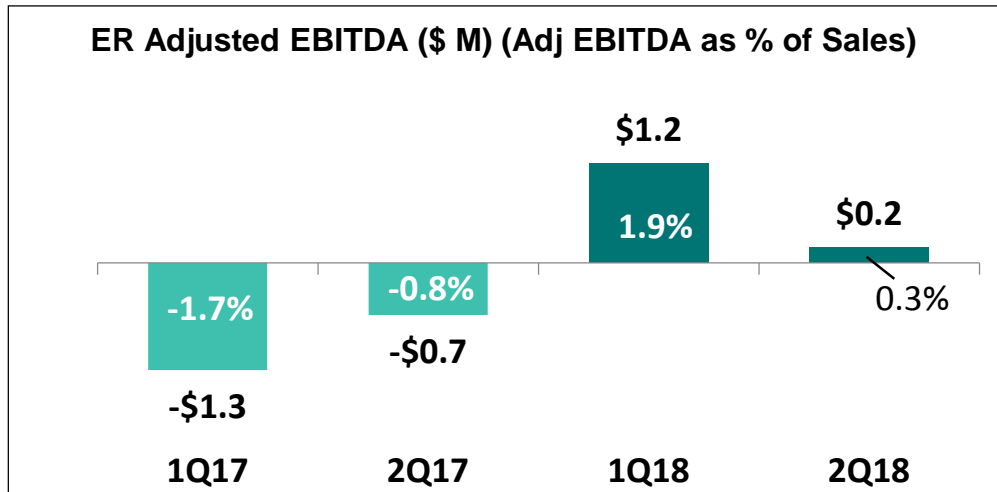
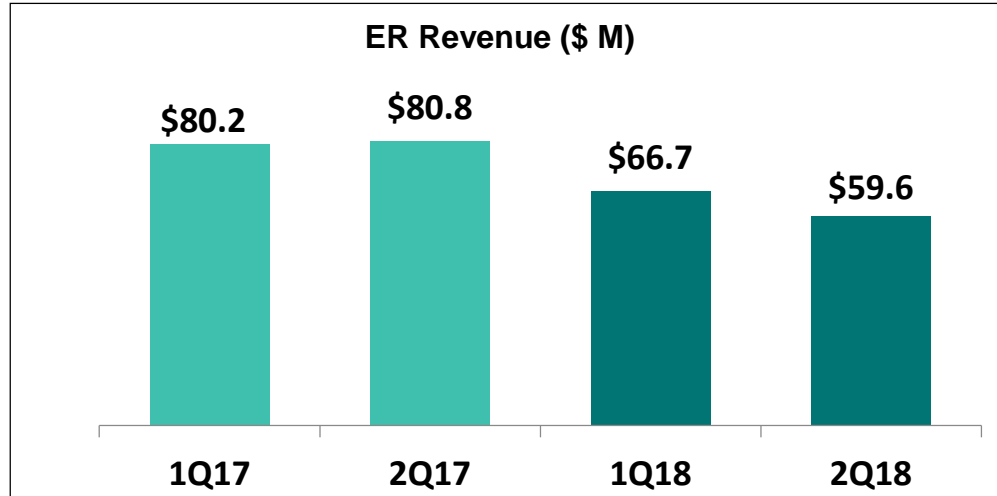
See GAAP reconciliation in Appendix

# FLEET VEHICLES & SERVICES – 2Q18



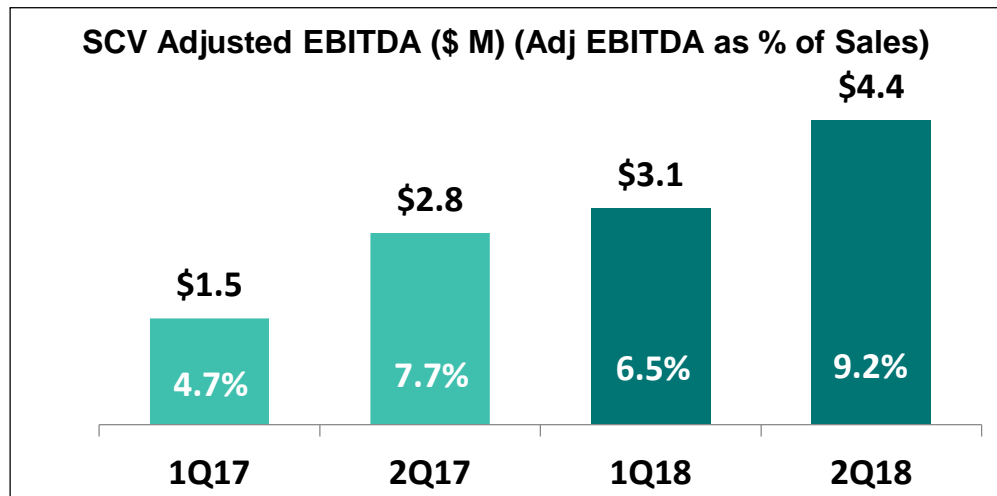
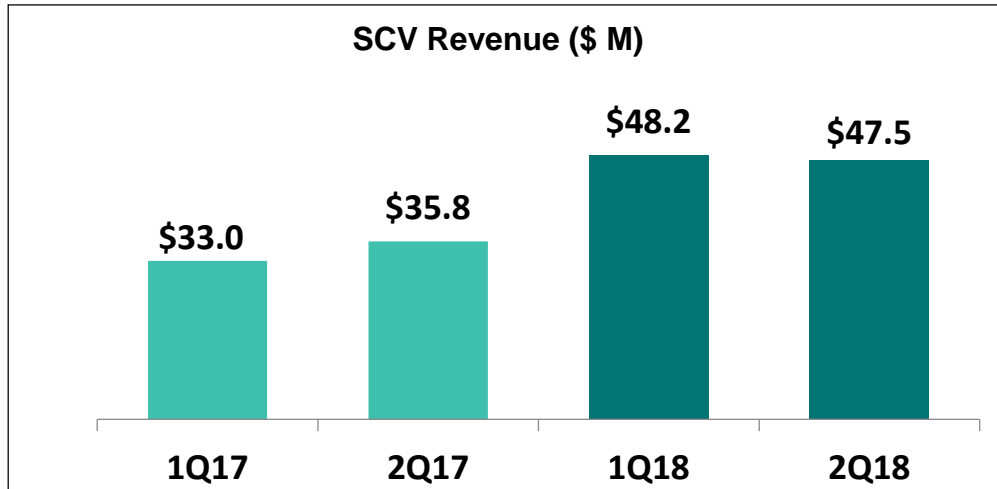
- Revenue up \$24.9M to \$78.4M from \$53.5M
  - Reflects improved sales mix and higher Reach and upfit volume
- Adjusted EBITDA increased \$2.2M to \$8.4M from \$6.2M primarily due to product mix and truck body start-up costs
- Adjusted EBITDA margin decreased 80 basis points to 10.7% of sales from 11.5%
  - Reflects \$1.0 million of higher commodity costs, \$0.5M start-up costs at new Ephrata, PA truck body plant and unfavorable mix
- Backlog up 138.7% to \$313.4M compared to \$131.3M a year ago
  - Includes \$214M USPS order

# EMERGENCY RESPONSE – 2Q18



- Revenue down 26.2% to \$59.6M from \$80.8M
  - Reflects lower volume and unfavorable sales mix, timing of revenue relating to the Smeal acquisition, partially offset by improved pricing
- Adjusted EBITDA improved \$0.9M to \$0.2M compared to a loss of \$0.7M last year
- Adjusted EBITDA margin improved 110 basis points to 0.3% of sales
  - Reflects operational and organizational improvements and improved pricing, partially reduced by lower volume
- Backlog down 18.2% to \$175.6M compared to \$214.8M a year ago

# SPECIALTY CHASSIS & VEHICLES – 2Q18



- Revenue up \$11.7M, or 32.7%, to \$47.5M from \$35.8M last year
  - Luxury motor coach chassis sales up \$9.0M, or 31.9% to \$37.2M from \$28.2M
- SCV adjusted EBITDA increased \$1.6M to \$4.4M from \$2.8M
- Adjusted EBITDA margin improved 150 basis points to 9.2% of sales from 7.7% of sales
  - Reflects increased sales volume and improved operational and organizational performance
- Backlog up 31.5% to \$35.1M compared to \$26.7M a year ago
  - Luxury motor coach backlog up 29.8% compared to a year ago



# BALANCE SHEET – 2Q18



**Spartan Motors, Inc.**  
**Summary Balance Sheet**  
**(unaudited)**

(\$000's)	Jun 30, 2018	Dec 31, 2017
<b>Assets</b>		
Cash	\$ 21,664	\$ 33,523
Accts Receivable	92,556	83,147
Contract Assets	46,418	-
Inventory	64,613	77,692
PP&E	54,630	55,177
Other Assets	49,803	51,625
<b>Total Assets</b>	<b>\$ 329,684</b>	<b>\$ 301,164</b>
<b>Liabilities &amp; Shareholders' Equity</b>		
Accts Payable	\$ 78,574	\$ 40,643
Long-term Debt	17,896	17,925
Other Liabilities	55,580	74,327
<b>Total Liabilities</b>	<b>152,050</b>	<b>132,895</b>
Shareholders' Equity	177,634	168,269
<b>Total Liabilities &amp; Equity</b>	<b>\$ 329,684</b>	<b>\$ 301,164</b>
<b>Total Liquidity</b>		
Cash	\$ 21,664	\$ 33,523
Net Borrowing Capacity	93,005	66,396
<b>Total Liquidity</b>	<b>\$ 114,669</b>	<b>\$ 99,919</b>

- Total liquidity of \$114.7M at 2Q18 reflects:
  - \$21.7M cash on hand
  - \$93.0M of borrowing capacity
- Adequate liquidity/capacity to fund:
  - Working capital requirements
  - Pursue opportunistic acquisitions
- Contract assets of \$46.4M at 2Q18
  - Represents revenue with corresponding profit recognized on products in process, but not yet invoiced to the customer as a result of adopting the new revenue recognition standard



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# APPENDIX

# RECONCILIATION OF NON - GAAP FINANCIAL MEASURES



This presentation contains adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted net income, adjusted earnings per share, forecasted adjusted EBITDA, and forecasted adjusted earnings per share, which are all non-GAAP financial measures. These non-GAAP measures are calculated by excluding items that we believe to be infrequent or not indicative of our continuing operating performance. For the periods covered by this release such items include expenses associated with restructuring actions taken to improve the efficiency and profitability of certain of our operations, various items related to business acquisition and strategic planning activities, and the impact that our deferred tax asset valuation allowance that we recorded in 2015 has had on our tax expense and net income in 2017.

We present the non-GAAP measures adjusted EBITDA, adjusted net income and adjusted earnings per share because we consider them to be important supplemental measures 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. The presentation of adjusted net income and adjusted earnings per share enables investors to better understand our operations by removing the impact of tax adjustments, including the impact that our deferred tax asset valuation allowance that we recorded in 2015 has had on our tax expense and net income in 2017, and other items that we believe are not indicative of our longer term operating trends. We believe these measures 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 these non-GAAP measures 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 these non-GAAP measures, when considered together with the corresponding GAAP financial measures and the reconciliations to those measures, provides investors with additional understanding of the factors and trends affecting our business than could be obtained in the absence of these disclosures.

Our management uses adjusted EBITDA to evaluate the performance of and allocate resources to our segments. In addition, non-GAAP measures are used by management to review and analyze our operating performance and, along with other data, as internal measures for setting annual budgets and forecasts, assessing financial performance, and comparing our financial performance with our peers. Adjusted EBITDA is also used, along with other financial and non-financial measures, for purposes of determining annual and long-term incentive compensation for our management team.

# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



**Financial Summary (Non-GAAP)**  
**Consolidated**  
(In thousands, except per share data)  
(Unaudited)

(\$000)	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Spartan Motors, Inc.</b>		
Net income (loss) attributable to Spartan Motors, Inc.	\$4,194	(\$1,098)
Add (subtract):		
Restructuring charges	20	642
Impact of acquisition on timing of chassis revenue recognition	-	1,112
Impact of step-up in inventory value resulting from acquisition	-	189
Impact of acquisition adjustment for net working capital	(1,500)	-
Acquisition related expenses	162	672
Deferred tax asset valuation allowance	74	466
Tax effect of adjustments	315	(719)
Adjusted net income attributable to Spartan Motors, Inc.	<u>\$3,265</u>	<u>\$1,264</u>
Net income (loss) attributable to Spartan Motors, Inc.	\$4,194	(\$1,098)
Add (subtract):		
Depreciation and amortization	2,452	2,325
Taxes on income	(48)	83
Interest expense	323	264
EBITDA	<u>\$6,921</u>	<u>\$1,574</u>
Add (subtract):		
Restructuring charges	20	642
Acquisition related expenses	162	672
Impact of acquisition adjustment for net working capital	(1,500)	-
Impact of step-up in inventory value resulting from acquisition	-	189
Impact of acquisition on timing of chassis revenue recognition	-	1,112
Adjusted EBITDA	<u>\$5,603</u>	<u>\$4,189</u>
Diluted net earnings (loss) per share	\$0.12	(\$0.03)
Add (subtract):		
Restructuring charges	-	0.02
Impact of acquisition on timing of chassis revenue recognition	-	0.03
Impact of step-up in inventory value resulting from acquisition	-	0.01
Impact of acquisition adjustment for net working capital	(0.04)	-
Acquisition related expenses	-	0.02
Deferred tax asset valuation allowance	-	0.01
Tax effect of adjustments	0.01	(0.02)
Adjusted Diluted net earnings per share	<u>\$0.09</u>	<u>\$0.04</u>

# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



**Financial Summary (Non-GAAP)**  
**Consolidated**  
(In thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Spartan Motors, Inc.</b>		
Net income attributable to Spartan Motors, Inc.	\$3,740	\$1,124
Add (subtract):		
Restructuring charges	797	325
Impact of acquisition on timing of chassis revenue recognition	-	853
Impact of acquisition adjustments for net working capital and contingent liability	(693)	-
Acquisition related expenses	373	60
Recall expense	(443)	-
Long-term strategic planning expenses	718	-
Tax effect of adjustments	(178)	-
Adjusted net income attributable to Spartan Motors, Inc.	<u>\$4,314</u>	<u>\$2,362</u>
 Net income attributable to Spartan Motors, Inc.	 \$3,740	 \$1,124
Add (subtract):		
Depreciation and amortization	2,586	2,365
Taxes on income	1,537	92
Interest expense	270	129
EBITDA	<u>\$8,133</u>	<u>\$3,710</u>
 Add (subtract):		
Restructuring charges	797	325
Impact of acquisition on timing of chassis revenue recognition	-	853
Impact of acquisition adjustments for net working capital and contingent liability	(693)	-
Acquisition related expenses	373	60
Recall expense	(443)	-
Long-term strategic planning expenses	718	-
Adjusted EBITDA	<u>\$8,885</u>	<u>\$4,948</u>
 Diluted net earnings per share	 \$0.11	 \$0.03
Add (subtract):		
Restructuring charges	0.02	0.01
Impact of acquisition on timing of chassis revenue recognition	-	0.03
Impact of acquisition adjustments for net working capital and contingent liability	(0.02)	-
Acquisition related expenses	0.01	-
Recall expense	(0.01)	-
Long-term strategic planning expenses	0.02	-
Tax effect of adjustments	(0.01)	-
Adjusted diluted net earnings per share	<u>\$0.12</u>	<u>\$0.07</u>

# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



## Adjusted Net Income, Adjusted EBITDA, Adjusted EPS (Non-GAAP)

### Consolidated

(In thousands, except per share data)  
(Unaudited)

Spartan Motors, Inc	Twelve Months Ended December 31,					
	2017	% of sales	2016	% of sales	2015	% of sales
Net income	\$ 15,935	2.3%	\$ 8,610	1.5%	\$ (16,972)	-3.1%
Add (subtract):						
Restructuring	1,252		1,095		2,855	
Intercompany chassis impact	2,073		-		-	
Asset impairment	-		406		2,234	
Acquisition inventory adjustment	189		-		-	
NHTSA settlement	-		-		2,269	
Recall expense	(368)		3,457		8,600	
JV expenses	-		7		508	
Acquisition related expenses	1,355		882		-	
Deferred tax asset adjustment	(3,260)		(2,932)		9,472	
Tax benefit of liquidation	(966)		-		-	
Tax effect of adjustments	(1,323)		(460)		(2,392)	
Adjusted net income	<u>\$ 14,887</u>	2.1%	<u>\$ 11,065</u>	1.9%	<u>\$ 6,574</u>	1.2%
Net income	\$ 15,935	2.3%	\$ 8,610	1.5%	\$ (16,972)	-3.1%
Add (subtract):						
Depreciation and amortization	9,937		7,903		7,437	
Taxes on income	90		100		4,880	
Interest expense	864		410		365	
EBITDA	<u>\$ 26,826</u>	3.8%	<u>\$ 17,023</u>	2.9%	<u>\$ (4,290)</u>	-0.8%
Add (subtract):						
Restructuring	1,252		1,095		2,855	
Intercompany chassis impact	2,073		-		-	
Asset impairment	-		406		2,234	
Acquisition inventory adjustment	189		-		-	
NHTSA settlement	-		-		2,269	
Recall expense	(368)		3,457		8,600	
JV expenses	-		7		508	
Acquisition related expenses	1,355		882		-	
Adjusted EBITDA	<u>\$ 31,327</u>	4.4%	<u>\$ 22,870</u>	3.9%	<u>\$ 12,176</u>	2.2%
Diluted net earnings per share	\$ 0.46		\$ 0.25		\$ (0.50)	
Add (subtract):						
Restructuring	0.04		0.03		0.08	
Intercompany chassis impact	0.06		-		-	
Asset impairment	-		0.01		0.07	
Acquisition inventory adjustment	0.01		-		-	
NHTSA settlement	-		-		0.07	
Recall expense	(0.01)		0.10		0.25	
Acquisition related expenses	0.04		0.03		-	
JV expenses	-		-		0.02	
Deferred tax asset adjustment	(0.10)		(0.09)		0.28	
Tax benefit of liquidation	(0.03)		-		-	
Tax effect of adjustments	(0.04)		(0.01)		(0.07)	
Adjusted Diluted net earnings per share	<u>\$ 0.43</u>		<u>\$ 0.32</u>		<u>\$ 0.20</u>	



# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



## Financial Summary (Non-GAAP)

Consolidated  
(In thousands)  
(Unaudited)

### Spartan Motors, Inc.

	2014	% of sales
Net income	\$ 1,029	0.2%
Add (subtract):		
Depreciation and amortization	8,378	
Taxes on income	(2,103)	
Interest expense	341	
EBITDA	7,645	1.5%
Add (subtract):		
Restructuring	2,157	
Asset impairments	-	
Product recall	-	
Acquisition related expenses	-	
NHTSA settlement	-	
Joint venture	289	
Adjusted EBITDA	10,091	2.0%

# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



## Fleet Vehicles and Services Segment (Non-GAAP)

(In thousands, unaudited)

	Three Months Ended March 31,			
	2018	% of sales	2017	% of sales
Net income	\$3,781	6.3%	\$5,225	9.7%
Add (subtract):				
Depreciation and amortization	607		876	
Interest expense	202		38	
Earnings before interest, taxes, depreciation and amortization	\$4,590	7.7%	\$6,139	11.4%
Earnings before interest, taxes, depreciation and amortization	4,590	7.7%	6,139	11.4%
Restructuring	-		105	
Adjusted earnings before interest, taxes, depreciation and amortization	\$4,590	7.7%	\$6,244	11.6%

## Emergency Response Segment (Non-GAAP)

(In thousands, unaudited)

	Three Months Ended March 31,			
	2018	% of sales	2017	% of sales
Net income (loss)	\$601	0.9%	(\$3,589)	(4.5%)
Add (subtract):				
Depreciation and amortization	624		552	
Earnings before interest, taxes, depreciation and amortization	\$1,225	1.8%	(\$3,037)	(3.8%)
Earnings before interest, taxes, depreciation and amortization	\$1,225	1.8%	(\$3,037)	(3.8%)
Restructuring	17		399	
Impact of acquisition on timing of chassis revenue recognition	-		1,112	
Impact of step-up in inventory value resulting from acquisition	-		189	
Adjusted earnings before interest, taxes, depreciation and amortization	\$1,242	1.9%	(\$1,337)	(1.7%)

## Specialty Chassis and Vehicles Segment (Non-GAAP)

(In thousands, unaudited)

	Three Months Ended March 31,			
	2018	% of sales	2017	% of sales
Net income	\$2,752	5.7%	\$1,127	3.4%
Add (subtract):				
Depreciation and amortization	366		310	
Earnings before interest, taxes, depreciation and amortization	\$3,118	6.5%	\$1,437	4.4%
Earnings before interest, taxes, depreciation and amortization	3,118	6.5%	1,437	4.4%
Restructuring	3		96	
Adjusted earnings before interest, taxes, depreciation and amortization	\$3,121	6.5%	\$1,533	4.7%

# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



## Fleet Vehicles and Services Segment (Non-GAAP) (In thousands, unaudited)

	Three Months Ended June 30,			
	2018	% of sales	2017	% of sales
Net income	\$7,667	9.8%	\$4,968	9.3%
Add (subtract):				
Depreciation and amortization	570		887	
Interest expense	137		12	
Earnings before interest, taxes, depreciation and amortization	\$8,374	10.7%	\$5,867	11.0%
Earnings before interest, taxes, depreciation and amortization	8,374	10.7%	5,867	11.0%
Restructuring	-		307	
Adjusted earnings before interest, taxes, depreciation and amortization	\$8,374	10.7%	\$6,174	11.5%

## Emergency Response Segment (Non-GAAP) (In thousands, unaudited)

	Three Months Ended June 30,			
	2018	% of sales	2017	% of sales
Net income (loss)	\$1,879	3.2%	(\$2,100)	(2.6%)
Add (subtract):				
Depreciation and amortization	628		584	
Earnings before interest, taxes, depreciation and amortization	\$2,507	4.2%	(\$1,516)	(1.9%)
Earnings before interest, taxes, depreciation and amortization	\$2,507	4.2%	(\$1,516)	(1.9%)
Restructuring	322		11	
Impact of acquisition on timing of chassis revenue recognition	-		853	
Recall expense	(443)		-	
Impact of acquisition adjustments for net working capital and contingent liability	(2,193)		-	
Adjusted earnings before interest, taxes, depreciation and amortization	\$193	0.3%	(\$652)	(0.8%)

## Specialty Chassis and Vehicles Segment (Non-GAAP) (In thousands, unaudited)

	Three Months Ended June 30,			
	2018	% of sales	2017	% of sales
Net income	\$4,022	8.5%	\$2,502	7.0%
Add (subtract):				
Depreciation and amortization	369		263	
Earnings before interest, taxes, depreciation and amortization	\$4,391	9.2%	\$2,765	7.7%
Earnings before interest, taxes, depreciation and amortization	4,391	9.2%	2,765	7.7%
Adjusted earnings before interest, taxes, depreciation and amortization	\$4,391	9.2%	\$2,765	7.7%

# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



## Calculation of ROIC (Non-GAAP)

(In thousands)

(Unaudited)

	<u>2018 Fcst</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating income (loss)	\$ 28,700	\$ 16,171	\$ 8,625	\$ (12,479)	\$ (1,151)
Less Taxes	<u>(6,300)</u>	<u>(90)</u>	<u>(100)</u>	<u>(4,880)</u>	<u>2,103</u>
Net operating profit after taxes	<u>22,400</u>	<u>16,081</u>	<u>8,525</u>	<u>(17,359)</u>	<u>952</u>
Spartan Motors Inc. shareholders' equity					
Beginning balance	168,927	153,609	149,141	168,760	171,549
Ending balance	<u>189,661</u>	<u>168,927</u>	<u>153,609</u>	<u>149,141</u>	<u>168,760</u>
Average	<u>179,294</u>	<u>161,268</u>	<u>151,375</u>	<u>158,951</u>	<u>170,155</u>
Return on Invested Capital	<u>12.5%</u>	<u>10.0%</u>	<u>5.6%</u>	<u>-10.9%</u>	<u>0.6%</u>

# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



## Free Cash Flow (Non-GAAP)

### Consolidated

(In thousands)

(Unaudited)

	2018 Fcst	2017	2016	2015	2014
Operating Activities					
Net earnings (loss)	\$ 21,300	\$ 15,934	\$ 8,603	\$ (17,480)	\$ 1,029
Depreciation & amortization	11,672	9,937	7,903	7,437	8,378
Accruals for warranty	10,000	9,100	12,989	15,388	6,533
Asset impairments	-	-	406	2,234	-
Other non-cash charges	4,000	(451)	(1,143)	6,321	(90)
Change in working capital	(23,472)	(12,504)	(5,430)	(1,044)	(9,444)
Net cash provided by operating activities (A)	23,500	22,016	23,328	12,856	6,406
Capital expenditures (B)	(12,500)	(5,340)	(13,410)	(4,895)	(3,463)
Payments on long-term debt	-	(15,070)	(5,058)	(75)	(80)
Purchase and retirement of common stock	-	-	(2,000)	-	(2,000)
Dividends	(3,600)	(3,508)	(3,444)	(3,426)	(3,427)
Acquisition of business, net of cash	-	(28,903)	-	-	-
Proceeds from long-term debt	-	32,919	10	-	-
Other	-	(632)	(86)	(329)	427
Net increase (decrease) in cash and cash equivalents	\$ 7,400	\$ 1,482	\$ (660)	\$ 4,131	\$ (2,137)
Free cash flow (A-B)	\$ 11,000	\$ 16,676	\$ 9,918	\$ 7,961	\$ 2,943

# RECONCILIATION OF NON – GAAP FINANCIAL MEASURES



## Financial Summary (Non-GAAP)

### Consolidated

(In thousands, except per share data)

(Unaudited)

	Forecast		
	Year Ending December 31, 2018		
	Low	Mid	High
Net income	\$ 20,242	\$ 21,303	\$ 22,363
Add:			
Depreciation and amortization	11,297	11,297	11,297
Interest expense	727	755	783
Taxes	5,909	6,320	6,732
EBITDA	\$ 38,175	\$ 39,675	\$ 41,175
Add (subtract):			
Restructuring charges	825	825	825
Adjusted EBITDA	\$ 39,000	\$ 40,500	\$ 42,000
Earnings per share	\$ 0.58	\$ 0.61	\$ 0.64
Add:			
Restructuring charges	0.02	0.02	0.02
Less tax effect of adjustments	-	-	-
Adjusted earnings per share	\$ 0.60	\$ 0.63	\$ 0.66



## **FOR MORE INFORMATION:**

**SPARTAN MOTORS, INC.**

**JURIS PAGRABS**

**GROUP TREASURER & DIRECTOR OF  
INVESTOR RELATIONS**

**517.997.3842**



**SPARTANMOTORS.COM**

