



# REV GROUP, INC. REPORTS FISCAL 2018 FIRST QUARTER RESULTS

Mar. 7th, 2018

- Net sales growth of 16 percent compared to the prior year<sup>1</sup> period reflects increases across each of the Company's reportable business segments
- First quarter net income of \$9.4 million, an increase of 171 percent compared to the prior year
- First quarter Adjusted Net Income<sup>2</sup> of \$9.7 million or \$0.15 per share, an increase of 72 percent compared to the prior year
- First quarter Adjusted Net Income of \$9.7 million or \$0.15 per share, an increase of 72 percent compared to the prior year
- Entered large and fast growing towables RV market, completed in January 2018
- Formed strategic alliance with Lance Camper, a leading North America towable RV manufacturer, to expand market reach from \$100 to \$200 A of \$200 to \$220
- Reaffirms full year fiscal 2018 earnings guidance of \$110 to \$115 million
- Updates full year fiscal 2018 earnings guidance to a range of \$110 to \$115 million

MILWAUKEE--(BUSINESS WIRE)--REV Group, Inc. (NYSE:REV) reported first quarter 2018 results ended January 31, 2018. Net sales increased by 16.2 percent over the prior year, reflecting sales growth in each of the Company's reportable business segments and acquisitions.

"Fiscal year 2018 is off to a strong start. We remain on track to meet our full year goals and are highly focused on the execution of our commercial, product and operating strategies to improve profitability as we work towards our long-term goal of an enterprise-wide EBITDA margin in excess of 10 percent. Additionally, we continued to execute on our disciplined capital allocation strategy with the acquisition of Lance Camper this quarter, which enables our entry into the large and fast growing towables RV market. With a strong backlog of \$1.24 billion we expect to continue to see improving operating leverage in the business and thus expect earnings growth to exceed sales growth in fiscal year 2018."

The Company's first quarter 2018 net income was \$9.4 million, or \$0.14 per diluted share compared to a net loss of \$13.3 million, or \$0.26 per diluted share in the first quarter of 2017. First quarter 2018 net income improved as a result of higher earnings from operations, the benefit of acquisitions, lower interest expense, and the favorable impact of recently enacted U.S. tax reform. Adjusted Net Income for the first quarter 2018 was \$9.7 million, or \$0.15 per diluted share, which grew 72.0 percent compared to \$5.7 million, or \$0.11 per diluted share, in the first quarter 2017.

Adjusted EBITDA in the first quarter 2018 was \$21.3 million, representing growth of 0.9 percent over Adjusted EBITDA of \$21.1 million in the first quarter 2017. Adjusted EBITDA performance during the quarter benefited from higher net sales and earnings from certain business segments as well as the impact of acquisitions.

REV Group Segment Highlights



## Fire & Emergency Segment

Fire & Emergency (“F&E”) segment net sales were \$215.3 million for the first quarter 2018, an increase of \$29.9 million, or 16.1 percent, from \$185.4 million for the first quarter 2017. The increase in net sales of F&E was driven by results from the Ferrara acquisition completed in April 2017, as well as increased unit volumes. F&E backlog at the end of the first quarter 2018 was up 5.4 percent to \$622.3 million compared to \$590.3 million at the end of fiscal year 2017.

F&E Adjusted EBITDA<sup>3</sup> was \$18.2 million in the first quarter 2018, which represented growth of 8.7 percent compared to \$16.7 million in the first quarter 2017. The increase in F&E Adjusted EBITDA was driven by higher unit volumes and the impact of the Ferrara acquisition. First quarter 2018 F&E Adjusted EBITDA margin was 8.4 percent of net sales compared to 9.0 percent in the first quarter 2017. This decrease was due to the timing and mix of shipments in the quarter.

## Commercial Segment

Commercial segment net sales for the first quarter 2018 were \$132.2 million, an increase of 1.5 percent compared to the first quarter 2017. This increase was the result of higher unit sales in all segment product categories, excluding school bus. School bus sales were down versus the prior year quarter due to lower contractor unit sales. Commercial backlog at the end of the first quarter was \$337.8 million, a decrease of 7.8 percent compared to \$366.4 million at the end of fiscal year 2017.

Commercial segment Adjusted EBITDA was \$6.3 million in the first quarter 2018, compared to \$6.3 million in the first quarter 2017. Adjusted EBITDA margin in the first quarter 2018 was 6.3 percent of net sales compared to 6.3 percent in the first quarter 2017. This decrease was due to the timing and mix of shipments in the quarter.

During the first quarter 2018, the Company introduced new product offerings in the commercial segment. In July 2018, the Company announced the acquisition of Daimler's commercial service.

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## Recreation Segment

The Recreation segment net sales were \$281.8 million for the first quarter 2018, an increase of \$40.5 million, or 32.0 percent, from \$241.3 million for the first quarter 2017. The increase in net sales of the Recreation segment was driven by higher unit volumes, stronger product mix and the continued benefit from ongoing operating initiatives in addition to the results from acquired companies.

Recreation segment Adjusted EBITDA grew 194.0 percent in the first quarter 2018 to \$8.2 million, compared to \$2.8 million in the first quarter 2017. Adjusted EBITDA margin in the first quarter 2018 grew 270 basis points to 4.9 percent of net sales compared to 2.2 percent in the first quarter 2017. The expansion in profitability is attributable to higher unit volumes, stronger product mix and the continued benefit from ongoing operating initiatives in addition to the results from acquired companies.

At the end of the first quarter 2018, the Company acquired Lance Camper Manufacturing Corporation (“Lance”). Lance adds a premium portfolio of truck campers, towable campers and toy haulers to REV’s existing suite of motorized offerings and gives the Recreation segment access to the higher volume and rapidly growing towables RV market segment. Lance has the number one selling truck camper in the U.S. and has won the National RV Dealer Association’s prestigious Quality Circle Award 16 years running.

## Working Capital, Liquidity and Capital Allocation

Net working capital<sup>4</sup> for the Company at January 31, 2018 was \$389.3 million compared to \$299.7 million at the end of fiscal year 2017. The increase in working capital was primarily due to the normal seasonal increase in inventory compared to the end of fiscal year 2017, as well as the timing of cash disbursements and the impact of the Lance

acquisition. Cash and equivalents totaled \$12.7 million at January 31, 2018. Total debt at January 31, 2018 was \$372.3 million (net of deferred financing costs) and as a result, the Company had \$143.4 million available under its ABL revolving credit facility, which was amended to increase its borrowing capacity to \$450 million in December 2017. Capital expenditures in the first quarter 2018 were \$13.6 million compared to \$18.1 million in the prior year quarter.

## Fiscal 2018 Full Year Outlook

Mr. Sullivan concluded, "First quarter results were in-line with our expectations and our view of end market demand and macro conditions remains consistent with prior expectations. Therefore, we are reaffirming our prior guidance and are still expecting full fiscal year 2018 revenues of \$2.4 to \$2.7 billion and Adjusted EBITDA of \$200 to \$220 million. Based on first quarter results, we are updating our expectation of full fiscal year 2018 net income to be in the range of \$90 to \$110 million and Adjusted Net Income to be in the range of \$110 to \$125 million."

## Quarterly Dividend

Our board of directors declared a quarterly dividend for our first quarter of fiscal 2018, payable on May 31, 2018, to holders of record on April 30, 2018, in the amount of \$0.05 per share of common stock, which equates to a rate of \$0.20 per share of common stock on an annualized basis.

## Conference Call

REV Group, Inc. will host a conference call at 11:00 a.m. ET. A supplemental investor relations website prior to the event and follow-up answer session will be available.

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on March 8th at 11:00 a.m. ET. REV Group, Inc. investor relations website prior to the event and follow-up answer session will be available.

## About REV Group

REV Group, Inc. (NYSE:REV) is a leading provider of aftermarket parts and services for commercial vehicles. The company operates in three segments: Fire & Emergency Services, Commercial Vehicles, and Industrial and Commercial Vehicles. The company's products and services are used by a wide range of customers, including many of the world's leading specialty vehicle manufacturers.

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vehicles and related services through three segments: Fire & Emergency Services, Commercial Vehicles, and Industrial and Commercial Vehicles. The company's products and services are used by a wide range of customers, including many of the world's leading specialty vehicle manufacturers.

## Note Regarding Non-GAAP Measures

The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). However, management believes that the evaluation of our ongoing operating results may be enhanced by a presentation of Adjusted EBITDA and Adjusted Net Income, which are non-GAAP financial measures. Adjusted EBITDA represents net income before interest expense, income taxes, depreciation and amortization as adjusted for certain non-recurring, one-time and other adjustments which we believe are not indicative of our underlying operating performance. Adjusted Net Income represents net income as adjusted for certain after-tax, non-recurring, one-time and other adjustments which we believe are not indicative of our underlying operating performance as well as for the add-back of non-cash intangible asset amortization and stock-based compensation.

The Company believes that the use of Adjusted EBITDA and Adjusted Net Income provide additional meaningful methods of evaluating certain aspects of its operating performance from period to period on a basis that may not be otherwise apparent under GAAP when used in addition to, and not in lieu of, GAAP measures. A reconciliation of Adjusted EBITDA and Adjusted Net Income to the most closely comparable financial measures calculated in accordance with GAAP is included in the financial appendix of this news release.



## Forward Looking Statements

This news release contains statements that the Company believes to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. This news release includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements.” These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “strives,” “goal,” “seeks,” “projects,” “intends,” “forecasts,” “plans,” “may,” “will” or “should” or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this news release and include statements regarding our intentions, beliefs, goals or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

Our forward-looking statements are subject to risks and uncertainties, including those highlighted under “Risk Factors” and “Cautionary Statement on Forward-Looking Statements” in the Company’s annual report on Form 10-K, which may cause actual results to differ materially from those projected or implied by the forward-looking statement. Forward-looking statements are based on current expectations and assumptions and currently available data and are neither predictions nor guarantees of future events or performance. You should not place undue reliance on forward-looking statements, which only speak as of the date hereof. The Company does not undertake to update or revise any forward-looking statements after they are made, whether as a result of new information, future events, or otherwise, except as required by law.

## Investors-REVG

<sup>1</sup> REV Group, Inc. chairman and CEO. In addition, starting in January, April, July and October.

<sup>2</sup> REV Group, Inc. Adjusted Earnings Per Share (EPS) nearest GAAP measure for the quarter ended acquisition dates.

<sup>3</sup> Segment Adjusted Earnings Per Share (EPS) later in this release.

<sup>4</sup> Net Working capital (current assets less current liabilities, excluding long-term debt).

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## REV GROUP, INC.

### CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	January 31, October 31,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,743	\$ 17,838
Accounts receivable, net	224,155	243,242
Inventories, net	486,724	452,380
Other current assets	14,078	13,372
Total current assets	737,700	726,832
Property, plant and equipment, net	227,609	217,083
Goodwill	185,127	133,235
Intangibles assets, net	164,743	167,887
Other long-term assets	9,357	9,395
Total assets	\$ 1,324,536	\$ 1,254,432



## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current liabilities:

Current portion of long-term debt	\$ 750	\$ 750
Accounts payable	144,315	217,267
Customer advances	107,839	95,774
Accrued warranty	23,558	26,047
Other current liabilities	59,937	70,241
Total current liabilities	336,399	410,079

Long-term debt, less current maturities	371,527	229,105
Deferred income taxes	15,475	22,527
Other long-term liabilities	19,576	20,281
Total liabilities	742,977	681,992

### Commitments and contingencies

Shareholders' equity	581,559	572,440
Total liabilities and shareholders' equity	\$ 1,324,536	\$ 1,254,432

## CONDENSED UNAUDITED (Unaudited; dollars in thousands)

Net sales

Cost of sales

Gross profit

Operating expenses:

Selling, general and administrative

Research and development

Restructuring

Amortization of intangible assets

Total operating expenses

Operating income (loss)

Interest expense, net

Loss before benefit for income taxes

Benefit for income taxes

Net income (loss)

### Income (loss) per common share:

Basic \$ 0.15 \$ (0.26)

Diluted \$ 0.14 \$ (0.26)

Dividends declared per common share \$ 0.05 \$ —

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**Adjusted earnings per common share:**

Basic	\$	0.15	\$	0.11
Diluted	\$	0.15	\$	0.11

**Weighted Average Shares Outstanding:**

Basic	64,287,052	51,360,163
Diluted	66,496,919	51,360,163

**REV GROUP, INC.**  
**CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited; Dollars in thousands)

	<b>Three Months Ended</b>	
	<b>January 31, 2018</b>	<b>January 28, 2017</b>
Cash flows from operating activities:		
Net income (loss)	21	\$ (13,303)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	17	7,421
Amortization of intangible assets	41	585
Amortization of stock-based compensation	—	42
Stock-based compensation	50	25,506
Deferred income taxes	14	(8,563)
Gain on disposal of assets	47	(205)
Changes in operating assets and liabilities:		
Net cash used in operating activities	78	(45,230)
Net cash used in operating activities	10	(33,747)
Cash flows from investing activities:		
Purchase of property and equipment	94	(18,095)
Purchase of rental property	52	(529)
Proceeds from sale of assets	21	919
Acquisition of business	46	(20,581)
Net cash used in investing activities	(72,671)	(38,286)
Cash flows from financing activities:		
Net proceeds from borrowings under revolving credit facility	142,313	79,600
Payment of dividends	(3,207)	—
Payment of debt issuance costs	(369)	—
Redemption of common stock options including employer payroll taxes	(982)	(3,251)
Payments of withholding and employer payroll taxes for vesting of restricted stock	(133)	—
Proceeds from exercise of common stock options, net of employer payroll taxes	2,564	—
Net cash provided by financing activities	140,186	76,349
Net (decrease) increase in cash and cash equivalents	(5,095)	4,316
Cash and cash equivalents, beginning of period	17,838	10,821
Cash and cash equivalents, end of period	\$ 12,743	\$ 15,137

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**REV GROUP, INC.**  
**SEGMENT INFORMATION**  
(Unaudited; in thousands)

	<b>Three Months Ended</b>	
	<b>January 31, 2018</b>	<b>January 28, 2017</b>
<u>Net Sales:</u>		
Fire & Emergency	\$ 215,252	\$ 185,371
Commercial	132,239	130,221
Recreation	167,247	126,706
Corporate & Other	117	639
Total Company Net Sales	<u>\$ 514,855</u>	<u>\$ 442,937</u>

<u>Adjusted EBITDA:</u>		
Fire & Emergency	\$ 18,166	\$ 16,713
Commercial	4,460	8,174
Recreation	8,152	2,773
Corporate & Other	(9,476)	(6,549)
Total Company Adjusted EBITDA	<u>\$ 31,302</u>	<u>\$ 21,119</u>

Period-End Backlog:

Fire & Emergency	
Commercial	
Recreation	
Corporate & Other	
Total Company Backlog	

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	<b>Fire &amp; Emergency</b>	<b>Commercial</b>	<b>Recreation</b>	<b>Corporate &amp; Other</b>	<b>Total</b>
Net Income (loss)	\$ 11,557	\$ 460	\$ 2,845	\$ (5,441)	\$ 9,421
Depreciation & amortization	4,522	2,836	2,935	724	11,017
Interest expense, net	1,048	645	118	3,606	5,417
Benefit for income taxes	-	-	-	(13,842)	(13,842)
EBITDA	<u>17,127</u>	<u>3,941</u>	<u>5,898</u>	<u>(14,953)</u>	<u>12,013</u>
Restructuring costs	56	-	2,254	1,742	4,052
Transaction expenses	157	-	-	1,398	1,555
Stock-based compensation expense	-	-	-	1,750	1,750
Non-cash purchase accounting expense	396	239	-	-	635
Sponsor expenses	-	-	-	195	195
Legal Settlements	430	280	-	-	710
Deferred purchase price payment	-	-	-	392	392
Adjusted EBITDA	<u>\$ 18,166</u>	<u>\$ 4,460</u>	<u>\$ 8,152</u>	<u>\$ (9,476)</u>	<u>\$ 21,302</u>





Three Months Ended January 28, 2017					
	Fire & Emergency	Commercial	Recreation	Corporate & Other	Total
Net Income (loss)	\$ 12,698	\$ 4,563	\$ 139	\$ (30,703)	\$(13,303)
Depreciation & amortization	2,809	1,930	2,157	525	7,421
Interest expense, net	1,172	817	42	5,447	7,478
Provision (benefit) for income taxes	4	-	-	(7,833)	(7,829)
EBITDA	16,683	7,310	2,338	(32,564)	(6,233)
Restructuring costs	-	864	-	-	864
Transaction expenses	-	-	-	378	378
Stock-based compensation expense	-	-	-	25,506	25,506
Non-cash purchase accounting expense	30	-	435	-	465
Sponsor expenses	-	-	-	131	131
Adjusted EBITDA	\$ 16,713	\$ 8,174	\$ 2,773	\$ (6,549)	\$ 21,111

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Net income (loss)  
Amortization of Intangible Assets  
Restructuring Costs  
Transaction Expenses  
Stock-based Compensation Expense  
Non-cash Purchase Accounting Expense  
Sponsor Expenses  
Legal Settlements  
Deferred Purchase Price Payout  
Impact of Tax Reform  
Income Tax Effect of Adjustments  
Adjusted Net Income

**REV GROUP, INC.**  
**ADJUSTED NET INCOME OUTLOOK RECONCILIATION**  
(In thousands)

	Fiscal Year 2018	
	Low	High
Net Income	\$ 90,000	\$ 110,000
Amortization of Intangible Assets	17,500	15,500
Restructuring Costs	5,000	4,000
Transaction Expenses	2,000	1,600
Stock-based Compensation Expense	6,000	5,000
Non-cash Purchase Accounting Expense	1,300	1,000
Legal Settlements	800	700
Sponsor Expenses	900	700
Deferred Purchase Price Payout	6,500	6,000
One-time Benefit of U.S. Tax Reform	(10,400)	(10,400)
Income Tax Effect of Adjustments	(10,100)	(8,700)





Adjusted Net Income	<u>\$109,500</u>	<u>\$125,400</u>
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**REV GROUP, INC.**  
**ADJUSTED EBITDA OUTLOOK RECONCILIATION**  
(In thousands)

	<b>Fiscal Year 2018</b>	
	<b>Low</b>	<b>High</b>
Net Income	\$ 90,000	\$110,000
Depreciation and Amortization	48,000	47,000
Interest Expense, net	23,000	21,000
Income Tax Expense	<u>16,500</u>	<u>23,000</u>
EBITDA	177,500	201,000
Restructuring Costs	5,000	4,000
Transaction Expenses	2,000	1,600
Stock-based Compensation Expense	6,000	5,000
Non-cash Purchase		
Legal Settlements		
Sponsor Expenses		
Deferred Purchase		
Adjusted EBITDA		

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REV Group, Inc.  
Sandy Bugbee, 1-888-  
VP, Treasurer and Investor  
[investors@revgroup.com](mailto:investors@revgroup.com)

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