REV GROUP, INC. REPORTS FISCAL 2018 SECOND QUARTER RESULTS

Jun. 6th, 2018

Well positioned with record Q2 revenue and backlog, however adversely impacted by near term commodity price inflation, supply chain constraints and shortfalls in our Commercial Segment

Updated full year guidance reflects continued year over year revenue growth of 10% and Adjusted EBITDA

- Net sales of $608.9 … r
- Second quarter net … uarter
- Second quarter Adj… r year quarter
- Total backlog of $1,… 5.3% compared to the prior year end
- Company revises fu… 3 billion in prior year), Adjusted EBI… $72 million to $87 million (vs. $31 milli… million in prior year)
- Ian Walsh joins REV…
- Company repurchas… during the second quarter for total con…

MILWAUKEE--(BUSIN… y-leading specialty vehicle brands, today … er 2018”). Consolidated net sales … 11.7% over the three months ended April 29 … income was $7.4 million, or $0.11 per dil… million, or $0.24 per diluted share, a decline of 17.9% compared to $19.0 million, or $0.29 per diluted share, in the second quarter 2017. Adjusted EBITDA[2] in the second quarter 2018 was $34.1 million, representing a decline of 9.2% compared to adjusted EBITDA of $37.6 million in the second quarter 2017. The Company ended the quarter with total backlog of $1,270.5 million, representing growth quarter over quarter and year over year.

“Our fiscal second quarter results were below our expectations and were impacted by a number of factors.” commented Tim Sullivan, CEO of REV Group. “In particular, cost inflation across many of the commodities and services we buy was significant in the quarter and due to the length of our backlogs we were not able to mitigate these increases. We estimate the cost inflation will have an approximate $19 million impact on our current fiscal year. Additionally, production and sales at several of our business units were adversely impacted by the availability of chassis. Finally, margins were impacted by lower-than-expected sales of certain higher-content product categories including custom fire apparatus, large commercial buses, and Class A RVs.”

“Longer term, in response to these factors, we have taken mitigating action across our business to drive targeted margin expansion. First, we have implemented price increases and surcharges to offset material and service cost increases for all new orders. Second, we have implemented a series of significant cost and spending reduction actions including: supply chain actions, consolidations of certain facilities, and reductions in overhead headcount and spending. We estimate these actions will result in annualized savings of $20 million and they are already fully implemented as of today. Given the length of our backlogs, we estimate the impact on EBITDA of these price actions will be approximately $7 million for fiscal year 2018. Third, we have continued to add talent in several key areas of our business that we believe will help accelerate our long-term growth objectives, including the recent addition of Ian Walsh as our new Chief Operating Officer."

Mr. Sullivan concluded, "While we've revised our full-year outlook downward, we still expect to generate solid financial performance this year, with approximately 10% sales growth and Adjusted EBITDA growth of approximately 11% at the midpoint of our guidance range. We are foundationally supported by the continued strength in our order activity, the growth in our backlogs, and our market positions remain strong. The margin improvement initiatives we implemented during the second quarter will help us drive performance improvement in the back half of this year, and we expect to close the year with good momentum as approximately 70% of full-year Adjusted EBITDA is expected to be generated during the third and fourth quarters, consistent with our historic seasonality. Finally, we'll continue to remain active in the M&A market and are committed to efficient and shareholder-friendly capital allocation policies. We opportunistically repurchased approximately $5 million of our shares during the second quarter, in addition to our ongoing capex investments and our regular quarterly dividend."

REV Group Segment Highlights

Fire & Emergency Segment

Fire & Emergency ("F&E") segment net sales were $252.0 million for the second quarter 2018, an increase of
$33.0 million, or 15.1% … les of F&E was
primarily driven by res … crease in ambulance
unit volumes. Excludin … ales increased 6.0%
compared to the prior … .4% to $633.8 million
compared to $590.3 m

F&E Adjusted EBITDA … line of 10.7%
compared to $24.4 mil … lue to lower volume of
higher content fire app … bulance businesses.
Excluding the impact c … 5.6% compared to
the prior year period. S … s compared to 11.1%
in the second quarter

Mr. Sullivan commente … usiness through the
remainder of this year … sition we expect to
continue benefitting fr … cus is on executing on
our ramp up in produc

Commercial Segmen

Commercial segment net sales for the second quarter 2018 were $158.0 million, which were down 1.0% compared to the prior year quarter. This decline was due primarily to a decrease in transit bus and school bus units sold compared to the prior year period, partially offset by increases in shuttle bus, sweeper and mobility van units. Commercial backlog at the end of the second quarter was $397.2 million, an increase of 8.4% compared to $366.4 million at the end of fiscal year 2017.

Commercial segment Adjusted EBITDA was $9.5 million in the second quarter 2018 compared to $14.7 million in the second quarter 2017. This decrease was due to reduced volumes of transit and school bus units sold compared to the prior year, and certain higher material and freight costs. Adjusted EBITDA margin was 6.0% of net sales in the second quarter 2018 compared to 9.2% in the second quarter 2017.

Mr. Sullivan commented, "The decline in sales and profitability experienced during the second quarter were largely the result of a timing lag between two major contracts in our transit bus business. That said, the longer term outlook of our Commercial business remains healthy with a large municipal contract starting in 2019. In addition to that base contract, we maintain strong market share in school buses and expect to begin participating in more commercial bus activity yet this year. Our shuttle bus volumes are also increasing, and there continue to be favorable macro trends in our other specialty vehicles, particularly in mobility."

Recreation Segment

The Recreation segment grew net sales to $198.8 million in the second quarter 2018, representing an increase of $32.5 million, or 19.5%, from the prior year quarter. Recreation segment sales growth was the result of strong performance from our recent Lance acquisition and the acquisition of Midwest in April 2017 (Class B and Towables product categories), an increase in Class C unit volume, and an increase in sales at the Company's molded fiberglass business. Class A unit volume declined compared to the prior year period due to a reduction in the number of models produced and the timing of new model year introductions which were targeted to occur later in this fiscal year. Excluding the impact of net sales from acquired companies, Recreation segment net sales decreased 7.1% compared to the prior year period. Recreation segment backlog at the end of the second quarter 2018 was $239.5 million, which was up 65.4% from $144.8 million at the end of fiscal year 2017.

Recreation segment Adjusted EBITDA grew 74.0% in the second quarter 2018 to $12.7 million, compared to $7.3 million in the second quarter 2017. The increase in Adjusted EBITDA was primarily due to the positive impact of the Lance and Midwest acquisitions, partially offset by higher material costs. Adjusted EBITDA margin in the second quarter 2018 grew to 6.4% of net sales compared to 4.4% in the second quarter 2017. The expansion in profitability is attributable to higher unit volumes, product mix, and continued benefit from ongoing operating initiatives. Excluding the impact of acquisitions, Recreation segment Adjusted EBITDA decreased 4.0% in the second quarter 2018 compared to the prior year period, due to the reduction in the number of Class A models produced and model year introduction timing mentioned above.

Mr. Sullivan commente … pate in the relatively stronger areas of this … ition. We expect the combination of strong … t initiatives to deliver favorable financial per…

Working Capital, Liq…

Net working capital[4] fo… million at the end of fiscal year 2017 and $… r the year end was primarily due to the no… the fiscal year and declines in the second… Cash and equivalents totaled $13.2 million a… rred financing costs). As of April 30th, the C… under its ABL revolving credit facility… pared to $19.1 million in the prior year quarte… s for $4.8 million, an average repurchase p…

Fiscal 2018 Full Year…

As a result of lower-than-expected second-quarter performance due to the negative factors discussed above which are impacting the Company's margins, REV has revised its full-year outlook. The Company now expects full-year 2018 results in the following ranges:

- Full-year 2018 revenue of $2.4 to $2.6 billion
- Adjusted EBITDA of $175 to $185 million
- Net Income of $72 to $87 million
- Adjusted Net Income of $94 to $105 million

Quarterly Dividend

Our board of directors declared a quarterly dividend for our second quarter of fiscal 2018, payable on August 31, 2018, to holders of record on July 31, 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 to discuss its second quarter 2018 results and outlook on June 7th at 11:00 a.m. EDT. A supplemental earnings slide deck will be available tomorrow morning on the REV Group, Inc. investor relations website prior to the call. The call will be webcast simultaneously over the Internet. To access the webcast, listeners can go to http://investors.revgroup.com/investor-events-and-presentations/events at least 15 minutes prior to the event and follow instructions for listening to the webcast. An audio replay of the call and related question and answer session will be available for 12 months at this website.

About REV Group

REV Group, Inc. (NYSE: REVG) is a leading designer, manufacturer and distributor of specialty vehicles and related aftermarket parts and services. We serve a diversified customer base primarily in the United States through three segments: Fire & Emergency, Commercial and Recreation. We provide customized vehicle solutions for applications including: essential needs (ambulances, fire apparatus, school buses, mobility vans and municipal transit buses), industrial and commercial (terminal trucks, cut-away buses and street sweepers) and consumer leisure (recreational vehicles ("RVs") and luxury buses). Our brand portfolio consists of 30 well-established principal vehicle brands including many of the most recognizable names within our served markets. Several of our brands pioneered their specialty vehicle product categories and date back more than 50 years.

Note Regarding Non-GAAP Measures

The Company reports ... g principles
("GAAP"). However, m ... may be enhanced by
a presentation of Adju ... easures. Adjusted
EBITDA represents ne ... zation as adjusted for
certain non-recurring, ... r underlying operating
performance. Adjusted ... -recurring, one-time
and other adjustments ... nce as well as for the
add-back of non-cash

The Company believe ... tional meaningful
methods of evaluating ... asis that may not be
otherwise apparent un ... A reconciliation of
Adjusted EBITDA and ... calculated in
accordance with GAAI

Forward Looking Sta

This news release con ... nents" within the
meaning of the Private ... tements 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, expect as required by applicable law.

Investors-REVG

[1] REV Group, Inc. changed its fiscal year end from the last Saturday to the last calendar day in October of each year. In addition, starting in fiscal 2018, the Company's fiscal quarters will end on the last day of January, April, July and October.

[2] REV Group, Inc. Adjusted Net Income and Adjusted EBITDA are non-GAAP measures that are reconciled to their nearest GAAP measure later in this release. Note: These figures do not include the impact of acquisitions before their acquisition dates.

[3] Segment Adjusted EBITDA is a non-GAAP measure that is explained and reconciled to its nearest GAAP metric later in this release.

[4] Net Working capital is defined as current assets (excluding cash) less current liabilities (excluding current portion of long-term debt).

REV GROUP, INC.
CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS
(Unaudited; dollars in thousands)

	April 30	October 31
ASSETS		
Current assets:		
Cash and cash equi		
Accounts receivable		
Inventories, net		
Other current assets		
Total current asset		
Property, plant and eq		
Goodwill		
Intangibles assets, net		
Other long-term assets		
Total assets		
LIABILITIES AND SHA		
Current liabilities:		
Current portion of lo		
Accounts payable		
Customer advances	112,275	95,774
Accrued warranty	22,693	26,047
Other current liabilities	49,563	70,241
Total current liabilities	373,371	410,079
Long-term debt, less current maturities	368,944	229,105
Deferred income taxes	14,878	22,527
Other long-term liabilities	20,109	20,281
Total liabilities	777,302	681,992
Commitments and contingencies		
Shareholders' equity	581,363	572,440
Total liabilities and shareholders' equity	$1,358,665	$ 1,254,432

REV GROUP, INC.
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; dollars in thousands, except shares and per share amounts)

	Three Months Ended		Six Months Ended	
	April 30, 2018	April 29, 2017	April 30, 2018	April 29, 2017
Net sales	$ 608,934	$ 545,316	$ 1,123,790	$ 988,253
Cost of sales	536,068	472,471	998,370	867,888
Gross profit	72,866	72,845	125,420	120,365
Operating expenses:				
Selling, general and administrative	48,704	42,604	89,737	99,102
Research and development costs	1,500	963	3,231	2,161
Restructuring	1,936	335	5,989	1,199
Amortization of intangible assets	4,331	2,695	9,070	5,309
Total operating expenses	56,471	46,597	108,027	107,771
Operating income	[illegible]	[illegible]	17,393	12,594
Interest expense, ne[illegible]	[illegible]	[illegible]	[illegible]	10,893
Loss on early exting[illegible]	[illegible]	[illegible]	—	11,920
Income (loss) befo[illegible]	[illegible]	[illegible]	[illegible]	(10,219)
Provision (benefit) for [illegible]	[illegible]	[illegible]	[illegible]	(3,730)
Net income (loss)	[illegible]	[illegible]	[illegible]	$ (6,489)
Income (loss) per co[illegible]				
Basic	[illegible]	[illegible]	0.26	$ (0.11)
Diluted	[illegible]	[illegible]	0.25	$ (0.11)
Dividends declared p[illegible]	[illegible]	[illegible]	0.10	$ 0.10
Adjusted earnings pe[illegible]				
Basic	[illegible]	[illegible]	0.39	$ 0.43
Diluted	[illegible]	[illegible]	0.38	$ 0.43
Weighted Average Shares Outstanding:				
Basic	64,577,469	63,722,795	64,429,854	57,541,476
Diluted	66,267,594	65,501,330	66,388,767	57,541,476

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

	Six Months Ended	
	April 30, 2018	April 29, 2017
Cash flows from operating activities:		
Net income (loss)	$ 16,863	$ (6,489)

Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	22,118	15,274
Amortization of debt issuance costs	882	918
Amortization of Senior Note discount	—	50
Stock-based compensation expense	3,697	25,817
Deferred income taxes	(10,414)	(8,563)
Loss on early extinguishment of debt	—	11,920
Gain on disposal of property, plant and equipment	(2,045)	(352)
Changes in operating assets and liabilities, net of effects of business acquisitions:	(75,046)	(97,466)
Net cash used in operating activities	(43,945)	(58,891)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(23,623)	(37,165)
Purchase of rental fleet vehicles	(14,235)	(7,799)
Proceeds from sale of property, plant and equipment	5,833	1,821
Acquisition of businesses, net of cash acquired	(57,157)	(153,534)
Net cash used in investing activities	(89,182)	(196,677)
Cash flows from finan		
Net proceeds from	[illegible]	127,749
Proceeds from Terr	[illegible]	75,000
Net proceeds from	[illegible]	253,593
Payment of dividen	[illegible]	—
Payment of debt iss	[illegible]	(6,744)
Repayment of long-	[illegible]	(180,000)
Senior Note prepay	[illegible]	(7,650)
Redemption of com	[illegible]	(3,251)
Payments of withho	[illegible]	—
Proceeds from exer	[illegible]	—
Repurchase and re	[illegible]	—
Net cash provid	[illegible]	258,697
Net (decrease) increa	[illegible]	3,129
Cash and cash equiva	[illegible]	10,821
Cash and cash equivalents, end of period	$ 13,152	$ 13,950

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

	Three Months Ended		Six Months Ended	
	April 30, 2018	April 29, 2017	April 30, 2018	April 29, 2017
Net Sales:				
Fire & Emergency	$ 252,018	$ 219,002	$ 467,269	$404,373
Commercial	157,995	159,524	290,234	289,745
Recreation	198,794	166,337	366,042	293,043
Corporate & Other	127	453	245	1,092
Total Company Net Sales	$ 608,934	$ 545,316	$1,123,790	$988,253
Adjusted EBITDA:				
Fire & Emergency	$ 21,788	$ 24,399	$ 39,943	$ 41,112
Commercial	9,530	14,663	13,903	22,837

Recreation	12,735	7,292	20,826	10,065
Corporate & Other	(9,960)	(8,793)	(19,274)	(15,342)
Total Company Adjusted EBITDA	$ 34,093	$ 37,561	$ 55,398	$ 58,672
Adjusted EBITDA Margin:				
Fire & Emergency	8.6%	11.1%	8.5%	10.2%
Commercial	6.0%	9.2%	4.8%	7.9%
Recreation	6.4%	4.4%	5.7%	3.4%
Total Company Adjusted EBITDA Margin	5.6%	6.9%	4.9%	5.9%

Period-End Backlog:	April 30, 2018	January 31, 2018	October 31, 2017
Fire & Emergency	$ 633,814	$ 622,329	$ 590,295
Commercial	397,152	337,754	366,447
Recreation	239,523	281,813	144,847
Total Company Backlog	$1,270,489	$1,241,896	$1,101,589

				e & Other	Total
Net Income (loss)				(24,032)	$ 7,441
Depreciation & amo				1,210	11,101
Interest expense, ne				4,201	6,075
Provision for income				2,875	2,879
EBITDA				(15,746)	27,496
Transaction expens				514	515
Sponsor expenses				120	120
Restructuring costs				1,351	1,936
Stock-based compe				1,947	1,947
Non-cash purchase accounting	—	33	—	—	33
Legal settlements	192	—	—	—	192
Deferred purchase price payment	—	—	—	1,854	1,854
Adjusted EBITDA	$ 21,788	$ 9,530	$ 12,735	$ (9,960)	$34,093

	Three Months Ended April 29, 2017				
	Fire & Emergency	Commercial	Recreation	Corporate & Other	Total
Net Income (loss)	$ 19,844	$ 12,089	$ 3,904	$ (29,024)	$ 6,813
Depreciation & amortization	2,819	1,748	2,599	687	7,853
Interest expense, net	954	491	53	1,918	3,416
Provision for income taxes	—	—	—	4,099	4,099
Loss on early extinguishment of debt	—	—	—	11,920	11,920
EBITDA	23,617	14,328	6,556	(10,400)	34,101
Transaction expenses	772	—	—	1,089	1,861
Sponsor expenses	—	—	—	207	207
Restructuring costs	—	335	—	—	335

	Fire & Emergency	Commercial	Recreation	Corporate & Other	Total
Stock-based compensation expense	—	—	—	311	311
Non-cash purchase accounting	10	—	736	—	746
Adjusted EBITDA	$ 24,399	$ 14,663	$ 7,292	$ (8,793)	$37,561

REV GROUP, INC.
ADJUSTED EBITDA BY SEGMENT
(Unaudited; dollars in thousands)

	Six Months Ended April 30, 2018				
	Fire & Emergency	**Commercial**	**Recreation**	**Corporate & Other**	**Total**
Net Income (loss)	$ 27,905	$ 6,224	$ 12,220	$ (29,486)	$ 16,863
Depreciation & amortization	8,518	5,571	5,923	2,106	22,118
Interest expense, net	2,029	1,398	259	7,807	11,493
Provision (benefit) for income taxes	1	2	—	(10,966)	(10,963)
EBITDA	38,453	13,195	18,402	(30,539)	39,511
Restructuring costs	[illegible]	[illegible]	[illegible]	3,094	5,989
Transaction expens[illegible]	[illegible]	[illegible]	[illegible]	1,913	2,070
Stock-based compe[illegible]	[illegible]	[illegible]	[illegible]	3,697	3,697
Non-cash purchase [illegible] expense	[illegible]	[illegible]	[illegible]	—	668
Sponsor expenses	[illegible]	[illegible]	[illegible]	315	315
Legal Settlements	[illegible]	[illegible]	[illegible]	—	902
Deferred purchase p[illegible]	[illegible]	[illegible]	[illegible]	2,246	2,246
Adjusted EBITDA	[illegible]	[illegible]	[illegible]	(19,274)	$ 55,398

	[illegible]17				
	[illegible]	[illegible]	[illegible]	**[illegible]rate & Other**	**Total**
Net Income (loss)	[illegible]	[illegible]	[illegible]	(59,727)	$ (6,489)
Depreciation & amo[illegible]	[illegible]	[illegible]	[illegible]	1,212	15,274
Interest expense, ne[illegible]	[illegible]	[illegible]	[illegible]	7,365	10,893
Provision (benefit) fo[illegible]	[illegible]	[illegible]	[illegible]	(3,734)	(3,730)
Loss on early exting[illegible] of debt	[illegible]	[illegible]	[illegible]	11,920	11,920
EBITDA	40,300	21,638	8,894	(42,964)	27,868
Transaction expenses	772	—	—	1,467	2,239
Sponsor expenses	—	—	—	338	338
Restructuring costs	—	1,199	—	—	1,199
Stock-based compensation expense	—	—	—	25,817	25,817
Non-cash purchase accounting	40	—	1,171	—	1,211
Adjusted EBITDA	$ 41,112	$ 22,837	$ 10,065	$ (15,342)	$ 58,672

REV GROUP, INC.
ADJUSTED NET INCOME
(Unaudited; dollars in thousands)

	Three Months Ended		Six Months Ended	
	April 30, 2018	**April 29, 2017**	**April 30, 2018**	**April 29, 2017**
Net income (loss)	$ 7,441	$ 6,813	$ 16,863	$ (6,489)

Amortization of Intangible Assets	4,340	2,695	9,106	5,309
Restructuring Costs	1,936	335	5,989	1,199
Transaction Expenses	515	1,861	2,070	2,239
Stock-based Compensation Expense	1,947	311	3,697	25,817
Non-cash Purchase Accounting Expense	33	746	668	1,211
Loss on Early Extinguishment of Debt	—	11,920	—	11,920
Sponsor Expenses	120	207	315	338
Legal Settlements	192	—	902	—
Deferred Purchase Price Payment	1,854	—	2,246	—
Impact of Tax Rate Change	—	—	(10,414)	—
Income Tax Effect of Adjustments	(2,762)	(5,919)	(6,074)	(16,715)
Adjusted Net Income	$ 15,616	$ 18,969	$ 25,368	$ 24,829

REV GROUP, INC.
ADJUSTED EBITDA OUTLOOK RECONCILIATION
(Dollars in thousands)

	Fiscal Year 2018	
	Low	High
Net Income	$ 72,000	$ 87,000
Depreciation and Ar		
Interest Expense, ne		
Income Tax Expens		
EBITDA		
Restructuring Costs		
Transaction Expens		
Stock-based Compe		
Non-cash Purchase		
Legal Settlements		
Sponsor Expenses		
Deferred Purchase		
Adjusted EBITDA		

ADJUSTED NET IN
(D

	Fiscal Year 2018	
	Low	High
Net Income	$ 72,000	$ 87,000
Amortization of Intangible Assets	17,500	15,500
Restructuring Costs	7,000	6,000
Transaction Expenses	4,000	3,000
Stock-based Compensation Expense	6,000	5,000
Non-cash Purchase Accounting Expense	1,300	1,000
Legal Settlements	1,000	900
Sponsor Expenses	400	300
Deferred Purchase Price Payout	6,300	5,800
One-time Benefit of U.S. Tax Reform	(10,400)	(10,400)
Income Tax Effect of Adjustments	(11,000)	(9,000)
Adjusted Net Income	$ 94,100	$105,100

View source version on businesswire.com: https://www.businesswire.com/news/home/20180606006398/en/

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Source: REV Group, Inc.