



REV GROUP, INC. REPORTS FISCAL 2020 FIRST QUARTER RESULTS

Mar. 4th, 2020

- First quarter net sales of \$532.1 million compared to \$518.7 million in the prior year quarter
- First quarter net loss of \$9.4 million compared to \$14.6 million in the prior year quarter
- First quarter Adjusted EBITDA¹ of \$11.3 million compared to \$12.3 million in the prior year quarter
- First quarter Adjusted Net Loss¹ of \$2.7 million compared to \$2.9 million in the prior year quarter
- First quarter net cash provided by operating activities of \$10.1 million compared to \$10.5 million in the prior year quarter
- Completed the purchase of Spartan ER on February 1, 2020

MILWAUKEE--(BUSINESS WIRE)--REV Group, Inc. (NYSE:REV), a leading specialty vehicle manufacturer, today reported first quarter 2020 results. Net sales in the first quarter 2020 were \$532.1 million, an increase of \$13.4 million, or 2.6 percent, from \$518.7 million for the three months ended March 31, 2019. The increase was primarily the result of higher Fire & Emergency segment sales in the Recreation segment.

The Company's first quarter 2020 net loss was \$9.4 million, or \$0.23 per diluted share, compared to \$14.6 million, or \$0.23 per diluted share, in the first quarter 2019. Adjusted EBITDA for the first quarter 2020 was \$11.3 million, or \$0.04 per diluted share, compared to \$12.3 million in the first quarter 2019. The increase was primarily the result of higher sales in the Recreation segment and lower corporate expense.

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"Results reflect the anticipated headwind in our Recreation segment, as well as an expected trough in the F&E segment profitability. We continue to expect consolidated revenue and EBITDA improvement throughout the year and reiterate our organic fiscal 2020 guidance," said Tim Sullivan, CEO REV Group, Inc. "We are also excited to have added to our product portfolio of emergency response vehicles as we solidified our position as number one in the North American fire and emergency markets with the purchase of Spartan ER immediately following the first quarter 2020. REV Group is well positioned to capitalize on the synergy opportunities that we have identified in connection with the integration of Spartan ER, while continuing to execute operational improvements across the remainder of our F&E segment."²

REV Group First Quarter Segment Highlights

Fire & Emergency Segment

F&E segment net sales were \$206.5 million in the first quarter 2020, an increase of \$2.4 million, or 1.2 percent, from \$204.1 million in the first quarter 2019. The increase was driven mostly by higher sales in the Ambulance division. F&E backlog at the end of the first quarter 2020 was \$807.3 million, up 9.4 percent, compared to \$738.2 million in the first quarter 2019, reflecting strong order intake in both the Fire and Ambulance divisions.



F&E segment Adjusted EBITDA was \$1.7 million in the first quarter 2020, compared to \$8.4 million in the first quarter 2019. The decrease in Adjusted EBITDA was primarily due to a reduction in gross profit margin resulting from ongoing efforts to increase production capacity at our largest fire plant and the mix of trucks sold in our Fire division, partially offset by improved results in our Ambulance division. First quarter 2020 F&E segment Adjusted EBITDA margin was 0.8 percent of net sales, compared to 4.1 percent in the first quarter 2019.

Commercial Segment

Commercial segment net sales were \$158.2 million in the first quarter 2020, an increase of \$17.5 million, or 12.4 percent, from \$140.7 million in the first quarter 2019. The increase in net sales was primarily the result of increased transit bus units sold compared to the prior year quarter, partially offset by lower sales within the Specialty division. Commercial backlog at the end of the first quarter 2020 was \$455.6 million, an increase of 6.6 percent compared to \$427.5 million at the end of the first fiscal quarter 2019, due primarily to a large municipal transit order entering backlog, partially offset by a decrease in Specialty division backlog.

Commercial segment Adjusted EBITDA was \$10.8 million in the first quarter 2020, compared to \$5.0 million in the first quarter 2019. This increase was primarily due to favorable product mix as a result of higher volumes of transit bus units sold and improved profitability in the shuttle bus businesses. First quarter Adjusted EBITDA margin was 6.8 percent of net sales, compared to 3.6 percent in the first quarter 2019.

Recreation Segment

Recreation segment net sales were \$225.2 million in the first quarter 2020, an increase of \$20.1 million, or 9.4 percent, from \$205.1 million in the first quarter 2019. The increase in net sales was primarily due to higher sales in Class A and Class B sales. Recreation segment backlog at the end of the first quarter 2020 was \$225.2 million at the end of the first quarter 2019, due primarily to increased in fiscal year 2020 demand for Class A and Class B units, partially offset by a decrease in Class B units, partially offset by a decrease in Class B units, partially offset by a decrease in Class B units.

Recreation segment Adjusted EBITDA was \$9.1 million in the first quarter 2020, compared to \$5.0 million in the first quarter 2019. The decrease in Adjusted EBITDA was primarily due to lower working capital, partially offset by a decrease in Class B units, partially offset by a decrease in Class B units.

Working Capital, Liquidity

Immediately subsequent to the completion of the transaction, the Company had \$55 million in cash, subject to a customary net working capital adjustment. To facilitate the transaction, the Company's ABL revolving credit facility was increased to \$500 million from \$450 million at the end of the first quarter 2020, and the Term Loan net debt to EBITDA financial maintenance covenant was raised from 4.0x to 5.0x through the end of fiscal third quarter 2020.

Cash and cash equivalents totaled \$67.3 million at January 31, 2020, prior to the purchase of Spartan ER on February 1, 2020. Net debt³ was \$391 million, and the Company had \$196.6 million available under its ABL revolving credit facility as of January 31, 2020.

Net cash used in operating activities was \$13.3 million compared to \$39.4 million in the prior year quarter, resulting from our continued focus on stronger conversion of net income to cash. Net working capital⁴ for the Company as of January 31, 2020 was \$381.6 million compared to \$450.3 million as of January 31, 2019. The decrease was due to continued improvement in net working capital management. Capital expenditures in the first quarter 2020 were \$3.2 million compared to \$6.3 million in the prior year quarter. During the first quarter 2020, the Company did not repurchase any shares.

Updated Fiscal 2020 Outlook⁵

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The Company is reaffirming its prior financial guidance and is also updating its outlook for fiscal year 2020 solely to include the impact of the acquisition of Spartan ER. The Company now expects the following performance for fiscal year:

- Net revenue of \$2.6 to \$2.8 billion
- Net income of \$9 to \$30 million
- Adjusted EBITDA of \$107 to \$123 million
- Adjusted Net Income of \$30 to \$50 million
- Capital Expenditures of \$23 to \$28 million
- Interest expense of \$29 to \$33 million
- Effective tax rate of 27 percent to 29 percent
- Net cash provided by operating activities of \$65 to \$85 million, plus approximately \$5 to \$10 million of net cash from the sale of land and other assets

Quarterly Dividend

Our board of directors declared a quarterly dividend for our first quarter 2020, payable on May 29, 2020, to holders of record as of April 30, 2020, in the amount of \$0.05 per share of common stock, which equates to a rate of \$0.20 per share of common stock.

Conference Call

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

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About REV Group

REV Group (REVG) is a leading provider of commercial vehicles, parts and services. We serve customers in the Fire & Emergency, Commercial and Essential Needs (ambulance, fire trucks, etc.) and Recreational Vehicles (terminal trucks, cut-aways, etc.) markets. Our diverse portfolio is made up of several of the most recognizable names within their industry. Several of our brands pioneered their specialty vehicle product categories and date back more than 50 years. REV Group trades on the NYSE under the symbol REVG.

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, and in the Company’s subsequent quarterly reports on Form 10-Q, together with the Company’s other filings with the SEC, which risks and uncertainties 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 its forward-looking statements as a result of new information, future events or changes in assumptions.

Investors-REVG

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ASSETS

Current assets:

| | | | |
|---------------------------|------|----|-------|
| Cash and cash equivalents | 7.3 | \$ | 3.3 |
| Accounts receivable, net | 0.5 | | 253.5 |
| Inventories, net | 2.7 | | 513.4 |
| Other current assets | 2.9 | | 19.4 |
| Assets held for sale | — | | 19.5 |
| Total current assets | 33.4 | | 809.1 |

| | | | |
|------------------------------------|------------|----|---------|
| Property, plant and equipment, net | 198.5 | | 201.7 |
| Goodwill | 159.8 | | 159.8 |
| Intangible assets, net | 155.9 | | 159.9 |
| Right of use assets | 21.9 | | — |
| Other long-term assets | 16.5 | | 16.6 |
| Total assets | \$ 1,406.0 | \$ | 1,347.1 |

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

| | | | |
|---|--------|----|-------|
| Current portion of long-term debt | \$ 3.4 | \$ | 3.6 |
| Accounts payable | 187.4 | | 200.8 |
| Customer advances | 139.3 | | 129.9 |
| Accrued warranty | 15.6 | | 16.1 |
| Short-term lease obligations | 7.2 | | — |
| Liabilities held for sale | — | | 15.4 |
| Other current liabilities | 55.0 | | 70.2 |
| Total current liabilities | 407.9 | | 436.0 |
| Long-term debt, less current maturities | 458.3 | | 376.6 |
| Deferred income taxes | 17.2 | | 15.4 |
| Long-term lease obligations | 14.7 | | — |

| | | |
|---|------------|------------|
| Other long-term liabilities | 12.0 | 13.9 |
| Total liabilities | 910.1 | 841.9 |
| Commitments and contingencies | | |
| Shareholders' Equity: | | |
| Common stock (\$.001 par value, 605,000,000 shares authorized; 62,680,472 and 62,217,486 shares issued and outstanding, respectively) | 0.1 | 0.1 |
| Additional paid-in capital | 494.2 | 490.8 |
| Retained earnings | 3.3 | 15.8 |
| Accumulated other comprehensive loss | (1.7) | (1.7) |
| Total REV's shareholders' equity | 495.9 | 505.0 |
| Non-controlling interest | — | 0.2 |
| Total shareholders' equity | 495.9 | 505.2 |
| Total liabilities and shareholders' equity | \$ 1,406.0 | \$ 1,347.1 |

REV GROUP, INC. AND SUBSIDIARIES
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share and per share amounts)

| | Months Ended January 31, | |
|--------------------------------------|-----------------------------|-----------|
| | 2019 | |
| Net sales | 2.1 | \$ 518.7 |
| Cost of sales | 4.7 | 472.4 |
| Gross profit | 7.4 | 46.3 |
| Operating expenses: | | |
| Selling, general and administrative | 6.3 | 47.8 |
| Research and development | 1.2 | 1.3 |
| Amortization of intangible assets | 4.0 | 4.6 |
| Restructuring | 0.6 | 1.1 |
| Impairment charges | — | 2.70 |
| Total operating expenses | 12.1 | 57.5 |
| Operating loss | 4.7 | (11.2) |
| Interest expense, net | 7.3 | 7.8 |
| Loss before benefit for income taxes | 12.0 | (19.0) |
| Benefit for income taxes | 2.6 | (4.4) |
| Net loss | 9.4 | \$ (14.6) |

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Loss per common share:

| | | |
|-------------------------------------|-----------|-----------|
| Basic | \$ (0.15) | \$ (0.23) |
| Diluted | \$ (0.15) | \$ (0.23) |
| Dividends declared per common share | \$ 0.05 | \$ 0.05 |

Adjusted loss per common share:

| | | |
|---------|-----------|-----------|
| Basic | \$ (0.04) | \$ (0.05) |
| Diluted | \$ (0.04) | \$ (0.05) |

Weighted Average Shares Outstanding:

| | | |
|---------|------------|------------|
| Basic | 62,783,080 | 63,023,076 |
| Diluted | 62,783,080 | 63,023,076 |

REV GROUP, INC. AND SUBSIDIARIES
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)



| | Three Months Ended January 31, | |
|---|-----------------------------------|-----------|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Net loss | \$ (9.4) | \$ (14.6) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 10.8 | 12.4 |
| Amortization of debt issuance costs | 0.5 | 0.4 |
| Stock-based compensation expense | 2.6 | 1.4 |
| Deferred income taxes | 1.8 | 2.9 |
| Gain on sale of assets | (0.5) | (0.3) |
| Impairment charges | — | 2.7 |
| Changes in operating assets and liabilities, net | (19.1) | (44.3) |
| Net cash used in operating activities | (13.3) | (39.4) |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (3.2) | (6.3) |
| Purchase of rental and used vehicles | (2.7) | (3.0) |
| Proceeds from sale of assets | 3.5 | 2.1 |
| Proceeds from sale of business, net | 1.1 | — |
| Net cash used in investing activities | (1.3) | (7.2) |
| Cash flows from financing activities: | | |
| Net proceeds from bank borrowings | 2.0 | 51.2 |
| Payment of dividends | (3.1) | (3.1) |
| Other financing activities | (0.3) | 0.1 |
| Net cash provided by financing activities | 8.6 | 48.2 |
| Net increase in cash and cash equivalents | 4.0 | 1.6 |
| Cash and cash equivalents at January 1 | 3.3 | 11.9 |
| Cash and cash equivalents at January 31 | 7.3 | \$ 13.5 |

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| | | |
|-------------------|----------|----------|
| Net Sales: | | |
| Fire & Emergency | | |
| Commercial | 158.2 | 140.7 |
| Recreation | 166.8 | 176.3 |
| Corporate & Other | 0.6 | (2.4) |
| Total | \$ 532.1 | \$ 518.7 |

| | | |
|-------------------|---------|---------|
| Adjusted EBITDA: | | |
| Fire & Emergency | \$ 1.7 | \$ 8.4 |
| Commercial | 10.8 | 5.0 |
| Recreation | 7.0 | 9.1 |
| Corporate & Other | (8.2) | (10.2) |
| Total | \$ 11.3 | \$ 12.3 |

| | | |
|-------------------------|------|------|
| Adjusted EBITDA Margin: | | |
| Fire & Emergency | 0.8% | 4.1% |
| Commercial | 6.8% | 3.6% |
| Recreation | 4.2% | 5.2% |
| Total | 2.1% | 2.4% |



| | 2020 | 2019 |
|---|-----------------|-----------------|
| Net loss | \$ (9.4) | \$ (14.6) |
| Amortization of intangible assets | 4.0 | 4.6 |
| Transaction expenses | 1.1 | 0.2 |
| Sponsor expense reimbursement | 0.1 | 0.5 |
| Restructuring costs | 0.6 | 1.1 |
| Stock-based compensation expense | 2.6 | 1.4 |
| Legal matters | 0.1 | 2.1 |
| Impairment charges | — | 2.7 |
| Losses attributable to assets held for sale | 0.6 | 1.7 |
| Deferred purchase price payment | 0.1 | 1.6 |
| Income tax effect of adjustments | (2.5) | (4.2) |
| Adjusted Net Loss | \$ (2.7) | \$ (2.9) |

REV GROUP, INC. AND SUBSIDIARIES
ADJUSTED EBITDA OUTLOOK RECONCILIATION
(In millions)

| | 2020 |
|---|--------------|
| Net Income | 29.8 |
| Depreciation and amortization | 40.0 |
| Interest expense, net | 29.0 |
| Income tax expense | 12.0 |
| EBITDA | 110.8 |
| Transaction expenses | 0.5 |
| Sponsor expense reimbursement | 0.5 |
| Restructuring costs | 1.0 |
| Stock-based compensation expense | 7.0 |
| Legal matters | 2.5 |
| Losses attributable to assets held for sale | 0.6 |
| Deferred purchase price payment | 0.1 |
| Adjusted EBITDA | 123.0 |

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REV GROUP, INC. AND SUBSIDIARIES
ADJUSTED NET INCOME OUTLOOK RECONCILIATION
(In millions)

| | Fiscal Year 2020 | |
|---|------------------|----------------|
| | Low | High |
| Net Income | \$ 9.3 | \$ 29.8 |
| Amortization of intangible assets | 14.0 | 15.5 |
| Transaction expenses | 1.0 | 0.5 |
| Sponsor expense reimbursement | 1.0 | 0.5 |
| Restructuring costs | 2.0 | 1.0 |
| Stock-based compensation expense | 8.0 | 7.0 |
| Legal matters | 3.5 | 2.5 |
| Losses attributable to assets held for sale | 0.6 | 0.6 |
| Deferred purchase price payment | 0.1 | 0.1 |
| Income tax effect of adjustments | (9.0) | (7.5) |
| Adjusted Net Income | \$ 30.5 | \$ 50.0 |



- ¹ REV Group, Inc. Adjusted Net Income (Loss) and Adjusted EBITDA are non-GAAP measures that are reconciled to their nearest GAAP measure later in this release.
- ² The purchase of Spartan ER was completed on February 1, 2020 therefore no financial results are included in the first quarter 2020 results, however cash and debt balances on the Company's Condensed Consolidated Balance Sheets both reflect an increase in anticipation of this acquisition.
- ³ Net Debt is defined as total debt (excluding current portion of long-term debt) less cash and cash equivalents.
- ⁴ Net Working Capital is defined as current assets (excluding cash) less current liabilities (excluding current portion of long-term debt).
- ⁵ Our Fiscal 2020 Outlook has not been updated to include any impacts of Covid-19 as we have not experienced material financial impacts to date.

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