

FISCAL YEAR



ANNUAL REPORT



CEO MESSAGE TO SHAREHOLDERS ^[1]

Dear Fellow Shareholders,

Fiscal year 2019 contained several notable highlights as we continued to navigate challenges presented by the tariffs and global trade war. These accomplishments include a record number of new product introductions to support organic growth, several large, multi-year municipal contract awards demonstrating our partnership scale with municipalities of all sizes, a strong \$1.3 billion year-end backlog and improved free cash flow that supported debt repayment and shareholder returns in the form of dividends and share repurchases. In addition, we advanced the implementation of REV Production System which aims at continuous improvement throughout the organization to drive predictability and accountability of our operational and financial results. I am extremely encouraged by the progress we have made, and the efforts that our teams have put into their respective businesses to find ways to mitigate external disruptions while aligning capacity with current customer demand

levels. Unfortunately, in some cases this resulted in headcount reductions or plant rationalization that was necessary to flex down our cost structure to maintain profitability. In other situations, we were faced with tight labor markets for the key skilled employees who are required to produce our unique, often highly customized, products. Properly aligning company resources in this type of environment wasn't always easy, but I believe we exited the year on firm footing and I'm eager to experience the benefits of this hard work as we enter fiscal year 2020, which we believe is poised for a return to growth.

FIRE AND EMERGENCY

It was a challenging year within the Fire and Emergency segment. We entered the fiscal year with a record backlog in the Fire division and irregular ordering patterns in the Ambulance division. Addressing these divergent customer demand conditions required contrasting solutions. Within Fire, we pursued a path to drastically increase our capacity to bring down the backlog duration and support the continued market penetration of our brands over the long-term. Ambulance, however, already had enough capacity and a skilled workforce, which we retained in anticipation of normalized order patterns. Both long-term decisions impacted this year's results, but reflect our commitment to our customers to deliver quality trucks. We believe these decisions are also in the best interest of our shareholders in the long run. We expect to regain production and profitability momentum within the segment throughout the upcoming fiscal year, and that these actions set up for a strong second half production cadence and improved operational efficiencies as we build against our increased backlog.

Confidence surrounding these production capacity decisions was supported by the quality of our products, the strength of our relationships and a commitment to innovation. Within the year we announced five-year awards, including an award from the Chicago Fire Department for the largest single contract for fire apparatus ever received at our E-ONE business, and a five-year award by the FDNY for ambulance units out of our REV Orlando business. At the American Ambulance Association conference in Nashville this year, we announced several new vehicles inspired by customer input that increased crew comfort and overall functionality. We believe we continue to be a leader in voice of customer design of Fire apparatus with a total of 13 new Fire product releases in fiscal year 2019.

[1] This letter contains certain forward-looking statements. Please see the section titled "Cautionary Statement about forward-looking statements" in our annual report on form 10-K.

COMMERCIAL

Commercial was the first segment to benefit from the implementation of REV Production System and we were pleased to see a continuation of solid execution and margin improvement across much of the segment throughout this year. During the year we received a five-year transit bus award from the suburban bus division of the Regional Transit Authority of Chicago and, subsequent to closing fiscal year 2019, we officially received a significant add-on award from the LA County transit authority which we believe provides a strong tailwind for the Bus division through fiscal year 2020 and into fiscal year 2021.

The Commercial segment provides some of our greatest advances in green technology. We are proud that starting in spring 2020, two REV Group zero-emission terminal trucks are expected to begin service in the Port of Los Angeles, thanks to a results focused team of partners and a pilot project that leverages our existing fleet of relationships and vehicle platforms. In addition, ElDorado National California (ENC), which we believe is an industry leader in designing and manufacturing zero-emission buses, now offers one of the most sustainable buses in the industry, the Axess-FC. The Axess-FC was the first hybrid fuel-cell bus to complete the rigorous STURRA testing that simulates 500,000 miles of service over 12 years at the Altoona Bus Research and Testing Center. Axess-FC buses are in cities from coast to coast and to date have logged over one million transit service miles.

RECREATION

During fiscal year 2019, select Recreation markets declined at a greater rate than expected as dealers destocked, and dealer inventories dropped to historic lows within our Class A product lines. While this resulted in lower than expected EBITDA versus our initial fiscal year 2019 guidance, the team deserves recognition for taking corrective actions to limit the financial impact and navigating end markets that were not within its control. We have adjusted capacity and the segment's cost structure to align with demand in a market that is expected to be down slightly, but also have retained the ability to increase production, if needed, as we build upon recent market successes. Throughout the year, our focus to anticipate customer preference with product innovations continued and we rolled out several new designs for model year 2020. All product categories enjoyed a successful Open House and RV shows this fall, resulting in several design awards and the onboarding of new dealers in key, high volume territories. We believe our refreshed line-up and expanded distribution augment our base business and positions us to outperform the industry as wholesale shipments more closely align with retail sales going forward.

LOOKING FORWARD

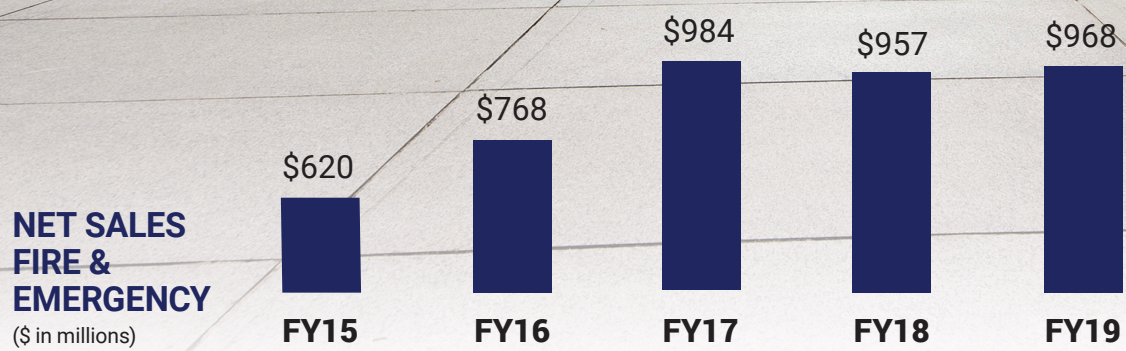
As we look to fiscal year 2020 and beyond, we plan to continue our efforts on maximizing our conversion of adjusted net income to cash and deploy a balanced use of capital focused on debt repayment, internal investments and opportunistic share repurchase or M&A activity. We have remained disciplined regarding the use of cash and vigilant in our actions to maximize free cash flow. This focus on free cash flow was evident as net cash provided by operating activities in fiscal year 2019 was \$53 million, in addition to \$24 million from the sale of assets; which resulted in another year of balanced capital allocation. During the year, we paid over \$12 million in dividends and returned over \$8 million dollars to shareholders through stock repurchases. We also improved our balance sheet by paying down \$42 million of net debt during the year.

In closing, as we enter fiscal year 2020, we continue to believe most of our end markets remain strong outside of our Recreation segment and our Specialty division, and that we have taken necessary steps to improve execution and profitability in the upcoming fiscal year. We initiated a strategic review during the second half of fiscal year 2019 which involved a deep dive into our core markets and businesses, a detailed look into REV's value proposition and a new focus on where we feel we can deliver shareholder value. Our company-wide strategic review was nearing completion as we exited fiscal year 2019 and our company goal has not changed. We expect a viable path to 10% EBITDA margins and plan to adjust the portfolio to align with our core competencies and to improve profitability in fiscal year 2020. We plan to complete this review early in the upcoming year and provide an update on our long-term targets in the middle of fiscal year 2020.

Sincerely,



Tim Sullivan
REV Group, Inc., President and CEO



FIRE & EMERGENCY

Trusted ambulance and fire truck brands that protect people around the world.

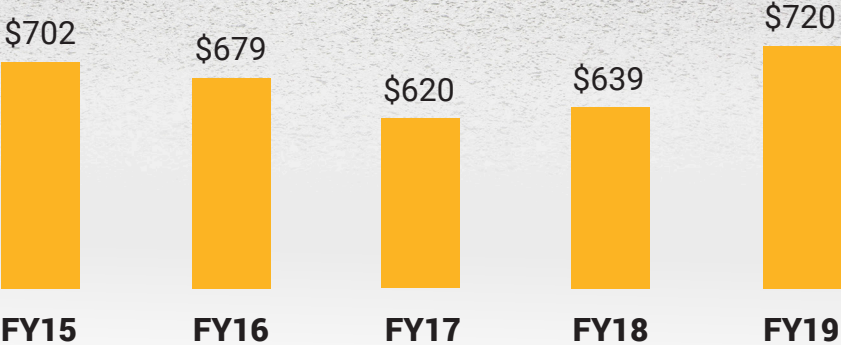


COMMERCIAL

One of the most reputable manufacturers of school buses, shuttle buses, commercial buses, and luxury buses.



**NET SALES
COMMERCIAL**
(\$ in millions)





NET SALES RECREATION

(\$ in millions)

\$413



FY15

\$478



FY16

\$660



FY17

\$812



FY18

\$716



FY19

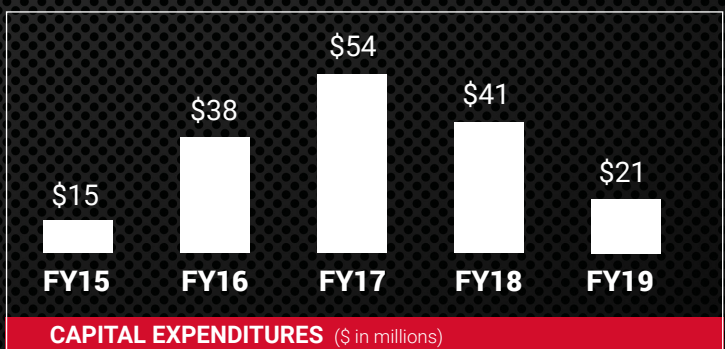
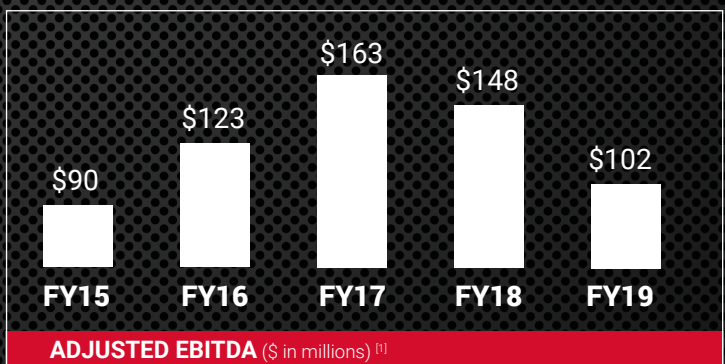
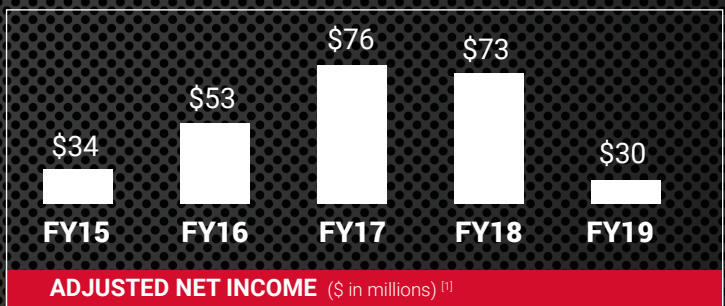
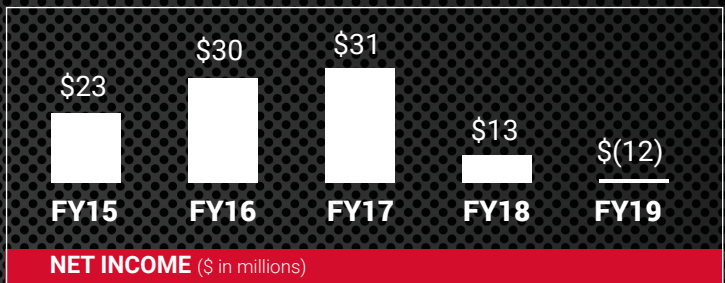
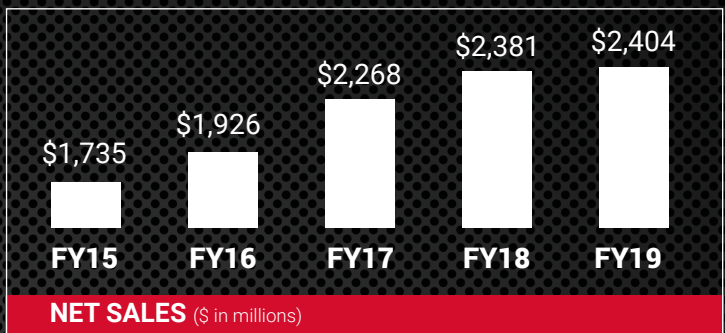
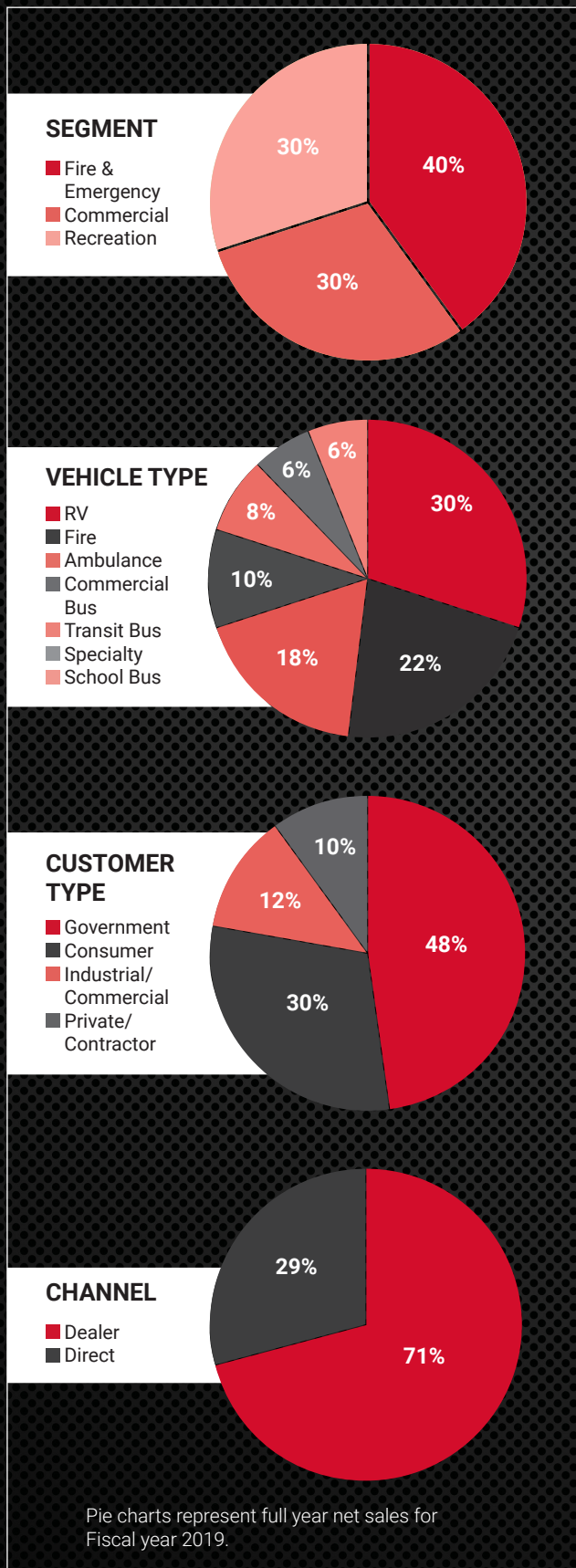
RECREATION

Luxury class A, class B, and class C motorhomes, plus high-end travel trailers and truck campers.



REV GROUP FINANCIALS

FISCAL YEAR 2019 NET SALES



[1] Adjusted Net Income and Adjusted EBITDA are non-GAAP financial measures. Please see our annual report on Form 10-K for definitions of these non-GAAP financial measures and reconciliations to their nearest GAAP measure.



REV Group 2019 – In The Spotlight

PARTNERSHIP SPOTLIGHT

REV Group has had a connection with motorsports for a few years; nearly every type of vehicle we make appears at a race track from fire and emergency vehicles to RVs and buses; first responders are a vital part of the racing community and first on the scene when there is a crash. In 2019, REV Group took the opportunity to celebrate their service and teamed up with Road America to pay tribute to first responders with free entry at the inaugural NTT IndyCar series REV Group Grand Prix, June 20-23, 2019.

Retired New York Fire Department Lieutenant Anthony Mancuso serves as Grand Marshall at the 2019 NTT IndyCar Series REV Group Grand Prix as part of First Responder Tribute. Pictured with Michael Kertscher, President and General Manager of Road America.



Race car champion Helio Castroneves visits Atlanta Fire Rescue Station 1 to meet the crew as part of the ongoing First Responder Tribute.



NEW PRODUCT SPOTLIGHT

Fiscal year 2019 was a strong year for innovation with 36 new products launching across REV Group's portfolio from a voice of customer designed ambulance to a low-floor school bus.



COLLINS SCHOOL BUS

The all-new Collins Low-Floor School Bus allows walker and wheelchair users to travel with ease and confidence.

WHEELED COACH

Unveiled its newly designed Ford Transit™ Type II ambulance at American Ambulance Association Annual Conference & Trade Show in November 2019.



LANCE CAMPERS

Lance launched its all new 2075 Ultra-Light Travel Trailer in fiscal year 2019 and was awarded 'Best of Show' by RV Pro and 'Top Debut' by RV Business Magazine.

VEHICLES THAT CONNECT AND PROTECT

Whether it's people, communities or businesses, REV Group is here to connect and protect with a lineup of vehicles that have long served the fire, emergency, bus, recreation and certain specialty markets.

FIRE AND EMERGENCY VEHICLES

PRODUCTS: Pumper Tankers, Aerial Fire Trucks, Aircraft Rescue Fire Fighters (ARFF), and Ambulances Type I, II and III

END CUSTOMERS: Municipalities, Military, Airports, and Contractors



FR*NTLINE



MCCOY MILLER



Horton

LEADER



Road Rescue®

FERRARA

FIRSTAR



MARQUE



Wheeled Coach

KME

COMMERCIAL VEHICLES

PRODUCTS: Type A School Buses, Transit Buses, Shuttle Buses, Terminal Trucks, and Sweepers

END CUSTOMERS: Municipalities, Contractors, Rental Companies, and Corporations

CHAMPION®



Federal

LAYMOR

COLLINS®



GOSHEN™



WORLD TRANS

ELDORADO



KRYSTAL



CAPACITY

RECREATION VEHICLES

PRODUCTS: Class A – Gas and Diesel, Class B, Class C and Super C, Truck Campers, and Travel Trailers

END CUSTOMERS: Dealers and Retail Consumers



MONACO®

LANCE

FLEETWOOD RV

Renegade



**GOLDSHIELD
FIBERGLASS**



HOLIDAY RAMBLER

**MIDWEST
AUTOMOTIVE DESIGNS**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-37999

REV Group, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
111 East Kilbourn Avenue, Suite 2600
Milwaukee, WI
(Address of principal executive offices)

26-3013415
(I.R.S. Employer
Identification No.)

53202
(Zip Code)

Registrant's telephone number, including area code: (414) 290-0190

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock (\$0.001 Par Value)	REVG	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$335,366,217 based on the last reported sale price of such securities as of April 30, 2019, the last business day of the Registrant's most recently completed second fiscal quarter. For purposes of this calculation, shares of common stock held by each executive officer and director and by holders of more than 5% of the outstanding common stock have been excluded. However, the registrant has made no determination that such individuals are "affiliates" within the meaning of Rule 405 under the Securities Act of 1933.

The number of shares of the Registrant's Common Stock outstanding as of December 16, 2019 was 62,319,486.

Portions of the Registrant's Definitive Proxy Statement relating to the Annual Meeting of Stockholders, scheduled to be held on March 4, 2020, are incorporated by reference into Part III of this Report.

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Cautionary Statement About Forward-Looking Statements

This Annual Report on Form 10-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” “contemplate,” “aim” and other similar expressions, and include our segment net sales and other expectations described under “Overview” below, although not all forward-looking statements contain these identifying words. Investors are cautioned that forward-looking statements are inherently uncertain. A number of factors could cause actual results to differ materially from these statements, including, but not limited to increases in interest rates, availability of credit, low consumer confidence, availability of labor, significant increases in repurchase obligations, inadequate liquidity or capital resources, availability and price of fuel, a slowdown in the economy, increased material and component costs, availability of chassis and other key component parts, sales order cancellations, slower than anticipated sales of new or existing products, new product introductions by competitors, the effect of global tensions and integration of operations relating to mergers and acquisitions activities. We disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this Annual Report on Form 10-K or to reflect any changes in expectations after the date of this release or any change in events, conditions or circumstances on which any statement is based, except as required by law. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- The impact of economic factors and adverse developments in economic conditions;
- The seasonal nature of the markets in which we operate;
- Disruptions in the supply of vehicle chassis or other critical materials;
- Our ability to compete with other participants in the end markets we serve;
- Our ability to successfully identify and integrate acquisitions;
- Our business has certain working capital requirements, and a decline in operating results may have an adverse impact on our liquidity position;
- The realization of contingent obligations;
- Increases in the price of commodities, including the impact of tariffs, on the cost or price of our products;
- The impact of currency value fluctuations on the cost or price of our products;
- Our reliance on the performance of dealers;
- The availability and terms of financing available to dealers and retail purchasers;
- Our ability to retain and attract senior management and key employees;
- Vehicle defects, delays in new model launches, recall campaigns, or increased warranty costs;
- Cancellations, reductions or delays in customer orders;
- The impact of federal, state and local regulations governing our products;
- Unforeseen or recurring operational problems at any of our facilities and catastrophic events;
- Federal and local government spending levels;
- Our operations and the industries in which we operate are subject to governmental laws and regulations, including relating to environmental, health and safety matters;
- The influence of AIP over us, including its contractual right to nominate a majority of our directors and other contractual rights;
- Changes to tax laws or exposure to additional tax liabilities;
- Failure to maintain the strength and value of our brands; and
- Our being a “controlled company” within the meaning of the New York Stock Exchange rules and, as a result, qualifying for, and relying on, exemptions from certain corporate governance requirements.

Website and Social Media Disclosure

We use our website (www.revgroup.com) and corporate Twitter account (@revgroupinc) as routine channels of distribution of company information, including news releases, analyst presentations, and supplemental financial information, as a means of disclosing material non-public information and for complying with our disclosure obligations under Securities and Exchange Commission (“SEC”) Regulation FD. Accordingly, investors should monitor our website and our corporate Twitter account in addition to following press releases, SEC filings and public conference calls and webcasts. Additionally, we provide notifications of news or announcements as part of our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts.

None of the information provided on our website, in our press releases, public conference calls and webcasts, or through social media channels is incorporated into, or deemed to be a part of, this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our website or our social media channels are intended to be inactive textual references only.

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PART I

Unless otherwise indicated or the context requires otherwise, references in this Annual Report on Form 10-K to the “Company,” “REV,” “we,” “us” and “our” refer to REV Group, Inc. and its consolidated subsidiaries.

Item 1. Business.

REV is a leading designer, manufacturer and distributor of specialty vehicles and related aftermarket parts and services. We provide customized vehicle solutions for applications including: essential needs (ambulances, fire apparatus, school buses and municipal transit buses), industrial and commercial (terminal trucks, cut-away buses and sweepers) and consumer leisure (recreational vehicles, referred to as “RVs,” and luxury coaches). Our brand portfolio consists of 29 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. We believe that in most of our markets, we hold the first or second market share position and approximately 62% of our net sales during fiscal year 2019 came from products where we believe we hold such share positions.

The specialty vehicle market is a complex and attractive market characterized by: (i) numerous niche markets with annual sales volumes generally between 3,000 and 25,000 units, (ii) highly customized vehicle configurations addressing unique customer applications and (iii) specialized customer bases and distribution channels (both dealer and direct). We believe the specialty vehicle market has historically been serviced by niche companies, which has created an opportunity for market leadership by efficient producers with the ability to scale resources, such as REV. We believe that our focus on manufacturing best practices and operational improvements, supply chain management, product innovation, and life-cycle value leadership strengthen our market position and ability to compete which provides an opportunity for market growth and margin expansion.

Our products are sold to municipalities, government agencies, private contractors, consumers and industrial and commercial end users. We have a diverse customer base with our top 10 customers representing approximately 22% of our net sales in fiscal year 2019, with no single customer representing more than 5% of our net sales over the same period. We believe our diverse end markets are favorably exposed to multiple secular growth drivers such as: rising municipal spending, a growing aged population, growing urbanization, growing student populations, the increasing popularity of outdoor and active lifestyles and the replacement of existing in-service vehicles including legislated replacements.

Our business model utilizes our unique scale to drive profitable organic and acquisitive growth. We seek to gain market share by delivering high-quality products with customized attributes tailored to our customers’ product specifications, while simultaneously reducing costs and shortening delivery lead times. We aim to achieve this by standardizing and optimizing certain processes across our segments via our proprietary REV Production System (RPS) and in areas including: procurement, engineering and product development, lean manufacturing, market analysis, talent management and training, and aftermarket parts sales. We believe our manufacturing and service network, consisting of 20 manufacturing facilities, 8 Regional Technical Centers (“RTCs”) and 4 aftermarket parts warehouses, provides us with a competitive advantage through the sharing of best practices, manufacturing flexibility based on relative facility utilization levels, access to geographically diverse labor pools, delivery costs and lead times, economies of scale, customer service capabilities, and a complementary distribution system. Our business consists primarily of design, engineering, technology application, integration, and assembly activities, which require relatively low levels of capital expenditures. Furthermore, our broad presence across the specialty vehicle market and large manufacturing and distribution network are important differentiators in our ability to grow through acquisitions. We seek to make synergistic acquisitions that further enhance our existing market positions or enter REV into new, attractive product segments. In the past 13 years, we have completed 16 acquisitions. We believe we have the opportunity to grow and enhance the earnings profile of acquired businesses by expanding access to sales distribution channels, consolidating acquired businesses into our existing operations and by introducing RPS and scale into the newly acquired businesses to drive profitable growth.

To enhance our market-leading positions, we complement growth from strategic acquisitions with iterative product development and new product launches across our three segments. Product development is primarily designed to provide our customers with high-quality products that have varied and unique feature sets and product capabilities at attractive price points. In addition to product development, our businesses are continuously adapting and customizing our vehicles to meet individual customers’ needs and applications. In our RV business specifically, our new model design cycle follows similar timelines as the automotive industry, whereby new models and configurations are introduced or upgraded annually.

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Our management team has significant experience in highly specialized industrial manufacturing and aftermarket parts and services businesses. We continue to focus on initiatives to accelerate growth and improve our profitability. These initiatives include: improving brand management, developing new products, strengthening distribution, leveraging a centralized enterprise-wide procurement strategy, growing adjacent and aftermarket products and services, improving production processes within our facilities, driving down total cost of quality, implementing value-based pricing strategies and reducing fixed costs.

Our fiscal year is from November 1 to October 31, with fiscal quarters ending on the last day of January, April, July and October.

Our Products and Markets

We primarily sell new specialty vehicles which we design, engineer and assemble in our production facilities. Our aftermarket business consists of parts sales and service. We believe the majority of our new vehicle sales represent the replacement of in-service vehicles which are past their useful life, with additional sales derived from fleet expansions, new customers and new product introductions.

Our Fire & Emergency segment sells fire apparatus equipment under the Emergency One (“E-ONE”), Kovatch Mobile Equipment (“KME”) and Ferrara brands and ambulances under the American Emergency Vehicles (“AEV”), Horton Emergency Vehicles (“Horton”), Leader Emergency Vehicles (“Leader”), Marque, McCoy Miller, Road Rescue, Wheeled Coach and Frontline brands. We believe we are the largest manufacturer by unit volume of fire and emergency vehicles in the United States and have one of the industry’s broadest portfolios of products including Type I ambulances (aluminum body mounted on a heavy truck-style chassis), Type II ambulances (van conversion ambulance), Type III ambulances (aluminum body mounted on a van-style chassis), pumpers (fire apparatus on a custom or commercial chassis with a water pump and water tank to extinguish fires), ladder trucks (fire apparatus with stainless steel or aluminum ladders), tanker trucks and rescue and other vehicles. Each of our individual brands is distinctly positioned and targets certain price and feature points in the market such that dealers often carry, and customers often buy more than one REV Fire & Emergency product line.

Fire & Emergency Product	Description/Application
Pumper / Tanker 	• Most standard fire apparatus found in fire department fleets • Transports firefighters to the scene of an emergency • Onboard pump and water tank for immediate water supply upon arrival on scene to fight fires • Connects to more permanent water sources such as fire hydrants or water tenders for continuous firefighting capability
Aerial 	• Transports firefighters to the scene of an emergency and supports fire suppression • Facilitates access or egress of firefighters and fire victims at height using a large telescopic ladder • Ladder is mounted on a turntable on a truck chassis allowing it to pivot around a stable base to transport firefighters and fire suppression to the scene • Typically contains a pump, provides a high-level water point for firefighting via elevated master water stream • Provides a platform from which tasks such as ventilation or overhaul can be executed
ARFF 	• Transports firefighters to the scene of an airport emergency • Highly specified (by the F.A.A.) fire engine designed for use at global airfields where F.A.A. regulated commercial planes land to assist with potential aircraft accidents • Has the ability to move on rough terrain outside the runway and airport area and provides large water capacity and a foam tank • Able to deliver a fire suppression chemical foam stream to the scene, which “flattens” the fire faster • Capability to reach an airplane quickly and rapidly extinguish large fires involving jet fuel

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Rescue



- Transports first responders to the scene of an emergency
- Used in a wide array of applications from technical rescue/multi-vehicle accidents, confined space/high-angle rescue, area illumination, extrication, wet rescue (with water and pump), Haz-Mat and urban search and rescue as well as many other disciplines
- Maximum storage space and equipment capabilities in a heavy-duty platform with large transverse storage solutions for extra gear

Ambulance Type I



- Transports paramedics and other emergency support technicians as well as a “mobile hospital” to the scene of an emergency
- Patient compartment structural aluminum “box” mounted on a heavy truck chassis and used primarily for advanced life support and rescue work
- Provides out-of-hospital medical care to the patient at the scene or while in transit

Ambulance Type II



- Transports paramedics and other emergency support technicians to the scene of an emergency
- Van-based ambulance with relatively fewer ambulance modifications and containing relatively less medical equipment than Type I or Type III ambulances
- Used for basic life support and to transfer of patients that require only basic life support services to a hospital or between places of medical treatment

Ambulance Type III



- Transports paramedics and other emergency support technicians as well as a “mobile hospital” to the scene of an emergency
- Patient compartment structural aluminum “box” mounted on a cut-away van chassis and has the same use and application as a Type I ambulance

Our Commercial segment is a leading producer of small- and medium-sized buses, Type A school buses, transit buses, terminal trucks and sweepers in the United States. We serve the bus market through the following principal brands: Collins Bus, ENC, ElDorado National, Federal Coach, Goshen, Champion and World Trans. We serve the terminal truck market through the Capacity brand and the sweeper market through the Lay-Mor brand. Our products in the Commercial segment include cut-away buses (customized body built on various types and sizes of commercial chassis), transit buses (large municipal buses where we build our own chassis and body), luxury buses (bus-style limo or high-end luxury conversions), sweepers (three- and four-wheel versions used in road construction activities), terminal trucks (specialized vehicle which moves freight in warehouses or intermodal yards and ports), and Type A school buses (small school bus built on a cut-away chassis).

Commercial Product	Description/Application
Transit Bus 	• Type of bus used on shorter-distance public transport routes to move passengers from place to place. Distinct from motor coaches used for longer-distance journeys and smaller minibuses • Operated by publicly-run transit authorities or municipal bus companies, as well as private transport companies on a public contract or on a fully independent basis • Often built to operator specifications for specific transport applications • First type of bus to benefit from low-floor technology in response to demand for equal access public service
Shuttle Bus 	• Transports passengers between two fixed points • Facilitates short- or medium-distance journeys, such as airport shuttle buses, transportation for rental car and hotel customers, churches and senior living facilities • Commonly used in towns or cities with multiple terminal train stations or bus stations, for passenger interconnections • Passenger compartment mounted on a van or truck-style chassis typically with short-term luggage storage capability

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Type A School Bus



- Transports students, typically children, to and from school, home and school events
- Typically transports smaller numbers of passengers compared to the larger “Type C” or “Type D” school buses and is more economical in certain types of applications
- Purpose-built vehicle distinguished from other types of buses by significant safety and design features mandated by federal and state regulations
- Passenger compartment mounted on a cut-away van chassis

Sweeper



- Used in a variety of cleaning and preparation applications in road construction and paving industries
- Typically used in street, highway, bridge or interstate construction projects
- Applications use broom or push technology, as well as water cleaning capabilities
- Some applications also include snow removal
- Significant aftermarket parts such as sweeper brushes

Terminal Truck



- Custom built tractor used to move trailers and containers within a cargo yard, warehouse facility or intermodal facility
- Includes a single person cab offset to the side of the engine with a short wheelbase and rear cab exit
- Some units have a fifth wheel with an integrated lifting mechanism that allows the semi-trailer landing legs to remain in the down position during movement enabling efficient movement
- Steel side wall cab and floor construction for protection in harsh and dangerous work environments

Our Recreation segment serves the RV market through seven principal brands: American Coach, Fleetwood RV, Monaco Coach, Holiday Rambler, Renegade RV, Midwest and Lance. We believe our brand portfolio contains some of the longest standing, most recognized brands in the RV industry. Under these brands, REV provides a variety of highly recognized motorized and towable RV models such as: American Eagle, Bounder, Pace Arrow, Verona, Weekender and Lance, among others. Our products in the Recreation segment include Class A motorized RVs (motorhomes built on a heavy duty chassis with either diesel or gas engine configurations), Class C and “Super C” motorized RVs (motorhomes built on a commercial truck or van chassis), Class B RVs (motorhomes built on a van chassis), and towable travel trailers and truck campers. The Recreation segment also includes Goldshield Fiberglass, which produces a wide range of custom molded fiberglass products for the RV and broader industrial markets. Within our Recreation segment, we have some of the most well-recognized Class A diesel and gas motorized RV brands in the market.

Recreation Product	Description/Application
Class A Motorized RVs (Gas, Diesel)	• Class A motorized RVs can be as long as 45 feet and are usually equipped with a rear master suite including a full bathroom and shower and many include a washer/dryer unit on board • Today’s Class A motorized RVs tend to have multiple slide outs (some can expand to a width of over 14 feet), home sized appliances, multiple large flat screen TV’s, surround sound systems and even electric-heated fireplaces and ice machines • Keeps users comfortably on the road for long periods of time including comfortable sleeping accommodations and basement storage to carry ample supplies • Constructed on a commercial truck chassis, a specially designed motor vehicle chassis or a commercial bus chassis, a Class A motorized RV resembles a bus in design and has a flat or vertical front end with large forward windows
	
	
	

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Class C Motorized RVs



- Class C motorized RVs make use of a standard van or truck chassis as the driving portion of the RV, allowing better access to the cab portion from the outside, since there are entry doors on both sides
- The house (or camper) portion of the RV extends over the cab area which commonly has a sleeping compartment or other uses such as storage or entertainment
- Fewer amenities and living space compared to Class A motorized RVs while meeting requirements for comfortable living
- A Class C motorized RV is equipped with a kitchen/dining area featuring a refrigerator/freezer, a propane range (sometimes with an oven), a microwave oven and a table with seating. It also has a lavatory with a bath/shower, one or more sleeping areas and additional seating towards the front. An air conditioner, water heater, furnace and outside canopy are also typically included
- Class C motorized RVs often feature a towing hitch enabling the pulling of a light weight or heavy trailers for boats, a small car or truck or other sports accessories

Class B Motorized RVs



- Class B motorized RVs can range from 16 to 22 feet, are typically built on an automotive van chassis or panel-truck shells, and are built on several different gas or diesel chassis depending on the motorhome
- Class B motorized RVs drive more like the family car, are easier to park and maneuver, but also offer the comforts and conveniences of a home on the road
- Typically equipped with a “wet bath” configuration, which includes toilet, shower, and sink
- Fewer amenities than a Class A and Class C unit, the Class B will typically have seating for 6 to 8 people, a small kitchenette complete with refrigerator and microwave, and comes equipped with flat screen TV/surround sound, roof mounted A.C., and a smaller generator
- Limited sleeping capacity, typically a 2-person, overnight coach
- Class B motorized RVs have a broad appeal due to its versatility, and ease of driving. They are typically used for shorter overnight trips, older couples no longer wanting to drive a large coach, families involved in sports, tailgating, and even larger families in need of space for a primary driving vehicle

Travel Trailers and Truck Campers



- Travel Trailers range in sizes of 14 feet up to 35 feet, and can sleep up to anywhere from 1-10 people
- Travel Trailers are towed by another vehicle, can be parked and detached for ease of use
- Typically contains a kitchen, dining, bath and sleep area
- Lance Camper makes one of the most popular truck campers in America
- Truck campers are portable units easily loaded onto the bed of a pickup truck
- Truck campers range in size from 6’ - 12’ with floorplan arrangements that sleep 3-6 people
- Livable areas are maximized, most floorplans offer full kitchens, bathrooms, living areas and storage space

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Our Markets

We operate primarily in the United States in the fire and emergency, commercial and recreation markets, which represented approximately 94% of our overall net sales for fiscal year 2019. For fiscal year 2019, our net sales to international markets (including Canada) amounted to \$140 million, representing approximately 6% of our overall net sales for fiscal year 2019. We sell internationally through dealers and agents to end markets that utilize U.S.-style chassis and product configurations. In December 2017, we established a joint venture with China's Chery Holding Group in Wuhu to manufacture RVs, ambulances and other specialty vehicles for distribution within China and select international markets. These products will be sold in China and internationally through Chery's existing distribution network.

Fire and Emergency Markets

Fire and emergency products are used by municipalities and private contractors to provide essential services such as emergency response, patient transport and fire suppression, among other activities. Nearly all fire apparatus and ambulances are customized in some form; however, they share many common production and component attributes, such as similar manufacturing and engineering processes, raw materials (aluminum, lights, wire harnesses, paint and coatings, among others). The sales prices for our fire and emergency products can vary considerably given their highly customized nature, but generally range from \$200,000 to \$650,000 for pumper trucks, \$500,000 to \$1,200,000 for aerial fire trucks and \$65,000 to \$350,000 for ambulances. Demand is driven primarily by the replacement of in-service fleets, as well as by factors such as a growing aged population and a growing overall population (driving increased patient transportation and emergency response needs), new real estate developments, taller buildings (requiring more aerial vehicles), international airport growth (requiring Federal Aviation Administration-specified ARFF vehicles), and higher municipal funding levels. Local tax revenues are an important source of funding for fire and emergency response departments in addition to Federal grant money and locally raised funding. We estimate that ambulances have useful lives of 5-7 years and generally operate on a 24/7 schedule, driving significant annual mileage which ultimately leads to a replacement sale or remount service as their underlying chassis wears out. We estimate that pumper trucks and aerial fire trucks have useful lives of 10-12 years and 20-30 years, respectively, and that despite operating at a lower level of annual miles driven, these vehicles become obsolete before they mechanically wear out due to technological advances over those time periods.

We believe that a growing aged population, longer life expectancy, urbanization and the increasing use of emergency vehicles for non-critical care transport are all positive trends for the ambulance market.

Commercial Markets

REV's Commercial segment addresses a broad variety of products and end markets. The transit and shuttle bus markets include applications such as airport car rental and hotel/motel shuttles, paramedical transit vehicles for hospitals and nursing homes, tour and charter operations, daycare and student transportation, and numerous other applications. We believe the commercial bus markets we serve will sustain positive long-term growth supported by growing levels of urbanization which will require increasing commercial bus usage, increased government transportation spending, an aging and growing U.S. population driving demand for shuttle buses, a necessary replacement cycle of public and private bus customers and the introduction of new bus products.

The demand for school buses is driven by the need for student transportation primarily in the United States and Canada. Within this market, we believe important demand drivers are the increasing number of students, the replacement cycle of in-service vehicles, substitution by private contract companies as the provider of student transportation from school districts (thus requiring the purchase of new buses) and legislated replacements. Insurance providers and state legislatures are increasingly requiring replacement of non-conforming vans which often drives a substitution purchase of our Type A product because of its numerous legislated safety features and benefits versus traditional van products.

Terminal truck demand is driven by replacement of in-service fleets, growth in trade and the increased use of intermodal freight services and warehouses. We anticipate ongoing growth in global trade will result in higher future intermodal freight traffic growth. Sweeper demand is also driven by replacement of in-service fleets by contractors and rental companies as well as growth in infrastructure and construction spending. Sweepers are used in various applications within the construction and road and highway infrastructure markets.

The sales prices for our bus and specialty vehicles can vary considerably, but generally range from \$45,000 to \$80,000 for Type A school buses, \$45,000 to \$190,000 for shuttle buses, \$200,000 to \$500,000 for transit buses and \$25,000 to \$165,000 for other specialty vehicles. We estimate that Type A school buses have useful lives of 8-10 years, that shuttle buses have useful lives of 5-10 years, that transit buses have useful lives of approximately 10-12 years and other specialty vehicles have useful lives of 5-7 years.

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Recreation Markets

The RV industry includes various types and configurations of both motorized and towable RVs of which we currently manufacture and sell Class A (diesel and gas), Class B, Class C motorized RVs and towable campers. Motorized RVs are self-contained units built on motor vehicle chassis with their own lighting, plumbing, heating, cooking, refrigeration, sewage holding and water storage facilities. Class A RVs are generally constructed on purpose-built chassis for reaction travel complete with engine and drivetrain components. We then build the vehicle body, and design, fabricate and install the living area and driver's compartment of these motorized RVs. Class B RVs are built on a consumer van chassis with the entire living area contained within the existing van frame. Class C RVs are built on consumer truck or van chassis which include an engine, drivetrain and a finished cab section. In Class Cs we design, fabricate and install the living area to connect to the driver's compartment and the cab section. Super Class C RVs are heavy duty Class C motorhomes built on a commercial truck chassis that can be used in conjunction with other outdoor or sporting activities because of a larger towing capacity.

Within the Recreation segment, we also design and manufacture a portfolio of towable travel trailers and truck campers under the Lance brand name. These trailers and campers are comprised of a self-contained living area with their own heating, lighting, plumbing, cooking, refrigeration, sleeping and bathroom facilities but excluding a motor vehicle chassis. These products require the RV owner to utilize a motor vehicle to pull or carry them between destinations.

RVs are a consumer leisure purchase and therefore factors that drive demand include: consumer wealth (including the value of primary housing residences and the stock market level), consumer confidence, availability of financing and levels of disposable income. We believe end customers tend to be brand-loyal and repeat buyers who make decisions based on brand, quality, product configuration (primarily floorplan design, features and product styling), service availability and experience and price. Lifestyle trends are expected to support the growth of the RV market. We believe RVs are becoming more popular through increased interest in nature-based tourism and a growing preference for adventure travel among the growing urban populations. According to the Recreation Vehicle Industry Association, or RVIA, RV sales will continue to benefit from the aging "baby boomers" as more people enter the primary RV ownership age group of 55 to 70 years old. In 2018, about one million new camper households were added to those who consider themselves annual campers, with an estimated 7 million new camper households in the U.S. since 2014. In addition to the growth tied to aging demographics, there are approximately 45 million active U.S. campers, many of which are outside the aforementioned demographic, representing an opportunity to expand the RV customer base. In any given year, the macro demand drivers of an aging population and popularity of travel will be impacted by the shorter-term cyclical demand swings for RVs that are caused by changes in consumer sentiment due to factors that include consumer wealth, confidence and the availability of financing.

The sales prices for our RVs can vary considerably, but generally range from \$30,000 to \$500,000. We estimate that RVs have useful lives of 8-15 years.

Customers and End Markets

Our end markets include the municipal market (vehicles for essential services such as emergency response, patient transportation and student transportation), the private contractor market (privately owned fleets that provide transportation services), the consumer market (vehicles for transportation and leisure needs) and the industrial/commercial markets (vehicles for transportation, construction projects and global port and intermodal transportation applications). Based on aggregated available industry data, we estimate that the combined size of our annual addressable markets is approximately 101,000 vehicles.

Our top 10 customers combined accounted for approximately 22% of our net sales for fiscal year 2019, with no customer representing more than 5% of our net sales in the same period. We and our predecessor and acquired companies have operated in our businesses for many years, and many of our brands have been trusted names in the marketplace for decades. As a result, we benefit from many long-term customer relationships.

Approximately 48% of our net sales in fiscal year 2019 were made directly or indirectly to governmental bodies, including municipalities, such as fire departments, school districts, hospitals and the U.S. federal government. In fiscal year 2019, our approximate direct or indirect net sales by end market was as follows: 48% government, 30% consumer, 10% private contractor and 12% industrial/commercial.

For fiscal years 2019 and 2018, approximately 97% and 99%, respectively, of our net sales were to customers located in the United States and Canada.

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Growth in our end markets are driven by various macro-economic and demographic factors including:

- *Population demographics*—Overall population growth and the aging population creates greater needs for essential services such as emergency care, healthcare services, transportation and interest in retirement activities including travel and leisure.
- *Increasing state and local government investment*—Improving housing prices, improving economies and new housing starts all create an increasing tax base and greater demand for essential services provided by governmental agencies.
- *Replacement demand for essential vehicles*—After the 2008 recession the replacement volumes of fire apparatus and ambulances in the United States lagged historical averages that we believe created a higher replacement demand. The annual volume of ambulance sales in the United States reached peak levels starting in fiscal year 2017 before returning to a level that we believe is more in line with normalized replacement demand. Annual sales levels for fire apparatus have not yet reached their previous historical averages, which we believe will create higher demand in the future for the fire apparatus we produce.
- *Urbanization of the U.S. population*—Growing urban population characterized by higher populations and the movement of people to the cities within the United States drives additional construction and housing demand that results in greater need for transportation and emergency services to maintain service and response levels by our end customers.
- *Increasing popularity for outdoor lifestyles*—There has been a growth of interest in outdoor recreational activities, with RVs providing access to vast and diverse areas. The RV lifestyle and demand for our vehicles is supported by the continued growth in the consumer base which includes increased industry penetration of the baby boomer generation, as well as Generation X, the fastest growing RV owner group as estimated by RVIA.

Our Strengths

We believe we have the following competitive strengths:

Market Leader Across All Segments with a Large Installed Base— We believe we are a market leader in each of the fire and emergency, commercial and recreation vehicle markets. Approximately 62% of our net sales during fiscal year 2019 are in markets in which we believe we hold the first or second market share positions. We believe we are the largest manufacturer by unit volume of fire and emergency vehicles in the United States. We also believe our Commercial segment is the #2 producer of small- and medium-sized commercial buses as well as Type A school buses in the United States. We believe we are also a leading producer of transit buses, terminal trucks and sweepers. Within our Recreation segment, we are one of the top producers of Class A diesel and gas motorized RVs. We are also a leader in high-end Class B and Super C RVs under the Midwest and Renegade brands. We also believe we have one of the highest quality travel trailer and truck camper product lines under the Lance brand name.

We estimate that the replacement value of our installed base of approximately 250,000 vehicles across our segments is approximately \$36 billion, which we believe is a significant competitive advantage for both replacement unit sales and aftermarket parts, which we estimate to be \$830 million of potential sales, and service sales, as brand familiarity drives customer loyalty and fleet owners frequently seek to standardize their in-service fleets through repeat purchases of existing brands and product configurations. For example, one of the largest municipal fire departments in the United States has the vast majority of its fleets of ambulances and fire apparatus standardized on REV branded product configuration and feature sets that satisfy this customer's unique specifications and standards.

Broad Product Portfolio and Well-Recognized Brands— Our product portfolio is comprised of high-quality vehicles sold under 29 well-established principal vehicle brands that in many instances pioneered their market segments. For example, we believe the first Type A yellow school bus was developed and sold by Collins Bus and the first Type I ambulance was developed and sold by Horton. We believe our portfolio is comprised of complementary product offerings in adjacent markets and enables us to attract and retain top dealers who in many instances sell multiple REV brands in their territories. Our vehicle platforms are highly customizable and can meet nearly all product specifications demanded by our customers. In each of the markets that we serve, we believe our brands are among the most recognized in the industry, representing performance, quality, reliability, durability, technological leadership and superior customer service.

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Selling into Attractive, Growing End Markets— Each of our segments serves end markets that are supported by what we believe to be favorable, long-term demographic, economic and secular trends. We believe that the growing aged population in the United States will increase demand for products across all of our segments, as older demographics are a key demand driver for products such as emergency vehicles and RVs. In the municipal Fire & Emergency segment, increasing legislated changes requiring useful life replacement cycles will create a source of recurring demand for our products as in-service vehicles achieve mileage or age limits. Our Commercial segment is poised to grow as a result of government subsidies for alternative fuel source transportation and increasing urbanization within the United States which is expected to drive greater demand for commercial buses. We believe demand for our school buses and our fire and emergency vehicles will grow with increasing state and local government spending. We also believe our RV segment is poised for long-term industry growth driven by increased interest in camping among older and younger generations and market unit recoveries to historical average levels for certain product categories. Additionally, we believe the current U.S. camper base of 45 million people represents an opportunity to expand the RV customer base. Though our net sales for all the specialty vehicles we manufacture are primarily derived from sales in the United States, similar positive market dynamics exist in other parts of the world, providing an opportunity for future global growth in each of our segments. Only approximately 6% of our net sales in fiscal year 2019 were from sales to customers outside the United States.

Unique Scale and Business Model— As the only manufacturer of specialty vehicles across all three of our product segments and one of the largest participants in our markets by net sales, we enjoy a unique position relative to many of our competitors that we believe provides a competitive advantage and an enhanced growth profile. Many of our products contain similar purchased components, such as chassis, engines, lighting, wiring and other commodities which increases our leverage with and relevance to key suppliers as compared to our competition. The operational processes across our different products are based on common elements, such as chassis preparation and production, body fabrication, product assembly and painting which allow us to develop best practices across our manufacturing system and implement those processes to drive operational efficiency. Our platform also allows us to leverage the combined engineering resources and product development resources from our broad network to bring new products, features and customer specific customization to market faster. Our business model makes us more desirable to our distribution channel partners as we are able to provide them with a full line of products to address our mutual customers' needs across a wider variety of price and product feature elements which gives dealers the opportunity to sell to a larger customer base and grow their sales and earnings. Additionally, our scale allows us to more efficiently amortize investments in service locations, parts sales infrastructure and information technology tools, among others.

Business Model Produces Attractive Financial Characteristics—Our core production processes are design, engineering, component integration and assembly in nature, creating a business model that includes a variable cost structure, low required levels of maintenance capital expenditures as a percentage of net sales, structural ability to drive attractive levels of return on invested capital and strong revenue visibility in certain product categories with longer backlogs. Based on our long-term historical results of operations, we estimate that across all three of our segments, approximately 83% of our cost of goods sold is comprised of direct materials (including chassis) and direct labor, which are typically variable in nature. Because these costs are associated with the specific production of our vehicles in each period, they are typically adjusted within a given period based on production levels in that period. Our remaining cost of goods sold is comprised of certain indirect labor and overhead costs which are fixed or semi-variable in nature because these costs are not linked to specific vehicle volumes in a given period. The time required to adjust these levels of spending is longer and management decisions regarding these costs are typically made based on longer term trends and forecasts. In addition, our selling, general and administrative expenses are primarily comprised of salaried payroll expenses which we structure around the level of demand in our markets and based on each business' sales distribution characteristics. Finally, certain of our businesses carry a relatively long-duration backlog which enables strong visibility into future net sales which can range from two to twelve months depending on the product and market. Where this backlog visibility exists, we are able to more effectively plan and predict our sales and production activity.

Experienced Consolidator with Proven Ability to Integrate Acquisitions—Over the last 13 years, we have completed 16 acquisitions across our Fire & Emergency, Commercial and Recreation segments and continue to actively consider future potential acquisitions that complement and expand our current product portfolio. Our scale and plant network, strong end market positions, extensive distribution networks, access to low cost capital and reputation as an active and effective strategic acquirer, position us favorably to continue to grow and enhance value through strategic acquisitions. The specialty vehicle market is highly fragmented with a large number of smaller producers, within our existing markets as well as in new markets where we believe there would be synergies with REV. We believe all these attributes position REV as an acquirer of choice in the specialty vehicles market.

Our Growth Strategies

We plan to continue pursuing several strategies to grow our earnings, expand our market share and further diversify our revenue stream, including:

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Drive Margin Expansion Through Controllable Operational Initiatives— We are focused on driving operational improvement initiatives across the organization to increase net income, free cash flow, Adjusted Net Income and Adjusted EBITDA over the long term. We believe we have an improving enterprise-wide culture focused on continuous improvement, implementing measurable performance targets and sharing of best practices across the entire organization. We continuously strive to identify and act on additional profitability improvement initiatives in many of our business units.

Develop Innovative New Customer Offerings— Due to the specific customer requirements for our products, we are continually enhancing and customizing our product offerings by introducing new features to enhance customer utility across a variety of price points. We seek to expand our addressable market by developing innovative products and services that extend our market leading combination of features, performance, quality and price to new customer bases, new markets or new segments of existing markets. We believe our process of constant innovation will not only help us increase net sales but also achieve lower costs and generate higher margins as our new products are frequently designed to leverage existing procurement relationships and for ease of manufacturability. In addition, there are multiple natural product adjacencies where REV has valuable brand equity, leading technology and cost positions where we believe we can generate strong demand for new products.

Enhance Sales and Distribution Model— We believe that we are an attractive specialty vehicle OEM partner for dealers due to the breadth and quality of our product offerings, our brand recognition, our ability to produce products at varied price and feature points, as well as our aftermarket support capabilities. We intend to continue to leverage this strength to enhance our distribution network through selectively adding dealers in new territories, strengthening dealers in our existing network and expanding our direct sales and service capabilities in targeted markets. Our goal is to partner with the leading dealers in each market and to provide the necessary resources to ensure our partner dealers can best position REV products to compete successfully within their regions. We will also continue to optimize our go-to-market channel strategy (e.g., distribution or direct sale) based on the specific market dynamics and customer composition by region. We have historically focused on customers within the United States; however, we believe there is demand internationally for our products and may seek to expand our distribution globally.

Accelerate Aftermarket Growth— Our end users' large in-service fleets create strong demand for aftermarket parts in order to keep vehicles running and to support their residual value. We have formalized an aftermarket strategy and have created a dedicated management team to oversee our aftermarket business. We have established a web-based technology platform to provide our customers with real time data on parts availability and pricing for each of the vehicles we manufacture. In 2019, we invested in our aftermarket services network infrastructure with the implementation of Salesforce Service Cloud to automate the management of customer service cases and parts sales on a 1:1 level at scale.

Pursue Value Enhancing Acquisitions— We seek to pursue acquisitions which enhance our existing market positions, facilitate our entry to new product categories and/or markets and achieve our targeted financial returns. We have a long history of acquisitions with 16 transactions completed over the past 13 years. Given our leadership positions within our markets and our existing facility, service and distribution network, we believe we have many inherent advantages in making acquisitions and have demonstrated the ability to identify, execute and integrate acquisitions while realizing synergies. We believe that we have a clear acquisition strategy in place, targeting acquisitions with significant synergies to drive long-term value creation for shareholders. We will seek acquisitions of companies with strong brands and complementary products and distribution networks that align well with our aftermarket strategies and provide strong synergies with our existing business. In addition, we will target acquisitions which further diversify or broaden our product offerings and geographic reach, and simultaneously produce attractive financial returns.

Our Initial Public Offering

On January 26, 2017, we announced the pricing of an initial public offering ("IPO") of shares of our common stock, which began trading on the New York Stock Exchange on January 27, 2017. On February 1, 2017, we completed the IPO of 12.5 million shares of common stock at a price of \$22.00 per share. The Company received \$275.0 million in gross proceeds from the IPO, or approximately \$253.6 million in net proceeds after deducting the underwriting discount and expenses related to the IPO. The net proceeds of the IPO were used to partially pay down the Company's existing debt. The Company redeemed the entire outstanding balance of its Senior Secured Notes (the "Notes"), including a prepayment premium and accrued interest, plus it partially paid down a portion of the then outstanding balance of its revolving credit facility. Immediately prior to closing of the IPO, the Company completed an 80-for-one stock split of its Class A common stock and Class B common stock and reclassified the Class A common stock and Class B common stock into a single class of common stock, which was the same class as the shares sold in the IPO.

Our Equity Sponsor

The Company's primary equity holders are funds and an investment vehicle associated with AIP CF IV, LLC, which the Company collectively refers to as "American Industrial Partners," "AIP" or "Sponsor" and which indirectly own approximately 54.3% of REV Group's voting equity as of October 31, 2019. AIP is an operations and engineering-focused private equity firm headquartered in New York, New York.

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Distribution

We distribute either through our direct sales force or our well-established dealer network, consisting of approximately 500 dealers. Substantially all of our dealers are independently owned. Whether we sell directly to the customer or through a dealer depends largely on the product line, the customer base and applicable regulations. We provide our direct sales force representatives and dealers with training on the operation and specifications of our products. We strive to keep our direct sales force representatives and dealers up to date on our product offerings and new features as well as market trends. We believe our scale enables us to dedicate certain sales and marketing efforts to particular products, customers or geographic regions, which we believe enables us to develop expertise valued by our customers.

As one of the leaders in each of our markets, we believe our distribution network consists of many of the leading dealers within each segment. We believe our extensive dealer network has the ability to meet the needs of end customers with high to low value-added products, such as vehicles, equipment, components and parts and services, at a variety of price points and order sizes. As a result, most of our dealers have sold our products for over a decade and are serving a well-established installed base of end customers, creating cost advantages and entrenched positions due to customer loyalty. We also periodically assist our dealers in composing bid packages for larger opportunities that involve our product lines. We continue to grow and enhance our distribution network into underserved areas. In addition, we evaluate export opportunities from time to time in select international markets through our direct sales force and our established international dealerships and agents.

Fire & Emergency Segment

We sell our ambulances through internal direct sales personnel as well as a select group of independent dealers in the United States. Our direct sales force is responsible for sales to key Accounts that operate in multiple states or require a direct OEM relationship to service their business. Approximately 56 independent dealers provide full coverage of the U.S. domestic market and provide both sales and service to our customers. We believe our dealers hold the leading position in their assigned territories, providing us with a significant competitive advantage. In addition, we participate in Government Services Agency (“GSA”) Schedules Program and we export to most of the international markets that participate in this program. These include countries in the Middle East, Latin America and the Caribbean basin.

Our fire apparatus business uses its direct sales force and its dealer network comprised of approximately 70 dealers in the United States and Canada and approximately 25 international dealers to sell its products. We have continued to grow our distribution network into underserved areas. As such, we believe there are significant opportunities to grow our dealer footprint to serve this market. We believe that with our new product and expanding dealer network in this area, we will begin to capture additional market share going forward.

Commercial Segment

We utilize dealer distribution in markets where a local, experienced dealer is available to sell and service our vehicles. Selling through a dealer can be more cost effective than utilizing direct sales personnel in some cases. As a result, we continually evaluate potential dealer relationships to determine if the addition of a dealer in a given region would be advantageous to net sales and our market share. In addition to our dealer network, we also utilize direct national accounts, such as transit agencies, school transportation contractors, national childcare providers, hotels, rental car and parking lot operators, nursing and retirement homes and church organizations.

The Capacity brand utilizes a combination of a direct sales force, international agents and dealers to market its products worldwide. Capacity also utilizes an extensive network of dealers in the United States and Canada.

The Lay-Mor brand is principally marketed in both commercial and rental markets through the manufacturer’s representatives and distributors who are supported by our internal sales efforts with key customers, such as national equipment rental companies and government agencies. Our direct sales personnel work directly with national customers to ensure that Lay-Mor equipment meets customers’ specifications and is qualified for sale throughout their national network.

Recreation Segment

We sell our RV products through a national independent dealer network with internal sales personnel responsible for direct engagement with these dealers. RV purchases are sensitive to wholesale and retail financing, consumer confidence and disposable income, making them discretionary products. The largest RV buying group is people between the ages of 35 and 54, with an average age of all RV owners of 45, according to the RVIA. Many buyers of RVs are brand loyal, repeat purchasers who make decisions based on brand, product configuration (primarily floor plan design, features and product styling), service and price. This buying group is expected to grow as the wealthy baby boomer generation continues to age. For many of these buyers, a motor home purchase is the second biggest purchase in their lifetime; therefore, the shopping timeline is longer than other consumer purchases. The buying process normally starts with online searches, followed by show visits and eventually a dealership visit for the purchase.

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Manufacturing and Service Capabilities

We currently operate 20 manufacturing facilities, 8 RTCs and 4 aftermarket parts warehouses across the United States with approximately 5.7 million square feet of manufacturing and service space. We believe that our factories are among some of the most efficient and lowest cost production facilities in each of our markets due to the production processes that we employ, our purchasing scale and the high unit volume throughput. In addition, approximately 83% of our cost of goods sold are comprised of direct materials (including chassis) and direct labor, which are typically variable in nature. Because these costs are associated with the specific production of our vehicles in each period, they are typically adjusted within a given period based on production levels in that period. Our products within each of our segments and across the enterprise share a centralized sourcing model and employ certain common engineering and manufacturing processes. Through our manufacturing infrastructure, we leverage our capabilities and scale in procurement, new product development, design, assembly and painting processes. We also leverage best practices in quality control and worker safety across our segments.

We strive to instill a manufacturing culture of continuous improvement through our proprietary RPS and other initiatives. Many of our direct labor employees are taught lean manufacturing principles or other operational best practices to improve the efficiency of their production processes and enhance their employment experience. The commonality and scale of RPS across all of our factories in the areas of chassis production/preparation, product assembly and flow processes and “body” and apparatus design and manufacturing allows us to share efficiency and operational best practices across our segments.

Our RTC footprint is strategically placed throughout the United States and our locations are staffed with technicians and customer service representatives to support our approximately 250,000 installed base of vehicles. Our RTCs complement our dealer network to provide our end users with the parts and service that they need to keep their fleets operating and to meet the demand of their customers. The services that we provide at our RTC locations include normal maintenance and service activities, damage repair and rebuilding services. Rebuilding services include manufacturer certified repair and apparatus remounting processes that can extend the life of a vehicle and reduce the total cost of ownership for our end users.

Engineering, Research and Development

We believe our engineering, research and development (“R&D”) capabilities are essential to ensure we remain competitive in the markets in which we operate. We continue to engage in new product development, enhancement and testing to improve both existing products and the development of new vehicles and components.

Virtually all of our vehicle sales require some level of custom engineering to meet customer specifications and evolving industry standards. In the Fire & Emergency segment, engineering and development activities include the design and production of customized equipment to meet the specific needs and applications of our customers. In the Commercial segment, the design and functionality of our buses and specialty equipment is constantly updated to improve passenger safety, functionality, access and comfort. In the Recreation segment, overall design, floorplan layout, functionality and amenities require frequent updating to address changes in consumer preferences and to enhance our existing product offerings.

R&D costs are expensed as incurred and included as part of operating expenses in the Company’s consolidated statements of operations. The Company’s R&D costs include only those incurred for the design of a new vehicle platform that is made commercially available to a broad portion of our end markets. Our R&D expenses do not include the costs to design and develop specific customized products to individual customers or end users. These costs are included as normal production costs associated with the sale of the specific product for which they were incurred. R&D costs totaled \$4.8 million, \$6.5 million and \$4.2 million for fiscal years 2019, 2018 and 2017, respectively.

Suppliers and Materials

In fiscal year 2019, we purchased \$1.5 billion of chassis, direct materials and other components from outside suppliers. The largest component of these purchases was for vehicle chassis, representing 29% of the total purchase amount. These chassis are sourced from major automotive manufacturers, including Ford, Freightliner, General Motors, and other original equipment manufacturers (“OEMs”). These OEMs provide us with standardized, mass-produced chassis models, which we then convert for our customers under approved “authorized converter” agreements with the OEMs. We have tailored our products and processes to the specifications of these OEM agreements and have built customer expectations and planning around these designs. Therefore, we are reliant on a consistent supply of chassis and the maintenance of our status as “approved converters” in order to maintain our sales.

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We also purchase and utilize other materials in our production processes including: steel and aluminum in our apparatus and passenger compartment manufacturing, engines and drivetrain (transmissions, axles) components for our manufactured chassis in the transit bus, RV, fire apparatus and terminal truck businesses, lighting packages for our emergency and school bus products and HVAC systems and parts, seats and seatbelts, doors, lifts, electrical switches and components, hydraulic components and miscellaneous hardware. We also purchase materials that contain or are composed of certain raw or base materials such as paint, fiberglass parts and chassis body components, wood and wood parts, brass and certain other petroleum-based resins such as plastic.

We utilize a centralized sourcing model that includes a dedicated team of procurement professionals to complement our segment sourcing teams so that we can coordinate and leverage our purchases across a diverse supplier base. Our centralized sourcing model leverages our growing scale within our markets to achieve competitive pricing and ensure availability. Furthermore, we have historically integrated our acquired companies into our centralized sourcing model to lower their costs. We do not typically enter into sourcing arrangements that are more than 18 to 24 months in duration and we do not undertake defined purchase agreements requiring fixed commitments or “take or pay” requirements with our vendors.

We strive to maintain strong and collaborative relationships with our suppliers and believe that the sources for these inputs are well-established, generally available on world markets and are in sufficient quantity, other than chassis, such that we would expect to avoid disruption to our businesses if we encountered an interruption from one of our key suppliers.

Intellectual Property

Patents and other proprietary rights are important to our business and can provide us with a competitive advantage. We also rely on trade secrets, design and manufacturing know-how, continuing technological innovations and licensing opportunities to maintain and improve our competitive position. We periodically review third-party proprietary rights, including patents and patent applications, in an effort to avoid infringement on third-party proprietary rights and protect our own, identify licensing or partnership opportunities and monitor the intellectual property claims of others.

We own a portfolio of intellectual property, including approximately 51 patents, confidential technical information and technological expertise in manufacturing specialty vehicles. We also own approximately 400 registered trademarks in the United States for certain trade names and important products. Due to the markets in which we operate, we believe that our trade names are the most valuable component of our intellectual property. We believe that our intellectual property rights, confidentiality procedures and contractual provisions are adequate for our business and have an active program to maintain these rights. Our well-respected and widely recognized proprietary trade names include: E-ONE, KME, Ferrara, Wheeled Coach, AEV, HEV, LEV, Marque, McCoy Miller, Eldorado, Champion, Collins, Goshen Coach, ENC, World Trans, Capacity, Lay-Mor, Fleetwood RV, Monaco, American Coach, Holiday Rambler, Renegade and Midwest.

While we consider our patents and trademarks to be valued assets, we do not believe that our competitive position is dependent primarily on our patents or trademarks or that our operations are dependent upon any single patent or group of related patents to manufacture our products. We nevertheless face intellectual property-related risks. For more information on these risks, see “Item 1A. Risk Factors—Risks Relating to Our Business—Intellectual property risks may adversely affect our business and may dilute our competitive advantage.”

Environmental, Health and Safety Laws and Regulations

Our ongoing global operations are subject to a wide range of federal, state, local and foreign environmental, health and safety laws and regulations. These laws and regulations relate to water discharges, air emissions, the generation, storage, handling, use, release, disposal and transportation of hazardous materials and wastes, environmental cleanup, the health and safety of our employees and the fuel economy and emissions of the vehicles we manufacture. Certain of our operations require environmental, health and safety permits or other approvals from governmental authorities, and certain of these permits and approvals are subject to expiration, denial, revocation or modification under various circumstances. Compliance with these laws, regulations, permits and approvals is a significant factor in our business. We have expended resources, both financial and managerial, to comply with environmental laws and worker safety laws and maintain procedures designed to foster and ensure compliance, and we are committed to protecting our employees and the environment against the risks associated with these substances. However, our failure to comply with applicable environmental, health and safety laws and regulations or permit or approval requirements could result in substantial liabilities or civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring remedial or corrective measures, installation of pollution control equipment or other actions, as well as business disruptions, which could have a material adverse effect on our business, financial condition and operating results.

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In addition, we may be responsible under environmental laws and regulations for the investigation, remediation and monitoring, as well as associated costs, expenses and third-party damages, including tort liability and natural resource damages, relating to past or present releases of hazardous substances on or from our properties or the properties of our predecessor companies, or third-party sites to which we or our predecessor companies have sent hazardous waste for disposal or treatment. Liability under these laws may be imposed without regard to fault and may be joint and several. For example, in April 2012, we received a request for information from the EPA regarding the contamination of soil and groundwater at the San Fernando Valley Area 2 Superfund Site (the “San Fernando Site”). This site is regional in scale, encompasses large portions of the Los Angeles area, and potentially involves many persons (known as “potentially responsible parties” or “PRPs”). The EPA has overseen investigative and remedial activities at the San Fernando Site for many years. Historically, the agency has focused on volatile organic compound (“VOC”) contamination. More recently, the EPA identified chromium as a contaminant of concern at the San Fernando Site, and we believe that it was in that connection that the EPA sent us a request for information regarding whether a prior owner or operator of a facility located within the boundary of the San Fernando Site is a predecessor company to us (although we do not currently operate a facility in such area). The precise nature and extent of VOC and chromium contamination at the San Fernando Site, the nature and cost of any remedial actions that the EPA may require in connection with such contamination, the number and identity of PRPs that might share in responsibility for the VOC and chromium contamination, and whether the Company will become involved as a PRP are not known at this time. If we were to become involved as a PRP at the San Fernando Site, we could be compelled to contribute to the cost of investigations and remediation at the site. We are unable to estimate the potential impact of this liability at this time, and our ability to collect on our insurance policies for remediation costs or damages in connection with any claims relating to the San Fernando Site is unknown at this time. This liability would be allocated among us and other PRPs that are solvent. See “Item 1A. Risk Factors—Risks Related to Our Business—Our operations and the industries in which we operate are subject to environmental, health and safety laws and regulations, and we may face significant costs or liabilities associated with environmental, health and safety matters.”

Competition

The markets in which we participate are highly competitive. We compete with both divisions of large, diversified companies as well as private and public companies which are pure play participants in one of our product markets. Several of our competitors may have more financial resources than us but we have also been increasing the scope and scale of the products we produce and the markets we serve. We believe that through this growth we are developing a relatively scaled business across all three of our segments, which creates a competitive advantage against a large portion of our competition and makes us more relevant compared to our larger competitors. We believe that we have been able to effectively compete on the basis of product quality and reliability, total cost of ownership, breadth of product offerings, manufacturing capability and flexibility, client-specific customization, price, technical capability, product innovation, customer service and delivery times. We also believe that we have enhanced our competitive position by expanding our parts and service business model through the development of aftermarket service centers, which we refer to as Regional Technical Centers, and the establishment of dedicated parts warehouses. The combination of our products, aftermarket support and large installed base of vehicles provides us with a competitive advantage across our end markets.

In the Fire & Emergency segment, our competition includes Pierce Manufacturing (Oshkosh Corp.), Rosenbauer International, Spartan Motors, Inc., Demers Ambulance, Crestline, Medix Specialty Vehicles, FWD Seagrave and Life Line Emergency Vehicles, among others. In the Commercial segment, our competition includes Starcraft Bus (Forest River), Thomas Bus (Daimler), Blue Bird Corporation, Gillig, Nova Bus (Volvo), Navistar International, Inc., TICO, Kalmar (Cargotec) and New Flyer Industries, Inc., among others. In the Recreation segment, our competition includes Thor Industries, Inc., Winnebago Industries, Inc., Forest River, and Tiffin Motorhomes, Inc., among others.

Employees

As of October 31, 2019, we had approximately 8,040 employees. Our employees are not currently represented by a labor union or collective bargaining agreement. We believe that our relationship with our employees is good.

Corporate Information

REV Group, Inc. is a corporation organized under the laws of the state of Delaware. Our principal executive offices are located at 111 East Kilbourn Avenue, Suite 2600, Milwaukee, Wisconsin 53202. Our telephone number at that address is (414) 290-0190. We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports available through our website, as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. Our website address is www.revgroup.com. The information on, or that can be accessed through, our website is not part of this Annual Report on Form 10-K, and you should not rely on any such information in making the decision whether to purchase shares of our common stock.

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Item 1A. Risk Factors.

Investing in shares of our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K, before deciding to invest in shares of our common stock. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of shares of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Risks Relating to Our Business

Our business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for our products and the results of our operations.

Our business is impacted by the U.S. economic environment, employment levels, consumer confidence, changes in interest rates and instability in securities markets around the world, among other factors. In particular, changes in the U.S. economic climate could result in reduced demand in key end markets. Motorized recreational vehicle (“RV”) purchases are discretionary in nature and therefore sensitive to wholesale and retail financing, consumer confidence, unemployment levels, disposable income and changing levels of consumer home equity. These factors result in RVs being discretionary purchases. For example, the 2008 recession caused consumers to reduce their discretionary spending, which negatively affected our sales volumes for RVs. Terminal truck sales volumes are also impacted by economic conditions, global trade, changes in supply chain management and industrial output, as these factors impact our end-market customers for these products, which include shipping ports, trucking/distribution hubs and rail terminal operators. RV and terminal truck sales are affected by U.S. and global general economic conditions, which create risks that future economic downturns will reduce consumer demand and negatively impact our sales.

While less economically sensitive than the Recreation segment and our Terminal Truck business, our Fire & Emergency segment and the remainder of our Commercial segment are also impacted by the overall economic environment. Local tax revenues are an important source of funding for fire and emergency response departments. For example, reduced municipal tax revenues resulting from the 2008 recession led to a decline in these markets. As fire and emergency apparatus and school and transit buses are typically a larger cost item for municipalities and their service life is very long, their purchase is more deferrable. This can result in cyclicity in certain of our end markets, which in turn may result in fluctuations in our sales and results of operations.

A decrease in employment levels, consumer confidence or the availability of financing, other adverse economic events, or the failure of actual demand for our products to meet our estimates, could negatively affect the demand for our products. Any decline in overall customer demand in markets in which we operate could have a material adverse effect on our operating performance.

Some of the markets in which we compete are seasonal, which results in fluctuations in sales and results of operations.

We have experienced, and expect to continue to experience, significant variability in sales, production and net income as a result of seasonality in our Recreation segment. Since RVs are used primarily by vacationers and campers, demand in the RV industry generally declines during the fall and winter months, while sales and profits are generally highest during the spring and summer months. Dealer demand and buying patterns may impact the timing of shipments from one quarter to another. In addition, severe weather conditions in some geographic areas may delay the timing of shipments from one quarter to another. Consequently, the results for any annual or quarterly prior period may not be indicative of results for any future annual or quarterly period.

Certain of our other products, such as school buses, have also historically been, and are expected to continue to be, seasonal. This seasonality has an impact on the comparability of our quarterly results. Moreover, weak macroeconomic conditions can adversely affect demand for certain of our products and lead to an overall aging of product fleets beyond a typical replacement cycle. During economic downturns that would result in lower demand of our vehicles, we may find it necessary to reduce production line rates and employee headcount. An economic downturn may reduce, and in the past has reduced, demand in all of our segments, resulting in lower sales volumes, lower prices and decreased operating profits or losses. Additionally, our business is subject to seasonal and other fluctuations. In particular, we have historically experienced higher sales during the third quarter and fourth quarter versus the first quarter and second quarter during each fiscal year. This seasonality is caused primarily by school districts ordering more school buses prior to the beginning of a school year, the consumer buying habits for RVs, municipal spending and budget cycles, the impact of travel and construction in the summer months, as well as how certain seasonal months aggregate into our fiscal quarters which are different than calendar quarters. Our ability to meet customer delivery schedules is dependent on a number of factors including, but not limited to, access to components and raw materials, an adequate and capable workforce, assembling/engineering expertise for certain projects and sufficient manufacturing capacity. The availability of these factors may in some cases be subject to conditions outside of our control. A failure to deliver in accordance with our performance obligations may result in financial penalties under certain of our contracts and damage to existing customer relationships, damage to our reputation and a loss of future bidding opportunities, which could cause the loss of future business and could negatively impact our financial performance.

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A disruption, termination or alteration of the supply of vehicle chassis or other critical components from third-party suppliers could materially adversely affect the sales of our products.

Our sales and our manufacturing processes depend on the supply of manufactured vehicle chassis and other critical components such as engines, transmissions and axles from major auto manufacturers and other original equipment manufacturers (“OEMs”), including Allison Transmission, Chrysler, Cummins, Ford, Freightliner, General Motors, Navistar and Volvo, among others. For the standardized, mass-produced chassis models, we convert the chassis for our customers under approved “authorized converter” agreements with the OEMs. We have tailored our products and processes to the specifications of these OEM agreements and have built customer expectations and planning around these designs. We are therefore reliant on a consistent supply of chassis and the maintenance of our status as “approved converters” in order to maintain our sales. If these manufacturers experience production delays, we may receive a lower allocation of chassis than anticipated, or if the quality or design of their chassis changes, or if these manufacturers implement recalls, we could incur significant costs or disruptions to our business, which could have a material adverse effect on our net sales, financial condition, profitability and/or cash flows. At various times, we may carry increased inventory to protect against these concerns, which may negatively impact our results of operations. We purchase a significant amount of components from domestic suppliers. To the extent tariffs increase the price of imported products, the industry may move more component orders to domestic suppliers, which could strain the capacity of our suppliers, putting the normal, uninterrupted supply of components at risk. Additionally, certain important components that we use in our vehicles, such as engines and transmissions, are produced by a limited number of qualified suppliers or we may have a single supplier sourcing a specific component, and any disruption in their supply of such components to us would have a negative impact on our business.

Volatility in the financial markets generally, and in the truck and automotive sectors in particular, could impact the financial viability of certain of our key third-party suppliers, or could cause them to exit certain business lines, or change the terms on which they are willing to provide products. For example, during the 2008-2010 automotive industry crisis, many vehicle manufacturers, including Ford and General Motors, idled factories and reduced their output of vehicle chassis. During 2018 and 2019, many of our vehicle manufacturers encountered production issues and delivery delays due to factors which included a vendor factory fire, new plant location inefficiencies, unplanned work stoppages and indirect impacts from the implementation of tariffs. A recurrence of either of these events or another similar development could lead to difficulties in meeting our customers’ demands and reduce our overall sales volume. Further, any changes in quality or design, capacity limitations, shortages of raw materials or other problems could result in shortages or delays in the supply of vehicle chassis or components to us. Our business, operating results and financial condition could suffer if our suppliers reduce output or introduce new chassis models that are unpopular with our customers or are incompatible with our current product designs or production process.

We face intense competition in our markets, which may harm our financial performance and growth prospects.

We operate in a highly competitive environment in each of the markets we serve and we face competition in each of our product segments from numerous competitors. We compete principally on the basis of client-specific customization, product quality and reliability, breadth of product offering, manufacturing capability and flexibility, technical capability, product innovation, customer service, after-sales support, delivery times and price. Certain of our competitors are smaller companies which may have lower operating costs and greater operational flexibility, and may have focus on regional markets where they have competitive advantages of proximity and relationships with local municipalities or other regional customers. Other of our competitors are large, well-established companies with capacity, financial and other resources that may be in excess of ours. Additionally, companies that are not currently competitors but that are involved in the specialty vehicle market (such as a supplier) or that operate in an adjacent market (such as a producer of mainstream cars and trucks) could choose to enter the specialty vehicle market.

Our profitability is sensitive to changes in the balance between supply and demand in the specialty vehicle market. Competitors having lower operating costs than we do will have a competitive advantage over us with respect to products that are particularly price-sensitive. New manufacturing facilities may be built or idle production lines may be activated. Additionally, imbalances in the regional supply and demand for our products could result in increased competition in the markets in which we compete.

We may also face competition from companies developing zero-emissions specialty vehicles or other technologies to minimize emissions. Competition from these companies could make our specialty vehicles less desirable in the market place.

As a result of the foregoing factors, we may lose customers or be forced to reduce prices, which could have a material adverse effect on our business, financial condition and operating results.

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If we are unable to successfully identify and integrate acquisitions, our results of operations could be adversely affected.

Acquisitions have been and are likely to continue to be a significant component of our growth strategy. From time to time we seek to identify and complete acquisitions. Our historical acquisitions include KME in April 2016, Renegade in December 2016, Ferrara and Midwest in April 2017 and Lance Camper in January 2018. We may continue making strategic acquisitions in the future. Our previous or future acquisitions may not be successful or may not generate the financial benefits that we expected we would achieve at the time of acquisition. In addition, there can be no assurance that we will be able to locate suitable acquisition candidates in the future or acquire them on acceptable terms or, because of competition in the marketplace and limitations imposed by the agreements governing our indebtedness or the availability of capital, that we will be able to finance future acquisitions. Acquisitions involve special risks, including, without limitation, the potential assumption of unanticipated liabilities and contingencies, difficulty in assimilating the operations and personnel of the acquired businesses, disruption of our existing business, dissipation of our limited management resources and impairment of relationships with employees and customers of the acquired business as a result of changes in ownership. While we believe that strategic acquisitions can improve our competitiveness and profitability, these activities could have a material adverse effect on our business, financial condition and operating results.

We may incur significant costs such as transaction fees, professional service fees and other costs related to future acquisitions. We may also incur integration costs following the completion of any such acquisitions as we integrate the acquired business with the rest of our Company. Although we expect that the realization of efficiencies related to the integration of any acquired businesses will offset the incremental transaction and acquisition-related costs over time, this net financial benefit may not be achieved in the near term, or at all.

If we are required to write down goodwill or other intangible assets, our financial condition and operating results would be negatively affected.

We have a substantial amount of goodwill and other finite and indefinite-lived intangible assets on our balance sheet as a result of acquisitions we have completed. If we determine goodwill and other intangible assets are impaired, we will be required to write down all or a portion of these assets. Any write-downs would have a negative effect on our results of operations.

The method to compute the amount of impairment incorporates quantitative data and qualitative criteria including new information and highly subjective judgments that can dramatically change the determination of the valuation of goodwill and an intangible asset in a very short period of time. These determinations are sensitive to minor changes in underlying assumptions as management's assumptions change with more information becoming available. The timing and amount of realized losses reported in earnings could vary if management's conclusions were different. Any resulting impairment loss could have a material adverse effect on our results of operations for any particular quarterly or annual period.

Divestitures could negatively impact our business and retained liabilities from businesses that we sell could adversely affect our financial results.

As part of our portfolio management process, we review our operations for businesses which may no longer be aligned with our strategic initiatives and long-term objectives. We continue to review our portfolio and may pursue additional divestitures. Divestitures pose risks and challenges that could negatively impact our business, including disputes with buyers or potential impairment charges. For example, when we decide to sell a business, we may be unable to do so on satisfactory terms and within our anticipated time-frame, and even after reaching a definitive agreement to sell a business, the sale may be subject to satisfaction of pre-closing conditions, which may not be satisfied, as well as regulatory and governmental approvals, which may prevent us from completing a transaction on acceptable terms. During the current year, we recognized charges related to divestitures of \$8.9 million (see Note 6, "Divestiture Activities" for further discussion on divestiture activities and related charges).

If we do not realize the expected benefits of any divestiture transaction, our consolidated balance sheets, results of operations and cash flows could be negatively impacted.

Our business has meaningful working capital requirements and a decline in operating results or access to financing may have an adverse impact on our liquidity position.

Our business has meaningful working capital requirements. We had \$376.6 million of long-term debt outstanding as of October 31, 2019. Our ability to make required payments of principal and interest on our debt will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, political and other factors, some of which are beyond our control. Accordingly, conditions could arise that could limit our ability to generate sufficient cash flows or to access borrowings to enable us to fund our liquidity needs, which could further limit our financial flexibility or impair our ability to obtain alternative financing sufficient to repay our debt at maturity.

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Our access to debt financing at competitive risk-based interest rates is partly a function of our credit ratings. A downgrade to our credit ratings could increase our interest rates, could limit our access to public debt markets, could limit the institutions willing to provide us credit facilities, and could make any future credit facilities or credit facility amendments more costly and/or difficult to obtain.

We believe that our cash on hand, together with funds generated by our operations and borrowings under our existing credit facilities, will provide us with sufficient liquidity and capital resources to meet our working capital, capital expenditures and other operating needs for the foreseeable future. Significant assumptions underlie this belief however, including, among other things, assumptions relating to future sales volumes, the successful implementation of our business strategies, the continuing availability of trade credit from certain key suppliers and that there will be no material adverse developments in our competitive market position, business, liquidity or capital requirements. Any failure to achieve earnings expectations may have an adverse impact on our available liquidity. As a result, we cannot assure you that we will continue to have sufficient liquidity to meet our operating needs. In the event that we do not have sufficient liquidity, we may be required to seek additional capital, reduce or cut back our operating activities, capital expenditures or otherwise alter our business strategy. If we obtain additional capital by issuing equity, the interests of our existing stockholders will be diluted. If we incur additional debt, the agreements governing that debt may contain significant financial and other covenants that may materially restrict our operations. We cannot assure you that we could obtain refinancing or additional financing on favorable terms or at all.

We have meaningful contingent obligations, which could negatively impact our results of operations.

We have meaningful contingent liabilities with respect to certain items that, if realized, could have a material adverse effect on our business, financial condition and operating results. In particular, we obtain certain vehicle chassis from automobile manufacturers under converter pool agreements. Upon being put into production, we become obligated to pay the manufacturer for the chassis. Chassis are typically converted and delivered to customers within 90 to 120 days of receipt. If the chassis are not converted within this timeframe of delivery, we generally purchase the chassis and record it as inventory or we are obligated to begin paying an interest charge on this inventory until purchased. Additionally, we have entered into repurchase agreements with certain lending institutions and are party to multiple agreements whereby we guarantee indebtedness of others, including losses under loss pool agreements. While we do not expect to experience material losses under these agreements, we cannot provide any assurance that these contingent liabilities will not be realized. See Note 16 to our 2019 audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K for additional discussion of these contingent liabilities.

Our April 2017 ABL Facility and Term Loan Agreement contain, and agreements governing future indebtedness may contain, restrictive covenants that may impair our ability to access sufficient capital and operate our business.

Our April 2017 ABL Facility and Term Loan Agreement contain various provisions that limit our ability (subject to a number of exceptions) to, among other things:

- incur additional indebtedness;
- incur certain liens;
- consolidate or merge with other parties;
- alter the business conducted by us and our subsidiaries;
- make investments, loans, advances, guarantees and acquisitions;
- sell, lease or transfer assets, including capital stock of our subsidiaries;
- enter into certain sale and leaseback transactions;
- pay dividends on capital stock or issue, redeem, repurchase or retire capital stock;
- repay any subordinated indebtedness we may issue in the future;
- agree in other documents to negative pledges that limit our ability to grant liens;
- amend the terms of certain unsecured or subordinated debt;
- engage in transactions with affiliates; and
- enter into agreements restricting our subsidiaries' ability to pay dividends.

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In addition, the restrictive covenants in our April 2017 ABL Facility and Term Loan Agreement require us to maintain specified financial ratios and other business or financial conditions. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—April 2017 ABL Facility and Term Loan” and “Description of Certain Indebtedness.” Our ability to comply with those financial ratios or other covenants may be affected by events beyond our control, and our failure to comply with these ratios or other covenants could result in an event of default. These covenants may affect our ability to operate and finance our business as we deem appropriate. Our inability to meet obligations as they become due or to comply with various financial covenants contained in the instruments governing our current or future indebtedness could constitute an event of default under the instruments governing our indebtedness. If there were an event of default under our April 2017 ABL Facility, Term Loan Agreement or any future instruments governing our indebtedness, the holders of the affected indebtedness could declare all of the affected indebtedness immediately due and payable, which, in turn, could cause the acceleration of the maturity of all of our other indebtedness. We may not have sufficient funds available, or we may not have access to sufficient capital from other sources, to repay any accelerated debt. Even if we could obtain additional financing, the terms of the financing may not be favorable to us. In addition, substantially all of our assets are subject to liens securing our April 2017 ABL Facility and Term Loan. If amounts outstanding under our April 2017 ABL Facility or Term Loan were accelerated, our lenders could foreclose on these liens and we could lose substantially all of our assets. Any event of default under the instruments governing our indebtedness could have a material adverse effect on our business, financial condition and results of operations.

Increases in the price of commodities could impact the cost or price of our products, which could impact our ability to sustain and grow earnings.

Our manufacturing processes consume significant amounts of raw materials, the costs of which are subject to worldwide supply and demand factors, as well as other factors beyond our control. Raw material price fluctuations may adversely affect our results. We purchase, directly and indirectly through component purchases, significant amounts of aluminum, steel, plastics and other resins, brass and fiberglass products as well as other commodity-sensitive raw materials annually. In particular, in past years, steel and aluminum prices have experienced volatility which has been unforeseen and unexpected. Further, tariffs enacted or proposed by the U.S. government, or retaliatory tariffs, could further increase the price of components imported from international suppliers, and lift prices of certain commodities generally regardless of origin. Although we at times purchase steel, aluminum and other raw materials up to 24 months in advance in order to provide certainty regarding portions of our pricing and supply, for the majority of our raw material purchases we do not typically enter into any fixed-price contracts and may not be able to accurately anticipate future raw material prices for those inputs. Commodity pricing has fluctuated significantly over the past few years and may continue to do so in the future. Such fluctuations could have a material effect on our results of operations, balance sheets and cash flows and impact the comparability of our results between financial periods.

Our international operations are subject to exchange rate fluctuations and other risks relating to doing business internationally.

Although the amount of our sales and costs denominated in foreign currencies is not currently significant, we may increase our international operations in the future, which would increase our exposure to risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of the countries in which we do business, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and U.S. export and import laws and social, political and economic instability, including in China and other countries as a result of our joint venture with China’s Chery Holding Group, under which we intend to sell specialty vehicles in China and internationally through Chery’s existing distribution network. In particular, changes in currency values could also impact the level of foreign competition in our domestic market as international products become more or less costly due to the relationship of the U.S. Dollar to other currencies. Currency exchange rates have fluctuated significantly over the past few years and may continue to do so in the future. Such fluctuations could have a material effect on our results of operations, balance sheets and cash flows and impact the comparability of our results between financial periods.

A failure of a key information technology system or a breach of our information security could adversely impact our ability to conduct business.

We rely extensively on information technology systems in order to conduct business, including some that are managed by third-party service providers. These systems include, but are not limited to, programs and processes relating to internal and external communications, ordering and managing materials from suppliers, converting materials to finished products, shipping products to customers, processing transactions, summarizing and reporting results of operations, and complying with regulatory, legal or tax requirements. These information technology systems could be damaged or cease to function properly due to the poor performance or failure of third-party service providers, catastrophic events, power outages, network outages, failed upgrades or other similar events. If our business continuity plans do not effectively resolve such issues on a timely basis, we may suffer interruptions in conducting our business which may adversely impact our operating results.

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Periodically, we also need to upgrade our information technology systems or adopt new technologies. If such a new system or technology does not function properly or otherwise exposes us to increased cybersecurity breaches and failures, or if such a system is not implemented effectively, it could affect our ability to report accurate, timely and consistent financial results; our ability to purchase raw material from and pay our suppliers; and/or our ability to deliver products to customers on a timely basis and to collect our receivables from them.

Further, if the information technology systems, networks or service providers we rely upon fail to function properly or cause operational outages or aberrations, or if we or one of our third-party providers suffer significant unavailability of key operations, or inadvertent disclosure of, lack of integrity of, or loss of our sensitive business or stakeholder information, due to any number of causes, ranging from catastrophic events or power outages to improper data handling, security incidents or employee error or malfeasance, and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive, operational, financial and business harm as well as litigation and regulatory action. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results.

Further, our systems and networks, as well as those of our dealers, customers, suppliers, service providers, and banks, may become the target of advanced cyber-attacks or information security breaches which will pose a risk to the security of our services, systems, networks and supply chain, as well as to the confidentiality, availability and integrity of data of our Company, employees, customers or consumers, as well as disrupt our operations or damage our facilities or those of third parties. We assess potential threats and vulnerabilities and make investments seeking to address them, including ongoing monitoring and updating of networks and systems, increasing specialized information security skills, deploying employee security training, and updating security policies for our company and our third-party providers. However, because the techniques, tools and tactics used in cyber-attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack. As a result, a cyber-attack could negatively impact our net sales and increase our operating and capital costs. In addition, our employees frequently access our suppliers' and customers' systems and we may be liable if our employees are the source of any breaches in these third-party systems. It could also damage our reputation with retailer customers and consumers and diminish the strength and reputation of our brands or require us to pay monetary penalties.

Our business depends on the performance of dealers and disruptions within our dealer network could have a negative effect on our business.

We rely to a significant extent on our independent dealer networks to sell our products to end customers. We estimate that we distribute approximately 71% of our products through a system of independent, authorized dealers, many of whom sell products from competing manufacturers. Our business is therefore affected by our ability to establish new relationships and maintain relationships with existing dealers. The geographic coverage of our dealers and their individual business conditions can affect the ability of our dealers to sell our products to customers. In a number of markets, there is a lack of exclusivity with dealers, which may decrease our bargaining leverage. In addition, recent consolidation of dealers, as well as the growth of larger, multi-location dealers, may result in increased bargaining power on the part of dealers, which could have a material adverse effect on our business.

Our dealer agreements are typically for a multi-year term; however, the dealer can typically cancel the agreement for convenience without penalty upon 90 days' notice. We can provide no assurance that we will be able to renew our dealer agreements on favorable terms, or at all, at their scheduled expiration dates. Some of our dealer agreements include guarantees, which could have a negative impact on the financial performance of our Company if we are required to fulfill them. In addition, laws in many of the states in which we operate make it difficult for us to terminate dealer agreements, which may make it difficult for us to optimize our dealer network. No dealer or customer represented more than 5% of our annual revenue for fiscal year 2019, but there may continue to be consolidation and changes in the dealership landscape over time. If we are unable to renew a contract with one or more of our significant dealers or re-negotiate an agreement under more advantageous terms, our sales and results of operations could be adversely affected.

Our business is affected by the availability and terms of financing to dealers and retail purchasers.

Our business is affected by the availability and terms of financing to dealers and retail purchasers. Many of our dealers finance their purchases of inventory with financing provided by lending institutions. A decrease in the availability of financing, more restrictive lending practices or an increase in the cost of such wholesale financing can prevent dealers from carrying adequate levels of inventory, which limits product offerings available to the end customer and could lead to reduced sales of our products. A small number of financial institutions provide the majority of our dealers' total financed vehicles outstanding in a floor plan financing program at any point in time. Substantial increases in interest rates and decreases in the general availability of credit have in the past had an adverse impact upon our business and results of operations and may do so again in the future. Further, a decrease in availability of consumer credit resulting from unfavorable economic conditions, or an increase in the cost of consumer credit, may cause consumers to reduce discretionary spending which could, in turn, reduce demand for our products and negatively affect our sales and profitability.

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In addition, early in fiscal year 2016 we began assisting dealers and retail customers with arranging their financing with third parties for purchases of our products. Although we currently assume mostly off-balance sheet financing risk and receive only a minimal arrangement fee, we could be materially adversely affected in the future if third-party financiers were unable to provide this financing to our customers and our dealers were unable to obtain alternate financing, at least until our customers were able to find a replacement financing source. Third-party financiers face a number of business, economic and financial risks that could impair their access to capital and negatively affect their ability to provide financing solutions for our dealers and customers. Because third-party financiers serve as an additional source of financing options for dealers and customers, an impairment of their ability to provide such financial services could negatively affect our future sales and therefore our profitability and financial condition.

Our ability to execute our strategy is dependent upon our ability to attract, train and retain qualified personnel including our ability to retain and attract senior management and key employees, and our ability to address workforce issues.

Our continued success depends, in part, on our ability to identify, attract, motivate, train and retain qualified personnel in key functions and geographic areas, including the members of our senior management team. In particular, we are dependent on our ability to identify, attract, motivate, train and retain qualified engineers and skilled labor with the requisite education, background and industry experience to assist in the development, enhancement, introduction and manufacture of our products and technology solutions.

Failure to attract, train and retain qualified personnel, whether as a result of an insufficient number of qualified local residents or the allocation of inadequate resources to training, integration and retention, could impair our ability to execute our business strategy and could have an adverse effect on our business prospects. Our success also depends to a large extent upon our ability to attract and retain key executives. These employees have extensive experience in our markets and are familiar with our business, systems and processes. The loss of the services of one or more of these key employees could have an adverse effect, at least in the short to medium term, on significant aspects of our business, including the ability to manage our business effectively and the successful execution of our strategies. If certain of these employees decide to leave us, we could incur disruptions to the completion of certain initiatives and we could incur significant costs in hiring, training, developing and retaining their replacements.

We cannot be assured that our relations with our workforce will remain positive. From time to time, union organizers actively work to organize employees at some of our facilities. If union representation is implemented at such sites and we are unable to agree with the union on reasonable employment terms, including wages, benefits, and work rules, we could experience a significant disruption of our operations and incur higher ongoing labor costs. Further, if a location does experience organizing activity, our management and other personnel need to divert attention from operational and other business matters to devote substantial time to managing such activity.

We may discover defects in our vehicles potentially resulting in delaying new model launches, recall campaigns or increased warranty costs.

Meeting or exceeding many government-mandated safety standards is costly and often technologically challenging, especially where one or more government-mandated standards may conflict. Government safety standards require manufacturers to remedy defects related to motor vehicle safety through safety recall campaigns, and a manufacturer is obligated to recall vehicles if it determines that they do not comply with relevant safety standards. Should we or government safety regulators determine that a safety or other defect or noncompliance exists with respect to certain of our vehicles, there could be a delay in the launch of a new model, recalls of existing models or a significant increase in warranty claims, the costs of which could be substantial. Additionally, the vehicles we manufacture for sale are subject to strict contractually established specifications using complex manufacturing processes. If we fail to meet the contractual requirements for a vehicle or a part, we may be subject to warranty costs to repair or replace the part itself and additional costs related to the investigation and inspection of non-complying parts. These potential warranty and repair and replacement costs are generally not covered by our insurance. We establish warranty reserves that represent our estimate of the costs we expect to incur to fulfill our warranty obligations. We base our estimate for warranty reserves on our historical experience and other related assumptions. If actual results materially differ from these estimates, our results of operations could be materially affected.

In addition, we may not be able to enforce warranties and extended warranties received or purchased from our suppliers if such suppliers refuse to honor such warranties or go out of business. Also, a customer may choose to pursue remedies directly under its contract with us over enforcing such supplier warranties. In such a case, we may not be able to recover our losses from the supplier.

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Cancellations, reductions or delays in customer orders, customer breaches of purchase agreements, or reduction in expected backlog may adversely affect our results of operations.

We provide products to our customers for which we are customarily not paid in advance. We rely on the creditworthiness of our customers to collect on our receivables from them in a timely manner after we have billed for products previously provided. While we generally provide products pursuant to a written contract which determines the terms and conditions of payment to us by our customers, occasionally customers may dispute an invoice and delay, contest or not pay our receivable. Further, in connection with dealers' wholesale floor-plan vehicle financing programs, we enter into repurchase agreements with certain lending institutions, customary in the industries in which we operate, which may require us to repurchase previously sold vehicles. Although our exposure under these agreements is limited by the expected resale value of the inventory we may repurchase, we may receive less than anticipated on such resale and would collect payment on such resale later than originally expected. Our failure to collect our receivables or to resell and collect on repurchased vehicles on a timely basis could adversely affect our cash flows and results of operations and, in certain cases, could cause us to fail to comply with the financial covenants under our April 2017 ABL Facility and Term Loan Agreement or other outstanding debt.

We typically have backlog due to the nature of our production and sales process, and our financial results are affected if any backlog is deferred or canceled. Backlog represents the amount of sales that we expect to derive from signed contracts, including purchase orders and oral contracts that have been subsequently memorialized in writing. When a binding sale contract has been signed with a customer, the purchase price of the vehicle is included in backlog until it is completed, shipped and the revenue is recognized. When we sign a contract giving a potential purchaser an option to purchase a vehicle which only becomes binding on a non-refundable payment or a subsequent firm purchase order, we do not include the purchase price of the vehicle in backlog until the non-refundable payment has been made or the subsequent purchase order is formalized and the contract is a binding purchase contract. A customer may default on a purchase contract that has become binding, and we may not be able to convert sales contract backlog into sales. As a result, our estimates of backlog for some of our contracts could be affected by variables beyond our control and may not be entirely realized, if at all. In addition, given the nature of our customers and our markets, there is a risk that some amount of our backlog may not be fully realized in the future. Failure to realize sales from our existing or future backlog would negatively impact our financial results.

From time to time, we enter into large, multi-year contracts with federal and local government bodies. Due to the size of the contracts, there are often stringent approval processes that must be completed before the contract is finalized. As a result, until these contracts are finalized, there can be no assurance regarding the timing of our commencing work on any such contract, or the ultimate revenue that we may recognize under any such contract.

In addition, as a result of firm purchase orders from our customers, we enter into agreements to produce and sell vehicles at a specified price with certain adjustments for changes and options based upon our estimation of the cost to produce and the timing of delivery. Due to the nature of these product cost estimates and the fluctuations in input costs and availability, we may underestimate the costs of production and therefore overestimate the profitability in our backlog. As a result, the actual profitability on those sales in the future may differ materially from our initial estimates when we recorded the firm purchase order in backlog.

Our business is subject to numerous laws and regulations.

We are subject to numerous federal, state and local regulations governing the manufacture and sale of our products, including the provisions of the National Traffic and Motor Vehicle Safety Act ("NTMVSA") and the safety standards for vehicles and components which have been promulgated under the NTMVSA by the Department of Transportation. The NTMVSA authorizes the National Highway Traffic Safety Administration to require a manufacturer to recall and repair vehicles which contain certain hazards or defects. Sales into foreign countries may be subject to similar regulations. School buses are also subject to heightened safety standards in many jurisdictions. Any recalls of our vehicles, voluntary or involuntary, could have a material adverse effect on our reputation and our business and operating results.

In addition, we face an inherent risk of exposure to product liability claims if the use of our products results, or is alleged to result, in personal injury and/or property damage. If we manufacture, or are alleged to have manufactured, a defective product or if component failures result in damages, we may experience material product liability losses in the future. In addition, we may incur significant costs to defend product liability claims. We are also subject to potential recalls of our products to cure manufacturing defects or in the event of a failure to comply with customers' order specifications or applicable regulatory standards, and may have to conduct recalls of our products due to defects in components or parts manufactured by suppliers which we purchase and incorporate into our products. We may also be required to remedy or retrofit vehicles in the event that an order is not built to a customer's specifications or where a design error has been made. The cost and impact to our reputation of significant retrofit and remediation events or product recalls could have a material adverse effect on our business and operating results.

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Lastly, we are subject to federal and numerous state consumer protection and unfair trade practice laws and regulations relating to the sale, transportation and marketing of motor vehicles, including so-called “lemon laws.” In addition, certain laws and regulations affect other areas of our operations, including, labor, advertising, consumer protection, real estate, promotions, quality of services, intellectual property, tax, import and export duties, tariffs, anti-corruption and anti-competitive conduct. Compliance with these laws and others may be onerous and costly, at times, and may vary from jurisdiction to jurisdiction which further complicates compliance efforts. Violations of these laws and regulations could lead to significant penalties, including restraints on our export or import privileges, monetary fines, criminal proceedings and regulatory or other actions that could materially adversely affect our results of operations. We have instituted various and comprehensive policies and procedures designed to ensure compliance. However, we cannot assure you that employees, contractors, vendors or our agents will not violate such laws and regulations or our policies and procedures.

Unforeseen or recurring operational problems at any of our facilities, or a catastrophic loss of one of our key manufacturing facilities, may cause significant lost production and adversely affect our results of operations.

Our manufacturing process could be affected by operational problems that could impair our production capability. Many of our manufacturing facilities contain high cost and sophisticated machines that are used in our manufacturing process. Disruptions or shut downs at any of our facilities could be caused by:

- maintenance outages to conduct maintenance activities that cannot be performed safely during operations;
- prolonged power failures or reductions;
- breakdown, failure or substandard performance of any of our machines or other equipment;
- noncompliance with, and liabilities related to, environmental requirements or permits;
- disruptions in the transportation infrastructure, including railroad tracks, bridges, tunnels or roads;
- fires, floods, earthquakes, tornadoes, hurricanes, microbursts or other catastrophic disasters, national emergencies, political unrest, war or terrorist activities; or
- other operational problems.

If some of our facilities are shut down, they may experience prolonged startup periods, regardless of the reason for the shutdown. Those startup periods could range from several days to several weeks or longer, depending on the reason for the shutdown and other factors. Any prolonged disruption in operations at any of our facilities could cause a significant loss of production and adversely affect our results of operations and negatively impact our customers and dealers. Further, a catastrophic event could result in the loss of the use of all or a portion of one of our manufacturing facilities. Although we carry property and business interruption insurance, our coverage may not be adequate to compensate us for all losses that may occur. Any of these events individually or in the aggregate could have a material adverse effect on our business, financial condition and operating results.

Federal and local government spending and priorities may change in a manner that materially and adversely affects our future sales and limits our growth prospects.

Our business depends upon continued federal and local government expenditures on certain of our Commercial and Fire & Emergency products. These expenditures have not remained constant over time. Current government spending levels on programs that we support may not be sustainable as a result of changes in government leadership, policies or priorities. A significant portion of our sales are subject to risks specific to doing business with the U.S. government and municipalities, including, but not limited to:

- budgetary constraints or fluctuations affecting government spending generally, or specific departments or agencies in particular, and changes in fiscal policies or a reduction of available funding;
- changes in government programs or requirements;
- realignment of funds to government priorities that we do not serve;
- government shutdowns (such as those which occurred in 1995-1996, in 2013 and in late 2018 through early 2019) and other potential delays in government appropriations processes;
- delays in the payment of our invoices by government authorities;
- adoption of new laws or regulations and our ability to meet specified performance thresholds; and
- general economic conditions.

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These or other factors could cause government agencies and departments to delay or reduce their purchases or deliveries under contracts, exercise their right to terminate contracts, or not exercise options to renew contracts, any of which could cause us to lose sales. A significant decline in overall government spending or a shift in expenditures away from agencies or programs that we support could cause a material decline in our sales and harm our financial results.

Fuel shortages, or high prices for fuel, could have a negative effect on sales of our products.

Gasoline or diesel fuel is required for the operation of most of our vehicles and we cannot assure you that the supply of these petroleum products will continue uninterrupted or that the price of or tax on these petroleum products will not significantly increase. High fuel costs generally drive greater demand for better fuel economy and substantial increases in the price of fuel have had a material adverse effect on the specialty vehicle industry as a whole in the past and could have a material adverse effect on our business in the future. Fluctuations in fuel prices have also historically negatively impacted consumer confidence and increased customer preferences for alternative fuel vehicles, only some of which we produce.

We are exposed to, and may be adversely affected by, interruptions to our computer and information technology systems and sophisticated cyber-attacks.

We rely on our information technology systems and networks in connection with many of our business activities. Some of these networks and systems are managed by third-party service providers and are not under our direct control. Our operations routinely involve receiving, storing, processing and transmitting sensitive information pertaining to our business, customers, dealers, suppliers, employees and other sensitive matters (including wire transfer instructions).

As with most companies, we have experienced cyber-attacks, attempts to breach our systems and other similar incidents, none of which have been material. Any future cyber incidents could, however, materially disrupt operational systems; result in loss of trade secrets or other proprietary or competitively sensitive information or money; compromise personally identifiable information regarding customers or employees; and jeopardize the security of our facilities. A cyber incident could be caused by malicious outsiders using sophisticated methods to circumvent firewalls, encryption and other security defenses. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Information technology security threats, including security breaches, computer malware and other cyber-attacks are increasing in both frequency and sophistication and could create financial liability, subject us to legal or regulatory sanctions or damage our reputation with customers, dealers, suppliers and other stakeholders. The costs associated with maintaining robust information security mechanisms and controls are also increasing and are likely to increase further in the future. We continuously seek to maintain a robust program of information security and controls, but the impact of a material information technology event could have a material adverse effect on our competitive position, reputation, results of operations, financial condition and cash flows.

Our operations and the industries in which we operate are subject to environmental, health and safety laws and regulations, and we may face significant costs or liabilities associated with environmental, health and safety matters.

Our global operations are subject to a variety of federal, state, local and foreign environmental and workers' health and safety laws and regulations concerning, among other things, water and air discharges, noise pollution, solid and hazardous waste generation, management and disposal, remediation of releases of hazardous materials, employee health and safety, and engine fuel economy and emissions from the vehicles we manufacture. Environmental, health and safety laws and regulations continue to evolve, and we may become subject to increasingly stringent environmental standards in the future, which could increase costs of compliance or require us to manufacture with alternative technologies and materials. We are required to obtain and maintain environmental, health and safety permits and approvals for our facilities and operations. Our failure to comply with such laws, regulations, permits and approvals could subject us to increased employee healthcare and workers' compensation costs, liabilities, fines and other penalties or compliance costs, and could have a material adverse effect on our business, financial condition and operating results.

Environmental remediation laws such as the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and state analogues impose liability, without regard to fault or to the legality of a party's conduct, on certain categories of persons (known as "potentially responsible parties" or "PRPs") who are considered to have contributed to the release of "hazardous substances" into the environment. Although we are not currently incurring material liabilities pursuant to CERCLA or state analogues, in the future we may incur such material liabilities with regard to our (or our predecessors') current or former facilities, adjacent or nearby third-party facilities, or off-site disposal locations. In particular, in 2012 we received a request from the U.S. Environmental Protection Agency ("EPA") for information regarding the San Fernando Valley Area 2 Superfund Site (the "San Fernando Site").

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The EPA has questioned whether a prior owner and operator of a facility located within the boundary of the San Fernando Site (which is regional in scale and encompasses large portions of the Los Angeles area) is a predecessor to our Company, and whether the operations of the predecessor entity may have caused releases of certain hazardous substances to soil or groundwater. At this stage, the EPA has not asserted any claims against us and has not notified us that we are a PRP at the San Fernando Site. Our ability to collect on insurance policies or remediation costs or damages in connection with any claims relating to the San Fernando Site is unclear at this time. Although we intend to vigorously defend against any such claims, in the event we are found to be a PRP at the San Fernando Site or other sites, the remediation costs and any potential damages (including Natural Resource Damage claims) could have a material adverse effect on our business, financial condition and operating results.

Product compliance laws and regulations impose a variety of environmental requirements, including emissions and performance standards, on the vehicles we manufacture. These laws and regulations govern vehicle fuel efficiency, emissions (including greenhouse gas emissions), noise and safety, and are expected to continue to add to the cost of our products and increase the engineering and product development programs of our business. For example, the EPA began to enforce limits on diesel exhaust emissions from nonroad diesel engines in 1996 and stationary diesel-engine generator sets in 2006. Implemented in a series of steps called Tier levels, these regulations, over time, have introduced successively more stringent limitations on nitrogen oxides (NOx), carbon monoxide (CO), particulate matter (PM) and non-methane hydrocarbons (NMHC). The current “Tier 4” regulations promulgated under the Clean Air Act have imposed increasingly stringent motor vehicle emissions standards on our diesel exhaust emissions beginning with the 2011 model year. In addition, in August 2011, the EPA and the National Highway Traffic Safety Administration (“NHTSA”) issued initial rules on GHG emissions and fuel economy for medium and heavy-duty vehicles and engines. The emissions standards established required minimum fuel economy and GHG emissions levels for both engines and vehicles beginning in model year 2014 primarily through the increased use of existing technology. In August 2016, the EPA and the NHTSA finalized a second phase of GHG emissions reductions to be implemented over time beginning in model year 2021 through model year 2027 (with standards for certain trailers beginning in model year 2018). More stringent emissions standards have been issued by California and certain other states as well.

These standards, as well as other federal and state emissions standards applicable to the vehicles we manufacture, have increased and will continue to increase costs of development for engines and vehicles and administrative costs arising from implementation of the standards. In addition, regulatory proposals under consideration or those that are proposed in the future may set standards that are difficult to achieve or adversely affect our results of operations due to increased research, development, and warranty costs.

We are subject to litigation in the ordinary course of business, and uninsured judgments or a rise in insurance premiums may adversely impact our results of operations.

In the ordinary course of business, we are subject to various claims and litigation. Any such claims, whether with or without merit, could be time consuming and expensive to defend and could divert management’s attention and resources. Some of our businesses have in the past and may in the future face claims and litigation regarding accidents involving their products, including accidents involving passenger injuries and deaths, and the increasing amount of our vehicles on the road may increase our exposure to such matters. In accordance with customary practice, we maintain insurance against some, but not all, of these potential claims. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. The levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. Further, we may not be able to maintain insurance at commercially acceptable premium levels or at all.

For product liability claims, we have a self-insured retention (“SIR”) for product liability matters of \$1.0 million. Amounts above the SIR, up to a certain dollar amount, are covered by our excess insurance policy. Currently, we maintain excess liability insurance aggregating \$100.0 million with outside insurance carriers to minimize our risks related to catastrophic claims in excess of our self-insured positions for product liability and personal injury matters. Any material change in the aforementioned factors could have an adverse impact on our operating results. Any increase in the frequency and size of these claims, as compared to our experience in prior years, may cause the premium that we are required to pay for insurance to increase significantly and may negatively impact future SIR levels. It may also increase the amounts we pay in punitive damages, not all of which are covered by our self-insurance.

If any significant accident, judgment, claim or other event is not fully insured or indemnified against, it could have a material adverse impact on our business, financial condition and results of operations. We cannot assure that the outcome of all current or future litigation will not have a material adverse impact on our business and results of operations.

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Intellectual property risks may adversely affect our business and may dilute our competitive advantage.

Our brands are important assets of our business, and we rely on proprietary intellectual property, including numerous registered trademarks, as well as licensed intellectual property for the manufacture and competitiveness of our products. We monitor and protect against activities that might infringe, dilute or otherwise harm our patents, trademarks and other intellectual property and rely on the enforceability of the patent, trademark and other laws of the United States and other countries. However, we may be unable to prevent third parties from using our intellectual property without our authorization. To the extent we cannot protect our intellectual property, unauthorized use and misuse of our intellectual property could cause significant damage to our brand name and reputation, interfere with our ability to effectively represent our Company to our customers, contractors, suppliers and/or licensees and increase litigation costs, which could harm our competitive position and have a material adverse effect on our business, financial condition and results of operations.

As noted above, we operate in very competitive markets in which we and our competitors are constantly developing and advancing product technology. Inventions by our competitors that are granted legal protection could result in us being unable to provide customers with certain designs or product features, which could harm our competitive position and have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to liabilities under applicable anti-corruption laws and export controls and economic sanctions laws and any determination that we violated these laws could have a material adverse effect on our business.

We are subject to various anti-corruption laws that prohibit improper payments or offers of payments to foreign governments and their officials for the purpose of obtaining or retaining business. We have business in countries and regions which are less developed and are generally recognized as having potentially more corrupt business environments. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of various anti-corruption laws including the Foreign Corrupt Practices Act (“FCPA”) and the U.K. Bribery Act. We have implemented safeguards and policies to discourage these practices by our employees and agents.

However, our existing safeguards and any future improvements may prove to be less than effective and our employees or agents may engage in conduct for which we might be held responsible. If employees violate our policies or we fail to maintain adequate record-keeping and internal accounting practices to accurately record our transactions, we may be subject to regulatory sanctions. In addition, we are subject to export controls and economic sanctions laws and embargoes imposed by the U.S. government. Changes in export control or trade sanctions laws may restrict our business practices, and may result in modifications to compliance programs. Violations of the FCPA, U.K. Bribery Act, other anti-corruption laws, export controls or economic sanctions laws may result in severe criminal or civil sanctions and penalties, and we may be subject to other liabilities which could have a material adverse effect on our business, results of operations and financial condition.

Our expansion plans in markets outside of the United States could entail significant risks.

Our strategies potentially include establishing a greater presence in markets outside of the United States. In addition, we may grow our use of component and raw material suppliers in certain foreign markets. As we progress with this, these strategies may involve a significant investment of capital and other resources and entail various risks. These include risks attendant to obtaining necessary governmental approvals, identifying foreign agents, dealers and distributors, the construction of facilities in a timely manner and within cost estimates, the establishment of viable supply channels, the commencement of efficient manufacturing operations and, ultimately, the acceptance of the products by our current or prospective customers. We cannot be assured that our expansion plans will be implemented or, if implemented, be successful.

Our risk management policies and procedures may not be fully effective in achieving their purposes.

Our policies, procedures, controls and oversight to monitor and manage our enterprise risks may not be fully effective in achieving their purpose and may leave us exposed to identified or unidentified risks. Past or future misconduct by our employees or vendors could result in our violations of law, regulatory sanctions and/or serious reputational harm or financial harm. We monitor our policies, procedures and controls; however, we cannot assure you that our policies, procedures and controls will be sufficient to prevent all forms of misconduct. We review our compensation policies and practices as part of our risk management program, but it is possible that our compensation policies could incentivize management and other employees to subject us to inappropriate risk or to engage in misconduct. If such inappropriate risks or misconduct occurs, it is possible that it could have a material adverse effect on our results of operations and/or our financial condition.

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AIP is party to the Shareholders Agreement (as defined below) and has significant influence over us, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.

As of October 31, 2019, AIP owned 33,774,310 shares of our common stock, which represents 54.3% of our total outstanding shares of common stock. AIP is also party to an amended and restated shareholders agreement (the “Shareholders Agreement”) that, among other things, imposes certain transfer restrictions on the shares held by such stockholders and requires such stockholders to vote in favor of certain nominees to our Board of Directors. For a discussion of the Shareholders Agreement, see “Item 13. Certain Relationships and Related Person Transactions, and Director Independence.” As long as these stockholders own or control at least a majority of our outstanding common stock, they will have the ability to exercise substantial control over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including:

- the election and removal of directors and the size of our Board of Directors;
- any amendment of our amended and restated certificate of incorporation or amended and restated bylaws; or
- the approval of mergers and other significant corporate transactions, including a sale of substantially all of our assets.

In addition, pursuant to the Shareholders Agreement, AIP has the following rights so long as it holds at least 15% of the then outstanding common stock:

- to nominate the greater of five members of our Board of Directors or a majority of directors;
- to designate the Chairman of our Board of Directors and one member to each of the audit committee, the compensation committee and the nominating and corporate governance committee;
- to approve the commencement of any proceeding for the voluntary dissolution, winding up or bankruptcy of us or any material subsidiary;
- to approve any non-pro rata reduction to the share capital of us or any material subsidiary, except as required by law;
- to approve amendments to the amended and restated certificate of incorporation and amended and restated bylaws that would change our name, our jurisdiction of incorporation, the location of our principal executive offices, the purpose or purposes for which we are incorporated or the approval requirements as provided in the Shareholders Agreement;
- to approve special dividends greater than \$10 million;
- to approve any merger, amalgamation or consolidation of us or the spinoff of a business of ours with assets in excess of 15% of the consolidated assets or revenues of us and our subsidiaries;
- the sale, conveyance, transfer or other disposition of all or more than 15% of the consolidated assets or revenues of us and our subsidiaries; and
- any designation to the Board of Directors contrary to the Shareholders Agreement or the amended and restated certificate of incorporation and amended and restated bylaws.

See “Item 13. Certain Relationships and Related Party Transactions, and Director Independence” for more detail.

Lastly, AIP’s interests as an equity holder may not be aligned in all cases with those of other equity investors, or of our lenders as creditors. In addition, AIP may have an interest in pursuing or not pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might be contrary to the wishes of other equity investors or involve risks to our lenders. Furthermore, AIP may in the future own businesses that directly or indirectly compete with us. AIP may also pursue acquisition opportunities that may be complementary to our business separately from us and, as a result, those acquisition opportunities may not be available to us.

Changes to tax laws or exposure to additional tax liabilities may have a negative impact on our operating results.

Continued developments in U.S. tax reform and changes to tax laws and rates in other jurisdictions where we do business could adversely affect our results of operations and cash flows. It is also possible that provisions of U.S. tax reform could be subsequently amended in a way that is adverse to the Company.

In addition, we regularly undergo tax audits in various jurisdictions in which we operate. Although we believe that our income tax provisions and accruals are reasonable and in accordance with GAAP, and that we prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits and any related litigation, could be materially different from our historical income tax provisions and accruals. The results of a tax audit or litigation could materially affect our operating results and cash flows in the periods for which that determination is made. In addition, future period net income may be adversely impacted by litigation costs, settlements, penalties and interest assessments.

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Changes in customer preferences for our products or our failure to gauge those preferences could lead to reduced sales and additional costs.

Our ability to remain competitive depends heavily on our ability to provide a continuing and timely introduction of innovative product offerings. We cannot be certain that historical customer preferences for our products will remain unchanged. We believe that the introduction of new product features, designs and models will be critical to the future success of our operations as technological advancements are made and alternative fuels are developed.

To successfully execute our long-term strategy, we must continue to develop new product lines and adapt our existing product lines to consumer preferences, including product lines that have historically been outside of our core businesses, such as electric vehicles and other specialty vehicles that minimize emissions. The process of designing and developing new technology, products and services is complex, costly, and uncertain and requires extensive capital investment and the ability to retain and recruit talent. For example, many vehicle manufacturers foresee electric vehicle sales becoming an increasingly important to their businesses, and we may not have the expertise to successfully address these competitive pressures on a costly basis or at all. Accordingly, if we do not accurately predict, prepare for and respond to new kinds of technological innovations, market developments and changing customer needs, including with respect to electric vehicles and other technologies that minimize emissions, competition from these companies could make our specialty vehicles less desirable in the marketplace.

Managing frequent product introductions and transitions poses inherent risks and additional costs. Delays in the introduction or market acceptance of new product features, designs or models could have a material adverse effect on our business. Products may not be accepted for a number of reasons, including changes in customer preferences or our failure to properly gauge customer preferences. Further, we cannot be certain that new product introductions will not reduce sales from existing models and adversely affect our results of operations. In addition, we cannot assure you that any of these new product features, designs or models will be introduced to the market in a timely manner or that they will be successful when introduced. Any of the foregoing factors could have a material adverse effect on our business, financial condition and operating results.

Failure to maintain the strength and value of our brands could have a material adverse effect on our business, financial condition and results of operations.

Our success depends, in part, on the value and strength of our brands. Our brand names are integral to our business as well as to the implementation of our strategies for expanding our business. Maintaining, enhancing, promoting and positioning our brands, particularly in new markets where we have limited brand recognition, will depend largely on the success of our marketing and merchandising efforts and our ability to provide high-quality services, warranty plans, products and resources and a consistent, high-quality customer experience. Our brands could be adversely affected if we fail to achieve these objectives, if we fail to comply with laws and regulations, if we are subject to publicized litigation or if our public image or reputation were to be tarnished by negative publicity. Some of these risks may be beyond our ability to control, such as the effects of negative publicity regarding our suppliers or third party providers of services or negative publicity related to members of management. Any of these events could hurt our image, resulting in reduced demand for our products and a decrease in net sales.

Further, maintaining, enhancing, promoting and positioning our brands' images may require us to make substantial investments in marketing and employee training, which could adversely affect our cash flow, and which may ultimately be unsuccessful. These factors could have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

We are required to make an annual assessment of our internal controls over financial reporting pursuant to Section 404 of the Sarbanes Oxley Act. Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting, and generally requires in the same report a report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. To comply with the requirements of being a public company, we undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business.

Our independent registered public accounting firm is required to formally attest to the effectiveness of our internal controls over financial reporting. Our independent registered public accounting firm may issue a report that is adverse, in the event it is not satisfied with the level at which our controls are documented, designed or operating. If we are unable to conclude that we have effective internal control over financial reporting, our independent registered public accounting firm is unable to provide us with an unqualified report as required by Section 404, or we are required to restate our financial statements, we may fail to meet our public reporting obligations and investors could lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

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We are party to two consolidated putative securities class actions, as well as other litigation in the ordinary course of business, and uninsured judgments or a rise in insurance premiums may adversely impact our results of operations.

A consolidated federal putative securities class action and a consolidated state putative securities class action are pending against us and certain of our officers and directors, each on behalf of a putative class of purchasers of our common stock in or traceable to the Company's January 2017 IPO and of purchasers in our secondary offering of common stock in October 2017, as well as, for the federal action, purchasers from October 10, 2017 through June 7, 2018. The federal and state courts each consolidated multiple separate actions pending before them. The actions allege certain violations of the Securities Act of 1933 and, for the federal action, the Securities Exchange Act of 1934. See "Item 1. Legal Proceedings."

We are also subject to various claims and litigation in the ordinary course of business. Any such claims, whether with or without merit, could be time consuming and expensive to defend and could divert management's attention and resources. Some of our businesses have in the past and may in the future face claims and litigation regarding accidents involving their products, including accidents involving passenger injuries and deaths, and the increasing amount of our vehicles on the road may increase our exposure to such matters. In accordance with customary practice, we maintain insurance against some, but not all, of these potential claims. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. The levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. Further, we may not be able to maintain insurance at commercially acceptable premium levels or at all.

For product liability claims, we have a self-insured retention ("SIR") for product liability matters of \$1.0 million. Amounts above the SIR, up to a certain dollar amount, are covered by our excess insurance policy. Currently, we maintain excess liability insurance aggregating \$100.0 million with outside insurance carriers to minimize our risks related to catastrophic claims in excess of our self-insured positions for product liability and personal injury matters. Any material change in the aforementioned factors could have an adverse impact on our operating results. Any increase in the frequency and size of these claims, as compared to our experience in prior years, may cause the premium that we are required to pay for insurance to increase significantly and may negatively impact future SIR levels. It may also increase the amounts we pay in punitive damages, not all of which are covered by our self-insurance.

If there is an unfavorable outcome from the securities class actions described above, or if any significant accident, judgment, claim or other event is not fully insured or indemnified against, then in either case that could have a material adverse impact on our business, financial condition and results of operations. We cannot assure that the outcome of all current or future litigation will not have a material adverse impact on our business and results of operations.

Risks Relating to Our Common Stock

Provisions of our corporate governance documents could make an acquisition of our Company more difficult and may prevent attempts by our stockholders to replace or remove our current management or directors, even if beneficial to our stockholders.

Provisions of our amended and restated certificate of incorporation and our amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control of our Company that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management or directors by making it more difficult for stockholders to replace members of our Board of Directors. Because our Board of Directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt to replace current members of our management team.

We are a "controlled company" within the meaning of the New York Stock Exchange rules and, as a result, qualify for, and are relying on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

The parties to the Shareholders Agreement control a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the corporate governance standards of the New York Stock Exchange. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of our common stock:

- we have a board that is composed of a majority of "independent directors," as defined under the rules of such exchange;
- we have a compensation committee that is composed entirely of independent directors; and
- we have a nominating and corporate governance committee that is composed entirely of independent directors.

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We are utilizing these exemptions. As a result, we do not have a majority of independent directors on our Board of Directors. In addition, our compensation committee and our nominating and corporate governance committee do not consist entirely of independent directors or be subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

An active, liquid trading market for our common stock may cease to exist, which may limit your ability to sell your shares.

Although our common stock is listed on the New York Stock Exchange under the symbol “REVG,” an active trading market for our shares may not be sustained. A public trading market having the desirable characteristics of depth, liquidity and orderliness depends upon the existence of willing buyers and sellers at any given time, such existence being dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. The failure of an active and liquid trading market to develop and continue would likely have a material adverse effect on the value of our common stock. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

Market volatility may affect our stock price and the value of your investment.

The market price of our common stock may change in response to fluctuations in our operating results in future periods and may also change in response to other factors, many of which are beyond our control. As a result, our share price may experience significant volatility and may not necessarily reflect the value of our expected performance. Among other factors that could affect our stock price are:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new products or services by us or our competitors;
- issuance of new or changed securities analysts’ reports or recommendations;
- sales, or anticipated sales, of large blocks of our stock;
- additions or departures of key personnel;
- legal, regulatory or political developments;
- litigation and governmental investigations;
- the size of our public float;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- changing economic conditions; and
- exchange rate fluctuations.

As noted above, we are currently defending securities class action litigation. If the market price of our common stock is volatile in the future, we may be subject to additional securities class action litigation. In that case, we could incur substantial incremental costs defending against such litigation. Such litigation could also further divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of December 16, 2019, we had approximately 62 million shares of common stock outstanding. The 25,875,000 shares of common stock that were sold publicly in the secondary offering completed in October and in our IPO may be resold in the public market at any time (other than shares of our common stock that may be held or acquired by our directors, executive officers or affiliates, as that term is defined in the Securities Act).

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We also registered all shares of common stock that we may issue under our equity compensation plans, which means these shares can be freely sold in the public market upon issuance. As restrictions on resale end, the market price of our stock could decline if the holders of currently restricted shares sell them or are perceived by the market as intending to sell them. Lastly, an entity controlled by AIP has entered into a loan agreement pursuant to which it pledged 19.5 million shares of our common stock to secure a margin loan, under which it may draw up to approximately \$36 million. If the AIP-controlled entity were to default on its obligations under the loan and not timely post additional collateral, the lender would have the right to sell shares to satisfy the AIP-controlled entity's obligation. Such an event could cause our stock price to decline.

We cannot assure you that we will continue to declare dividends or have sufficient funds to pay dividends on our common stock.

Although we intend to continue to pay a quarterly dividend on shares of our common stock, to the extent that we have sufficient funds available for such purpose, the declaration, amount and payment of any future dividends on shares of common stock will be at the sole discretion of our Board of Directors and we may reduce or discontinue entirely the payment of such dividends at any time. Our Board of Directors may take into account general and economic conditions, our financial condition and operating results, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our Board of Directors may deem relevant. In addition, our ability to pay dividends is, and may be, limited by covenants of existing and any future outstanding indebtedness we or our subsidiaries incur, including under the April 2017 ABL Facility and Term Loan Agreement.

Moreover, because we are a holding company, our ability to pay dividends is dependent upon the financial results and cash flow of our operating subsidiaries and the distribution or other payment of cash to us in the form of dividends or otherwise, which may further restrict our ability to pay dividends as a result of the laws of their jurisdiction of organization, agreements of our subsidiaries or covenants under any existing and future outstanding indebtedness we or our subsidiaries incur. Furthermore, Delaware law requires that our Board of Directors determine that we have adequate surplus prior to the declaration of dividends. While we do not currently believe that these restrictions will impair our ability to pay regular quarterly cash dividends, there can be no assurance that we will not need to reduce or eliminate the payment of dividends on our common stock in the future. Therefore, any return on investment in our common stock may be solely dependent upon the appreciation of the price of our common stock on the open market, which may not occur. See "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy" for more detail.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our shares or if our results of operations do not meet their expectations, our share price and trading volume could decline. In addition, if securities or industry analysts publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our shares has been and will continue to be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of these analysts cease coverage of our Company or fail to publish reports on us regularly, we could lose visibility in the financial markets and demand for our stock could decrease, which could cause our stock price and trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock or make sell recommendations, or if our results of operations do not meet their expectations, our share price could decline.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

We maintain corporate office space in Milwaukee, Wisconsin. The locations of the RTCs, aftermarket parts warehouses and manufacturing properties that we currently own or lease are listed below. We believe that our facilities are suitable and adequate for the purposes for which they are used and are adequately maintained.

RTCs & Aftermarket Parts Warehouses	Approximate Square Feet	Segment	Owned or Leased
Ocala, Florida	63,000	Fire & Emergency	Owned
Little Ferry, New Jersey	22,000	Fire & Emergency	Leased
Fort Lauderdale, Florida	19,000	Fire & Emergency	Leased
Riverside, California	18,000	Fire & Emergency	Owned
San Francisco, California	3,000	Fire & Emergency	Leased
Tallahassee, Florida	3,000	Fire & Emergency	Leased
Decatur, Indiana	90,000	Recreation	Owned
Coburg, Oregon	36,000	Recreation	Leased
Dallas, Texas	50,000	Aftermarket parts warehouse	Leased
Jefferson, North Carolina	92,000	Aftermarket parts warehouse	Owned
Decatur, Indiana	90,000	Aftermarket parts warehouse	Owned
Sparks, Nevada	48,000	Aftermarket parts warehouse	Leased
Total	534,000		

Manufacturing Facility Locations	Approximate Square Feet	Brand(s) Produced	Owned or Leased
Columbus, Ohio	173,000	Horton Emergency Vehicles	Owned/ Leased
Decatur, Indiana	850,000	Fleetwood RV, American Coach, Monaco, Holiday Rambler	Owned
Decatur, Indiana	254,000	Goldshield	Owned
Hamburg, New York	87,000	E-ONE	Leased
Imlay City, Michigan	186,000	Champion Bus, Federal, Goshen Coach	Owned
Jefferson, North Carolina	328,000	American Emergency Vehicles	Owned
Longview, Texas	154,000	Capacity of Texas and Lay-Mor	Owned
South El Monte, California	34,000	Leader Emergency Vehicles	Leased
Nesquehoning, Pennsylvania	609,000	KME	Owned
Ocala, Florida	514,000	E-ONE	Owned
Riverside, California	227,000	ENC	Owned
Roanoke, Virginia	60,000	KME	Owned
Salina, Kansas	228,000	ElDorado National, Krystal, Goshen Coach	Owned
South Hutchinson, Kansas	262,000	Collins Bus, World Trans	Owned
Winter Park, Florida	222,000	Wheeled Coach, Road Rescue, McCoy Miller, Frontline, Marque	Owned
Holden, Louisiana	232,000	Ferrara Fire Apparatus	Owned
Elkhart, Indiana	160,000	Midwest Automotive Division	Owned
Bristol, Indiana	200,000	Renegade RV	Leased
Sorocaba, Brazil	130,000	REV Fire and Emergency Vehicles	Leased
Lancaster, California	220,000	Lance Camper / Avery Transportation	Leased
Total	5,130,000		

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Item 3. Legal Proceedings.

We are, from time to time, party to various legal proceedings arising out of our ordinary course of business. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, we believe that our ultimate liability, if any, arising from pending legal proceedings, as well as from asserted legal claims and known potential legal claims, which are probable of assertion, taking into account established accruals for estimated liabilities, should not be material to our business, financial condition or results of operations.

A consolidated federal putative securities class action and a consolidated state putative securities class action are pending against us and certain of our officers and directors, each on behalf of a putative class of purchasers of our common stock in or traceable to the Company's January 2017 IPO and of purchasers in our secondary offering of common stock in October 2017, as well as, for the federal action, purchasers from October 10, 2017 through June 7, 2018. The actions also name certain of the underwriters for the Company's IPO or secondary offering as defendants. The federal and state courts each consolidated multiple separate actions pending before them, the first of which was filed on June 8, 2018. The actions allege certain violations of the Securities Act of 1933 and, for the federal action, the Securities Exchange Act of 1934.

Collectively, the actions seek certification of the putative classes asserted and compensatory damages and attorneys' fees and costs. The underwriter defendants have notified us of their intent to seek indemnification from us pursuant to the IPO underwriting agreement in regard to the claims asserted with respect to the IPO, and we expect the underwriters to do the same in regard to the claims asserted with respect to the October 2017 offering. Two purported derivative actions, which have since been consolidated, were also filed in federal court in Delaware in 2019 against our directors (with us as a nominal defendant), premised on allegations similar to those asserted in the consolidated federal securities litigation. We and the other defendants intend to continue defending these lawsuits vigorously. Additional lawsuits may be filed and, at this time, we are unable to predict the outcome of the lawsuits, the possible loss or range of loss, if any, associated with the resolution of the lawsuits, or any potential effect that it may have on us or our operations.

We are subject to certain other legal proceedings that arise in the ordinary course of business. Although the final results of all such other matters and claims cannot be predicted with certainty, management believes that the ultimate resolution of all such matters and claims will not have a material adverse effect on our financial condition, results of operations or cash flows. Actual results could vary, among other things, due to the uncertainties involved in litigation.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our shares of common stock began trading on the New York Stock Exchange on January 27, 2017, under the trading symbol “REVG.” Prior to this listing, no public market existed for our common stock.

As of December 16, 2019, there were approximately 90 holders of record of our shares of common stock. The actual number of shareholders is greater than this number of record holders and includes shareholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include shareholders whose shares may be held in trust by other entities.

Common Stock Repurchases

On March 20, 2018, the Company’s Board of Directors authorized up to \$50.0 million of repurchases of the Company’s issued and outstanding common stock with an expiration date of March 19, 2020. On September 5, 2018 the Company’s Board of Directors authorized an additional \$50.0 million of repurchases of the Company’s issued and outstanding common stock with an expiration date of September 4, 2020. During fiscal year 2018, the Company repurchased 3,233,352 shares under this repurchase program at a total cost of \$53.3 million at an average price per share of \$16.47. During fiscal year 2019, the Company repurchased 717,597 shares under this repurchase program at a total cost of \$8.3 million at an average price per share of \$11.62. As of October 31, 2019, the Company had \$38.3 million of authorization remaining under this program.

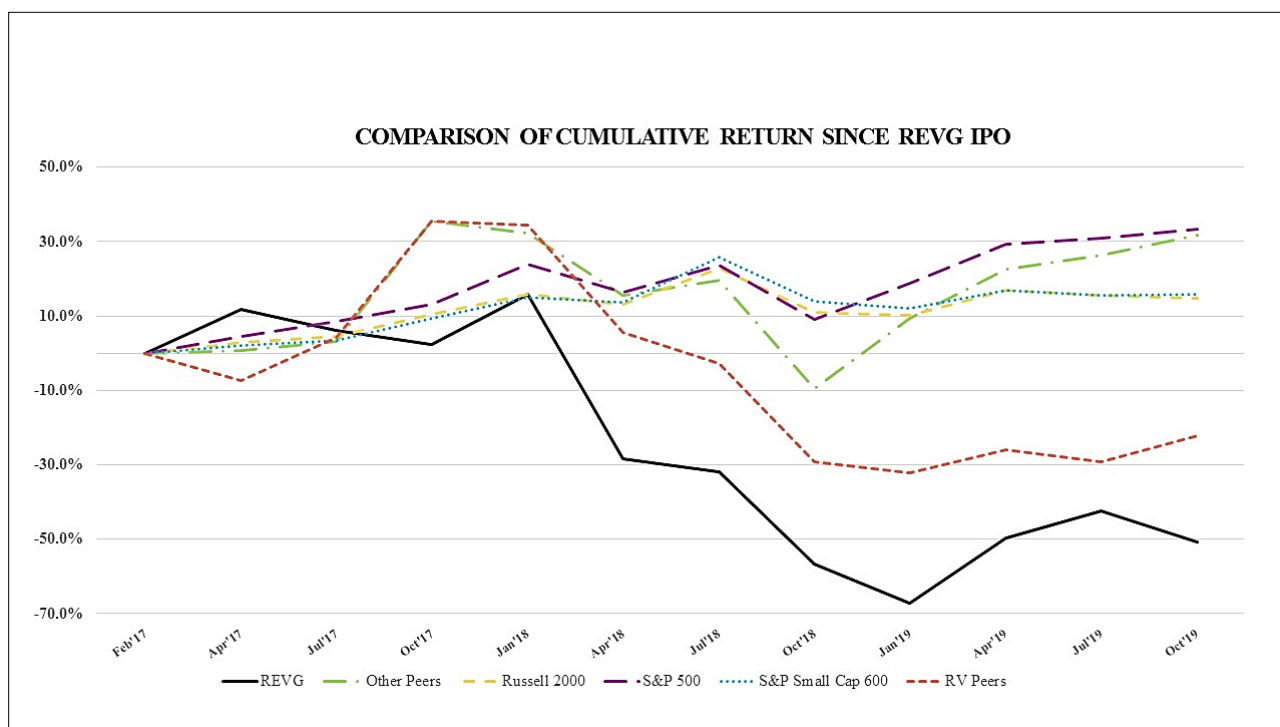
Dividend Policy

Subject to legally available funds and the discretion of our board of directors, we expect to continue to pay a quarterly cash dividend at the rate of \$0.05 per share on our common stock. We expect to pay this quarterly dividend on or about the last day of the first month following each fiscal quarter to shareholders of record on the last day of such fiscal quarter. Based on our current dividend rate of \$0.05 per share, and assuming we have approximately 62 million shares of our common stock outstanding, this would result in an aggregate annual cash dividend amount of approximately \$12.5 million. Our dividend policy has certain risks and limitations, particularly with respect to liquidity, and we may not pay dividends according to our policy, or at all. We cannot assure you that we will declare dividends or have sufficient funds to pay dividends on our common stock in the future. See “Item 1A. Risk Factors—Risks Relating to Our Common Stock—We cannot assure you that we will continue to declare dividends or have sufficient funds to pay dividends on our common stock.”

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Stock Performance Graph

The following graph compares the cumulative total stockholder return on our common stock between January 27, 2017 and October 31, 2019, based on the market price of our common stock and assumes reinvestment of dividends, with the cumulative total return of companies in the S&P 500, Russell 2000 and S&P Small Cap 600.



“Other Peers” represents an equally-weighted index comprised of OSK, BLBD, SPAR, & FSS.

“RV Peers” represents an equally-weighted index comprised of THO and WGO.

Item 6. Selected Financial Data.

The following table sets forth summary historical consolidated financial data for the periods presented and at the dates indicated below. Historical results are not necessarily indicative of the results that may be expected for future periods. The summary historical consolidated data presented below should be read in conjunction with the sections entitled “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and the related notes and other financial data appearing elsewhere in this Annual Report on Form 10-K.

	Fiscal Year Ended				
	October 31, 2019	October 31, 2018(a)	October 31, 2017(b)	October 29, 2016(c)	October 31, 2015
(in millions except per share data)					
Net sales	\$ 2,403.7	\$ 2,381.3	\$ 2,267.8	\$ 1,926.0	\$ 1,735.1
Gross profit	251.8	278.0	294.6	229.9	182.0
Operating income	15.9	27.8	82.7	72.4	62.1
Net (loss) income	(12.3)	13.0	31.4	30.2	22.9
(Loss) income per share of common stock					
Basic	\$ (0.20)	\$ 0.20	\$ 0.52	\$ 0.59	\$ 0.43
Diluted	\$ (0.20)	\$ 0.20	\$ 0.50	\$ 0.58	\$ 0.43
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.15	\$ —	\$ —

(a) In fiscal year 2018, the Company completed the acquisition of Lance.

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Additionally, a non-cash impairment charge of \$35.6 million was recorded as of October 31, 2018, that relates to both the assets held for sale and other assets that management intends to monetize or are otherwise impaired which include the Company's rental fleet, inventory from discontinued product lines and certain information system assets. Refer to Note 6, "Divestiture Activities," to the Company's 2018 audited consolidated financial statements.

- (b) In fiscal year 2017, the Company completed the acquisitions of Renegade, Midwest and Ferrara.
- (c) In fiscal year 2016, the Company completed the acquisition of KME.

(in millions)	As of				
	October 31, 2019	October 31, 2018	October 31, 2017	October 29, 2016	October 31, 2015
Balance Sheet Data:					
Cash and cash equivalents	\$ 3.3	\$ 11.9	\$ 17.8	\$ 10.8	\$ 5.0
Inventories, net	513.4	514.0	452.4	325.6	247.0
Total assets	1,347.1	1,408.1	1,254.4	889.0	695.8
Long-term debt, less current maturities	376.6	420.6	229.1	256.0	212.4
Total liabilities	\$ 841.9	\$ 875.7	\$ 681.9	\$ 628.8	\$ 455.9

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. You should read the "Cautionary Statement About Forward-Looking Statements" and "Risk Factors" sections of this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

This discussion and analysis should be read in conjunction with the accompanying audited and unaudited consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K.

Overview

REV is a leading designer, manufacturer and distributor of specialty vehicles and related aftermarket parts and services. We provide customized vehicle solutions for applications including: essential needs (ambulances, fire apparatus, school buses and municipal transit buses), industrial and commercial (terminal trucks, cut-away buses and sweepers) and consumer leisure (RVs and luxury buses). Our brand portfolio consists of 29 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. We believe that in most of our markets we hold the first or second market share position and approximately 62% of our net sales during fiscal year 2019 came from products where we believe we hold such share positions.

Segments

We serve a diversified customer base primarily in the United States through the following segments:

Fire & Emergency – The Fire & Emergency segment sells fire apparatus equipment under the Emergency One (E-ONE), Kovatch Mobile Equipment (KME) and Ferrara brands and ambulances under the American Emergency Vehicles (AEV), Horton Emergency Vehicles (HEV), Leader Emergency Vehicles (LEV), Marque, McCoy Miller, Road Rescue, Wheeled Coach and Frontline brands. We believe we are the largest manufacturer by unit volume of fire and emergency vehicles in the United States and have one of the industry's broadest portfolios of products including Type I ambulances (aluminum body mounted on a heavy truck-style chassis), Type II ambulances (van conversion ambulance typically favored for non-emergency patient transportation), Type III ambulances (aluminum body mounted on a van-style chassis), pumpers (fire apparatus on a custom or commercial chassis with a water pump and small tank to extinguish fires), ladder trucks (fire apparatus with stainless steel or aluminum ladders), tanker trucks and rescue and other vehicles. Each of our individual brands is distinctly positioned and targets certain price and feature points in the market such that dealers often carry, and customers often buy more than one REV Fire & Emergency product line.

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Commercial – Our Commercial segment serves the bus market through the following principal brands: Collins Bus, Goshen Coach, ENC, ElDorado National, Federal Coach, Champion and World Trans. We serve the terminal truck market through the Capacity brand and the sweeper market through the Lay-Mor brand. Our products in the Commercial segment include cut-away buses (customized body built on various types and sizes of commercial chassis), transit buses (large municipal buses where we build our own chassis and body), luxury buses (bus-style limo or high-end luxury conversions), Type A school buses (small school bus built on commercial chassis), sweepers (three- and four-wheel versions used in road construction activities), and terminal trucks (specialized vehicles which move freight in warehouses or intermodal yards and ports). Within each market segment, we produce many customized configurations to address the diverse needs of our customers.

Recreation – Our Recreation segment serves the RV market through seven principal brands: American Coach, Fleetwood RV, Monaco Coach, Holiday Rambler, Renegade, Midwest and Lance. We believe our brand portfolio contains some of the longest standing, most recognized brands in the RV industry. Under these brands, REV provides a variety of highly recognized motorized and towable RV models such as: American Eagle, Bounder, Pace Arrow, Verona, Weekender and Lance, among others. Our products in the Recreation segment include Class A motorized RVs (motorhomes built on a heavy duty chassis with either diesel or gas engine configurations), Class C and “Super C” motorized RVs (motorhomes built on a commercial truck or van chassis), Class B RVs (motorhomes built out within a van chassis), and towable travel trailers and truck campers. The Recreation segment also includes Goldshield Fiberglass, which produces a wide range of custom molded fiberglass products for the heavy-duty truck, RV and broader industrial markets.

Factors Affecting Our Performance

The primary factors affecting our results of operations include:

General Economic Conditions

Our business is impacted by the U.S. economic environment, employment levels, consumer confidence, municipal spending, municipal tax receipts, changes in interest rates and instability in securities markets around the world, among other factors. In particular, changes in the U.S. economic climate can impact demand in key end markets. In addition, the impact of tariffs can have a dramatic effect on the availability, lead-times and costs associated with raw materials and parts.

RV purchases are discretionary in nature and therefore sensitive to the availability of financing, consumer confidence, unemployment levels, levels of disposable income and changing levels of consumer home equity, among other factors. RV markets are affected by general U.S. and global economic conditions, which create risks that future economic downturns will further reduce consumer demand and negatively impact our sales.

While less economically sensitive than the Recreation segment, the Fire & Emergency segment and the Commercial segment are also impacted by the overall economic environment. Local tax revenues are an important source of funding for fire and emergency response departments. Fire and emergency products and buses are typically a larger cost item for municipalities and their service life is relatively long, making the purchase more deferrable, which can result in reduced demand for our products.

A decrease in employment levels, consumer confidence or the availability of financing, or other adverse economic events, or the failure of actual demand for our products to meet our estimates, could negatively affect the demand for our products. Any decline in overall customer demand in markets in which we operate could have a material adverse effect on our operating performance.

Impact of Acquisitions

Historically, a significant component of our growth has been through acquisitions of businesses. We typically incur upfront costs as we integrate acquired businesses and implement our operating philosophy at newly acquired companies, including consolidation of supplies and materials, purchases, improvements to production processes, and other restructuring initiatives. The benefits of these integration efforts may not positively impact our financial results until subsequent periods.

We recognize acquired assets and liabilities at fair value. This includes the recognition of identified intangible assets and goodwill which, in the case of definite-life intangible assets, are then amortized over their expected useful lives, which typically results in an increase in amortization expense. In addition, assets acquired and liabilities assumed generally include tangible assets, as well as contingent assets and liabilities.

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Results of Operations

The following table compares results for fiscal years 2019, 2018 and 2017

(in millions except per share data)	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Net sales	\$ 2,403.7	\$ 2,381.3	\$ 2,267.8
Gross profit	251.8	278.0	294.6
Operating income	15.9	27.8	82.7
Net (loss) income	(12.3)	13.0	31.4
(Loss) income per share of common stock			
Basic	\$ (0.20)	\$ 0.20	\$ 0.52
Diluted	\$ (0.20)	\$ 0.20	\$ 0.50
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.15
Adjusted EBITDA	\$ 102.1	\$ 148.0	\$ 162.5
Adjusted Net Income	\$ 30.0	\$ 72.7	\$ 75.8

Net Sales. Consolidated net sales were \$2,403.7 million, \$2,381.3 million and \$2,267.8 million for fiscal years 2019, 2018 and 2017, respectively, an increase of \$22.4 million, or 0.9% from fiscal year 2018 to 2019, and an increase of \$113.5 million, or 5.0%, from fiscal year 2017 to 2018.

The increase in consolidated net sales for fiscal year 2019 compared to fiscal year 2018 was primarily due to an increase in net sales in the Fire & Emergency and Commercial segments, partially offset by a decrease in net sales in the Recreation segment. The increase in Commercial net sales compared to the prior year period was primarily due to a broad-based increase in most of the segment's product categories. Sales of school and transit buses as well as terminal trucks were all higher in fiscal year 2019 as compared to fiscal year 2018. Growth drivers include new models and end market strength in the Class A school bus product line and the delivery against a larger municipal transit bus order. The increase in Fire & Emergency net sales compared to the prior year period was primarily due to the impact of unit mix and slightly higher shipments of fire trucks, partially offset by a decrease in shipments of ambulances. The decrease in Recreation segment net sales in fiscal year 2019 compared to fiscal year 2018 was primarily due to a decrease in shipment volumes of Class A motorhomes, partially offset by delivering on existing backlogs in our other RV categories.

Gross Profit. Consolidated gross profit was \$251.8 million, \$278.0 million and \$294.6 million for fiscal years 2019, 2018 and 2017, respectively, a decrease of \$26.2 million, or 9.4% from fiscal year 2018 to 2019, and a decrease of \$16.6 million, or 5.6% from fiscal year 2017 to 2018. Consolidated gross profit, as a percentage of net sales, was 10.5%, 11.7% and 13.0% for fiscal years 2019, 2018 and 2017, respectively.

The reduction in gross profit in fiscal year 2019 compared to fiscal year 2018 was primarily due to a reduction in gross profit in the Fire & Emergency and Recreation segments, partially offset by an improvement in gross profit in the Commercial segment. Gross profit in the Fire & Emergency segment was negatively impacted by initial production inefficiencies associated with the increase in capacity and ramp up of production at our largest fire truck facility and inefficiencies associated with timing of incoming orders at our largest Ambulance facility. The decrease in gross profit in the Recreation segment was primarily due to lower shipments and pricing of Class A motorhomes. The improvement in gross profit in the Commercial segment was primarily due to increased shipments of higher margin transit and school buses, and operational improvements within the Commercial segment resulting from implementation of the REV Production System (RPS).

The decrease in consolidated gross profit for fiscal year 2018 compared to fiscal year 2017 was due to overall increases in material costs resulting directly and indirectly from tariffs, an increase in labor and overhead costs resulting from labor inefficiencies at certain of our plants in the fire division, an increase in labor and overhead costs resulting from chassis supply disruption and a product mix shift in ambulance toward lower content Type II units, product mix shift from higher content transit buses to lower margin shuttle buses and mobility vans.

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Operating Income. Consolidated operating income was \$15.9 million, \$27.8 million and \$82.7 million for fiscal years 2019, 2018 and 2017, respectively, a decrease of \$11.9 million, or 42.8%, from fiscal year 2018 to 2019, and a decrease of \$54.9 million, or 66.4%, from fiscal year 2017 to 2018. The decrease in consolidated operating income in fiscal year 2019 compared to fiscal year 2018 was primarily due to the decrease in gross profit described above, along with higher legal costs driven by settlement activity, higher stock compensation and insurance costs, and the impact of the acquisition of Lance in January 2018, partially offset by a decrease in non-cash impairment charges.

The decrease in consolidated operating income for fiscal year 2018 compared to fiscal year 2017 was primarily due to the decrease in gross profit and non-cash impairment charges associated with divestitures of certain underperforming assets and the decreases in gross profit described above.

Net Income. Consolidated net (loss) income was (\$12.3) million, \$13.0 million and \$31.4 million for fiscal years 2019, 2018 and 2017, respectively, a decrease of \$25.3 million, or 194.6%, from fiscal year 2018 to 2019, and a decrease of \$18.4 million, or 58.6%, from fiscal year 2017 to 2018. Consolidated net (loss) income for fiscal year 2019 decreased compared to fiscal year 2018 primarily due to the decrease in operating income described above, an increase in interest expense, and a lower tax benefit as compared to the prior year. The decrease in the Company's tax benefit, relative to the prior fiscal year, relates primarily to the prior year revaluation of net deferred tax liabilities as a result of U.S. tax reform.

Consolidated net income for fiscal year 2018 decreased compared to fiscal year 2017 primarily due to the decrease in operating income, partially offset by tax benefits recorded due to a decrease in the U.S. tax rate and revaluation of net deferred tax liabilities, both as a result of tax legislation in the United States.

Adjusted EBITDA. Consolidated Adjusted EBITDA was \$102.1 million, \$148.0 million and \$162.5 million for fiscal years 2019, 2018 and 2017, respectively, a decrease of \$45.9 million, or 31.0%, from fiscal year 2018 to 2019, and a decrease of \$14.5 million, or 8.9%, from fiscal year 2017 to 2018. The decrease in consolidated Adjusted EBITDA for fiscal year 2019 compared to fiscal year 2018 was due to lower Adjusted EBITDA in the Fire & Emergency and Recreation segments, offset by higher Adjusted EBITDA in the Commercial segment.

The decrease in consolidated Adjusted EBITDA for fiscal year 2018 compared to fiscal year 2017 was due to lower Adjusted EBITDA in the Fire & Emergency and Commercial segments, offset by higher Adjusted EBITDA in the Recreation segment. Excluding acquisitions, consolidated Adjusted EBITDA decreased 23.7% for fiscal year 2018 compared to fiscal year 2017.

Refer to the "Adjusted EBITDA and Adjusted Net Income" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K for a reconciliation of Net Income (Loss) to Adjusted EBITDA tables and related footnotes.

Adjusted Net Income. Consolidated Adjusted Net Income was \$30.0 million, \$72.7 million and \$75.8 million in fiscal years 2019, 2018 and 2017, respectively.

Refer to the "Adjusted EBITDA and Adjusted Net Income" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K for a reconciliation of Net Income (Loss) to Adjusted Net Income tables and related footnotes.

Fire & Emergency Segment

(in millions)	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Net sales	\$ 967.9	\$ 956.6	\$ 984.0
Adjusted EBITDA	43.2	86.0	109.5
Adjusted EBITDA % of net sales	4.5%	9.0%	11.1%

Net Sales. Fire & Emergency segment net sales were \$967.9 million, \$956.6 million and \$984.0 million for fiscal years 2019, 2018 and 2017, respectively, an increase of \$11.3 million, or 1.2%, from fiscal year 2018 to 2019, and a decrease of \$27.4 million, or 2.8%, from fiscal year 2017 to 2018. The increase in Fire & Emergency segment net sales in fiscal year 2019 as compared to fiscal year 2018 was primarily due to an increase in the volume of fire truck shipments and improved pricing on fire trucks and ambulances, partially offset by a decrease in the volume of ambulance shipments and a mix of fire trucks.

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The decrease in Fire & Emergency segment net sales for fiscal year 2018 compared to fiscal year 2017 was due to decreases in sales of certain fire apparatus caused by labor inefficiencies and decreases in sales of ambulance units caused by chassis supply disruption which impacted the timing of shipments. Excluding the impact of the Ferrara acquisition, Fire & Emergency segment net sales decreased 7.6% in fiscal year 2018 compared to the prior year.

Adjusted EBITDA. Fire & Emergency segment Adjusted EBITDA was \$43.2 million, \$86.0 million and \$109.5 million for fiscal years 2019, 2018 and 2017, respectively, a decrease of \$42.8 million, or 49.8%, from fiscal year 2018 to 2019, and a decrease of \$23.5 million, or 21.5%, from fiscal year 2017 to 2018. Profitability in the Fire & Emergency segment in fiscal year 2019 was negatively impacted primarily by the results of the Fire business units and one of the Ambulance business units. Profitability at the largest Fire business unit was negatively impacted by additional labor costs associated with staffing and training for its production ramp. Profitability at the largest Ambulance business unit was negatively impacted by the timing of incoming orders that affected its production flow and that resulted in production and supply chain inefficiencies, slightly offset by improved pricing. Profitability within the segment was also impacted by unusually high healthcare cost experienced during the fiscal year.

The decrease in Adjusted EBITDA for fiscal year 2018 compared to fiscal year 2017 was primarily due to an increase in labor and overhead costs resulting from labor inefficiencies in the Fire division, an increase in labor and overhead resulting from chassis supply disruption and a product mix shift in ambulance toward lower content Type II units. Excluding the impact of the Ferrara acquisition, Fire & Emergency segment Adjusted EBITDA decreased 24.4% compared to the prior year.

Commercial Segment

(in millions)	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Net sales	\$ 720.0	\$ 638.5	\$ 620.1
Adjusted EBITDA	56.0	38.1	50.5
Adjusted EBITDA % of net sales	7.8%	6.0%	8.1%

Net Sales. Commercial segment net sales were \$720.0 million, \$638.5 million and \$620.1 million for fiscal years 2019, 2018 and 2017, respectively, an increase of \$81.5 million, or 12.8%, from fiscal year 2018 to 2019, and \$18.4 million, or 3.0%, from fiscal year 2017 to 2018. The increase in net sales for fiscal year 2019 compared to fiscal year 2018 was primarily due to an increase in volume of school and transit bus shipments, and the mix benefit of one larger municipal transit bus order, partially offset by lower volume and higher discounting on shuttle buses and the impact of the sale of our mobility van business in the first quarter of fiscal year 2019.

The increase in net sales for fiscal year 2018 compared to fiscal year 2017 was primarily due to increases in sales of shuttle bus units, parts sales and mobility vans, partially offset by lower school and transit bus unit volume compared to the prior year.

Adjusted EBITDA. Commercial segment Adjusted EBITDA was \$56.0 million, \$38.1 million and \$50.5 million for fiscal years 2019, 2018 and 2017, respectively, an increase of \$17.9 million, or 47.0%, from fiscal year 2018 to 2019, and a decrease of \$12.4 million, or 24.6%, from fiscal year 2017 to 2018. Profitability in the Commercial segment in fiscal year 2019 improved compared to the prior year period, primarily due to an increase in the volume of higher margin transit and school bus shipments, production efficiencies associated with our larger municipal transit bus order, and operational improvements supported by the implementation of RPS throughout the segment, offset by unusually high healthcare cost experienced during the fiscal year.

The decrease in Adjusted EBITDA for fiscal year 2018 compared to fiscal year 2017 was primarily due to product mix shift from higher content and higher margin transit and school buses to lower margin shuttle buses and mobility vans, and higher material costs, partially offset by pricing actions.

Recreation Segment

(in millions)	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Net sales	\$ 716.3	\$ 811.9	\$ 659.8
Adjusted EBITDA	46.8	60.4	36.2
Adjusted EBITDA % of net sales	6.5%	7.4%	5.5%

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Net Sales. Recreation segment net sales were \$716.3 million, \$811.9 million and \$659.8 million for fiscal years 2019, 2018 and 2017, respectively, a decrease of \$95.6 million, or 11.8%, from fiscal year 2018 to 2019, and an increase of \$152.1 million, or 23.1%, from fiscal year 2017 to 2018. The decrease in net sales in fiscal year 2019 compared to fiscal year 2018 was primarily due to a decrease in shipment volumes of Class A motorhomes, partially offset by an increase in towable and camper sales resulting from the acquisition of Lance in January 2018 and an increase in Class B RV shipments.

The increase in net sales for fiscal year 2018 compared to fiscal year 2017 was due to the acquisition of Lance as well as higher volumes in all classes of RVs except Class A. Excluding the impact of net sales from acquired companies, Recreation segment net sales increased 0.3% compared to the prior year.

Adjusted EBITDA. Recreation segment Adjusted EBITDA was \$46.8 million, \$60.4 million and \$36.2 million for fiscal years 2019, 2018 and 2017, respectively, a decrease of \$13.6 million, or 22.5%, from fiscal year 2018 to 2019, and an increase of \$24.2 million, or 66.9%, from fiscal year 2017 to 2018. The reduction in profitability in the Recreation segment compared to prior year was primarily driven by a decrease in shipment volume of Class A motorhomes. Profitability in the other RV categories within the Recreation segment continued to be strong and was in line with the prior year. Profitability within the segment was also impacted by unusually high healthcare cost experienced during the fiscal year.

The increase in Adjusted EBITDA for fiscal year 2018 compared to fiscal year 2017 was primarily due to impact of the acquisition of Lance and higher profitability in all classes of RVs except Class A. This increase was partially offset by higher purchased material costs and lower sales volumes of Class A RVs. Excluding the impact of net sales from acquired companies, Recreation segment Adjusted EBITDA increased 9.1% compared to the prior year.

Backlog

Backlog represents firm orders received from dealers or directly from end customers. Backlog does not include purchase options or verbal orders. The following table presents a summary of our backlog by segment:

	October 31, 2019	October 31, 2018	Increase (Decrease)	
			\$	%
Fire & Emergency	\$ 832.7	\$ 707.5	\$ 125.2	17.7%
Commercial	317.3	381.4	(64.1)	(16.8)%
Recreation	167.0	290.7	(123.7)	(42.6)%
Total Backlog	<u>\$ 1,317.0</u>	<u>\$ 1,379.6</u>	<u>\$ (62.6)</u>	(4.5)%

Each of our three segments has a backlog of new vehicle orders that generally extends out from two to twelve months in duration.

Orders from our dealers and end customers are evidenced by a contract, firm purchase order or reserved production slot for delivery of one or many vehicles. These orders are reported in our backlog at the aggregate selling prices, net of discounts or allowances.

At the end of fiscal year 2019, our backlog was \$1,317.0 million, compared to \$1,379.6 million at the end of fiscal year 2018. The reduction in total backlog was due to decreases in Recreation and Commercial segment backlogs, partially offset by an increase in the Fire & Emergency segment. The decrease in Recreation backlog was across all product categories. The decrease in Commercial backlog was due to delivery of one large municipal transit bus order during the year, timing of the receipt of new larger bus orders, decreases in school bus and terminal truck orders, partially offset by an increase in shuttle bus orders. The increase in Fire & Emergency backlog was primarily due to an increase in orders across all the fire truck brand categories, the timing of fire truck shipments, and an increase in orders at our largest ambulance business unit.

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Quarterly Results of Operations (Unaudited)

The following table sets forth selected unaudited quarterly statement of operations data for each of the quarters in fiscal years 2019 and 2018. The information for each of these quarters has been prepared on the same basis as our audited financial statements included elsewhere in this Annual Report on Form 10-K and, in the opinion of management, includes all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods in accordance with GAAP. This data should be read in conjunction with our audited financial statements and related notes included elsewhere in this Annual Report on Form 10-K. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

(in millions)	Quarter Ended							
	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Net sales	\$ 652.9	\$ 617.0	\$ 615.0	\$ 518.7	\$ 659.8	\$ 597.7	\$ 608.9	\$ 514.9
Gross profit	61.7	71.3	72.4	46.3	73.1	79.5	72.9	52.6
Operating (loss) income	(5.0)	15.9	16.1	(11.2)	(18.3)	28.9	16.4	1.0
Net (loss) income	(9.0)	5.6	5.6	(14.6)	(22.0)	18.3	7.4	9.4
Depreciation and amortization	10.7	10.9	11.6	12.2	12.1	11.7	11.1	11.0
Interest expense, net	8.2	8.4	8.0	7.8	7.2	6.8	6.1	5.4
(Benefit) provision for income taxes	(3.5)	1.9	2.5	(4.4)	(5.0)	3.8	2.9	(13.8)
EBITDA	6.4	26.8	27.7	1.0	(7.7)	40.6	27.5	12.0
Transaction expenses(a)	0.3	0.5	—	0.2	0.7	—	0.5	1.5
Sponsor expenses(b)	0.8	—	0.1	0.5	0.4	0.2	0.1	0.2
Restructuring costs(c)	1.5	1.3	1.8	1.1	0.2	0.9	1.9	4.1
Stock-based compensation expense(d)	(0.1)	2.5	3.4	1.4	1.2	1.4	1.9	1.8
Non-cash purchase accounting(e)	—	—	—	—	—	0.5	—	0.6
Legal matters(f)	2.3	0.8	2.4	2.1	2.8	1.1	0.2	0.7
First year public company costs(g)	—	—	—	—	—	1.0	—	—
Impairment charges(h)	6.1	—	0.1	2.7	35.6	—	—	—
Losses attributable to assets held for sale(i)	1.4	1.0	—	1.7	4.3	—	—	—
Deferred purchase price payment(j)	0.6	0.6	0.6	1.6	1.9	1.9	1.9	0.4
Adjusted EBITDA	<u>\$ 19.3</u>	<u>\$ 33.5</u>	<u>\$ 36.1</u>	<u>\$ 12.3</u>	<u>\$ 39.4</u>	<u>\$ 47.6</u>	<u>\$ 34.0</u>	<u>\$ 21.3</u>
(Loss) income per common share:								
Basic	\$ (0.14)	\$ 0.09	\$ 0.09	\$ (0.23)	\$ (0.35)	\$ 0.29	\$ 0.12	\$ 0.15
Diluted	\$ (0.14)	\$ 0.09	\$ 0.09	\$ (0.23)	\$ (0.35)	\$ 0.28	\$ 0.11	\$ 0.14

(a) Reflects costs incurred in connection with business acquisitions, divestitures and capital market transactions. These expenses consist primarily of legal, accounting, due diligence, and one-time post-acquisition expenses in addition to costs related to offerings of our common stock.

(b) Reflects the reimbursement of expenses to the Company's primary equity holder.

(c) Restructuring expenses for fiscal year 2019 consisted of personnel costs, including severance, vacation and other employee benefit payments as well as facility closure and lease termination costs.

Restructuring expenses for fiscal year 2018 represent costs incurred to restructure certain management positions in the Fire & Emergency, Commercial and Recreation segments, our corporate office, as well as to relocate our Class B RV production. Costs incurred in the current year consisted of personnel costs, including severance, vacation and other employee benefit payments as well as facility closure and lease termination costs.

(d) Reflects expenses associated with the redemption of stock options and vesting of restricted and performance stock units.

(e) Reflects the amortization of the difference between the book value and fair market value of certain acquired inventory that was subsequently sold after the acquisition date.

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- (f) Reflects legal fees and costs incurred to litigate and settle legal claims against us which are outside the normal course of business. Current year costs include payments: (i) to settle certain claims arising from a putative employee class action in the state of California, (ii) for fees and costs to litigate and settle non-ordinary course product, intellectual property and employment disputes and (iii) for fees and costs to litigate the putative securities class actions and derivative action pending against us and certain of our directors and officers.
- (g) Reflects one-time consulting and audit fees associated with the design and implementation of internal controls over financial reporting to comply with the provisions of the Sarbanes-Oxley Act.
- (h) Reflects non-cash impairment charges related to both the assets held for sale and other assets that management intends to monetize or are otherwise impaired including our rental fleet, inventory from discontinued product lines and certain information system assets. Refer to Note 6, "Divestiture Activities," to our 2019 audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.
- (i) Losses attributable to businesses that are or were classified as assets held for sale during the respective period.
- (j) Reflects the expense associated with the deferred purchase price payment owed to sellers of Lance, who are now employees of the Company. The Company made a payment of \$5.0 million on the 12-month anniversary date from the acquisition date and may make another payment of \$5.0 million on the 24-month anniversary date from the acquisition date, subject to conditions in the purchase agreement.

Liquidity and Capital Resources

General

Our primary requirements for liquidity and capital are working capital, the acquisition of machinery and equipment, the acquisition and construction of manufacturing facilities, the improvement and expansion of existing manufacturing facilities, debt service payments, regular quarterly dividend payments, general corporate needs, and common stock repurchases under the Company's authorized stock buyback program. Historically, these cash requirements have been met through cash provided by operating activities, cash and cash equivalents and borrowings under our term loan and revolving credit facility.

We believe that our sources of liquidity and capital will be sufficient to finance our continued operations, growth strategy, cash dividends and additional expenses we expect to continue to incur as a public company. However, we cannot assure you that cash provided by operating activities and borrowings under the current revolving credit facility will be sufficient to meet our future needs. If we are unable to generate sufficient cash flows from operations in the future, and if availability under the current revolving credit facility is not sufficient due to the size of our borrowing base or other external factors, we may have to obtain additional financing. If additional capital is obtained by issuing equity, the interests of our existing stockholders will be diluted. If we incur additional indebtedness, that indebtedness may contain financial and other covenants that may significantly restrict our operations or may involve higher overall interest rates. We cannot assure you that we will be able to obtain refinancing or additional financing on favorable terms or at all.

Cash Flow

The following table shows summary cash flows for fiscal years 2019, 2018 and 2017:

	Fiscal Years Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Net cash provided by (used in) operating activities	\$ 52.5	\$ (19.2)	\$ 33.2
Net cash provided by (used in) investing activities	0.2	(119.6)	(229.1)
Net cash (used in) provided by financing activities	(61.3)	132.9	202.9
Net (decrease) increase in cash and cash equivalents	<u>\$ (8.6)</u>	<u>\$ (5.9)</u>	<u>\$ 7.0</u>

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities for fiscal year 2019 was \$52.5 million, compared to net cash used of \$19.2 million for fiscal year 2018. The increase in cash provided by operating activities for fiscal year 2019 compared to the prior year was due to improved net working capital efficiency, offset by a decrease in net income.

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Net cash used in operating activities for fiscal year 2018 was \$19.2 million, compared to net cash provided of \$33.2 million for fiscal year 2017. The increase in cash used in operating activities for fiscal year 2018 compared to the prior year was primarily due to an increase in working capital levels and a decrease in net income.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities for fiscal year 2019 of \$0.2 million was primarily due to the sale of targeted assets, partially offset by cash used for capital expenditures.

Net cash used in investing activities for fiscal year 2018 of \$119.6 million was primarily due to business acquisition activity and capital expenditures. In fiscal year 2018, the Company completed the acquisition of Lance.

Net cash used in investing activities for fiscal year 2017 of \$229.1 million was primarily due to business acquisition activity and capital expenditures. In fiscal year 2017, the Company completed the acquisitions of Renegade, Midwest and Ferrara.

Net Cash (Used in) Provided by Financing Activities

Net cash used in financing activities for fiscal year 2019 was \$61.3 million, which primarily consisted of net paydown of debt from our April 2017 ABL Facility and Term Loan. During fiscal year 2019, the Company paid cash dividends of \$12.5 million.

Net cash provided by financing activities for fiscal year 2018 was \$132.9 million, which primarily consisted of net borrowings from our April 2017 ABL Facility and incremental Term Loan of \$50.0 million to fund the acquisition of Lance, working capital requirements, and our share repurchase program. During fiscal year 2018, the Company paid cash dividends of \$12.8 million.

Net cash provided by financing activities for fiscal year 2017 was \$202.9 million, which primarily consisted of net proceeds from our IPO offset by the use of those proceeds to redeem our Notes, and further net borrowings from the April 2017 ABL Facility and Term Loan to support acquisitions and working capital requirements. During fiscal year 2017, the Company paid cash dividends of \$6.4 million.

Capital Expenditures

Capital expenditures for fiscal year 2020, excluding any acquisitions, are estimated to be in the range of \$20 to \$25 million.

Offering of Common Stock

On January 26, 2017, the Company announced an initial public offering (“IPO”) of our common stock which began trading on the New York Stock Exchange under the ticker symbol “REVG”. On February 1, 2017, the Company completed the offering of 12,500,000 shares of common stock at a price of \$22.00 per share and the Company received \$275.0 million in gross proceeds from the IPO, or \$253.6 million in net proceeds after deducting the underwriting discount and expenses related to the offering. The net proceeds of the IPO were used to partially pay down the Company’s existing debt. The Company redeemed the entire outstanding balance of its Notes, including a prepayment premium and accrued interest, plus it partially paid down the then outstanding balance of its revolving credit facility.

Dividends

On December 18, 2019, our Board of Directors declared a cash dividend of \$0.05 per share on our common stock, payable in respect of the first quarter of fiscal year 2020. The dividend is payable on February 28, 2020 to holders of record as of January 31, 2020. Subject to legally available funds and the discretion of our Board of Directors, we expect to pay a quarterly cash dividend at the rate of \$0.05 per share on our common stock. We expect to pay this quarterly dividend on or about the last day of the first month following each fiscal quarter to shareholders of record on the last day of such fiscal quarter. Our dividend policy has certain risks and limitations, particularly with respect to liquidity, and we may not pay dividends according to our policy, or at all. We cannot assure you that we will declare dividends or have sufficient funds to pay dividends on our common stock in the future.

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Stock Repurchase Program

On March 20, 2018 the Company's Board of Directors authorized up to \$50.0 million of repurchases of the Company's issued and outstanding common stock with an expiration date of March 19, 2020. On September 5, 2018 the Company's Board of Directors authorized an additional \$50.0 million of repurchases of the Company's issued and outstanding common stock with an expiration date of September 4, 2020. The Company's share repurchase program is executed from time to time through open market or through private transactions. Shares purchased under the share repurchase program are retired and returned to authorized and unissued status. During fiscal year 2018, the Company repurchased 3,233,352 shares under this repurchase program at a total cost of \$53.3 million at an average price per share of \$16.47. During fiscal year 2019, the Company repurchased 717,597 shares under this repurchase program at a total cost of \$8.3 million at an average price per share of \$11.62. As of October 31, 2019, the Company had \$38.3 million of authorization remaining under this program.

Term Loan

On April 25, 2017, we entered into a \$75.0 million term loan ("Term Loan" or "Term Loan Agreement") and incurred \$2.0 million in debt issuance costs. The Term Loan Agreement expires on April 25, 2022. Certain subsidiaries of the Company are guarantors under the Term Loan.

On July 18, 2018 the Company exercised a \$50.0 million incremental commitment option under the Term Loan Agreement, which increased total borrowing under the facility from \$75.0 million to \$125.0 million. The Company incurred an additional \$0.6 million of debt issuance costs related to the incremental commitment option under the Term Loan. Proceeds from the increase in the Term Loan were used to repay a portion of the borrowings under the April 2017 ABL Facility.

On March 29, 2019, the Company exercised an additional \$50.0 million incremental commitment option under the Term Loan Agreement, which increased total borrowing under the facility from \$125.0 million to \$175.0 million. The Company incurred an additional \$0.8 million of debt issuance costs related to the incremental commitment option under the Term Loan. Proceeds from the incremental commitment were used to repay a portion of the outstanding borrowings under the April 2017 ABL Facility.

On October 18, 2019, the Company amended the Term Loan Agreement to raise the maximum leverage ratio to 4.00 to 1.00 from 3.50 to 1.00. The ratio will decline by 25 basis points in the third quarter of each fiscal year after the amendment date, reaching a final maximum leverage ratio of 3.50 to 1.00 on July 31, 2021. Additionally, the Company received a waiver from a majority of the lenders related to the excess cash flow payment for fiscal year 2019. The Company incurred \$0.2 million of debt issuance costs related to the amendment raising the maximum leverage ratio and the waiver for the excess cash flow payment under the Term Loan Agreement.

The Company may voluntarily prepay principal, in whole or in part, at any time, without penalty. The Company is obligated to prepay certain minimum amounts based on the Company's excess cash flow, as defined in the Term Loan Agreement. We were not required to make any such excess cash flow payments in fiscal year 2019. The Term Loan is also subject to mandatory prepayment if the Company or any of its restricted subsidiaries receives proceeds from certain events, including certain asset sales and casualty events, and the issuance of certain debt and equity interests. We were in compliance with all financial covenants under the Term Loan as of October 31, 2019.

April 2017 ABL Facility

On April 25, 2017, we entered into a new \$350.0 million ABL revolving credit agreement with a syndicate of lenders (the "April 2017 ABL Facility" or "ABL Agreement"). The April 2017 ABL Facility provides for revolving loans and letters of credit in an aggregate amount of up to \$350.0 million. The total April 2017 ABL Facility is subject to a \$30.0 million sublimit for swing line loans and a \$35.0 million sublimit for letters of credit, along with certain borrowing base and other customary restrictions as defined in the ABL Agreement. The April 2017 ABL Facility expires on April 25, 2022.

On December 22, 2017 the Company exercised its \$100.0 million incremental commitment option under the April 2017 ABL Facility, which increased the facility to \$450.0 million.

Principal may be repaid at any time during the term of the ABL Agreement without penalty. The April 2017 ABL Facility contains certain financial covenants. We were in compliance with all financial covenants under the April 2017 ABL Facility as of October 31, 2019. As of October 31, 2019, our availability under the April 2017 ABL Facility was \$225.7 million.

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Subsequent Events

The Company evaluated subsequent events through December 18, 2019, the date on which the financial statements were available to be issued, and determined there were no items to disclose.

Contractual Obligations

The below table of material debt and lease commitments at October 31, 2019 summarizes the effect these obligations are expected to have on our cash flows in future periods as set forth in the table below.

(in millions)	2020	2021	2022	2023	2024	Thereafter	Total
Long-term debt(a)	\$ 3.6	\$ 1.8	\$ 377.0	\$ —	\$ —	\$ —	\$ 382.4
Interest(b)	17.3	16.2	7.7	—	—	—	41.2
Operating leases	8.5	7.5	5.8	3.3	1.5	0.1	26.7
Purchasing obligations(c)	9.5	8.9	8.9	—	—	—	27.3
Total commitments(d)	\$ 38.9	\$ 34.4	\$ 399.4	\$ 3.3	\$ 1.5	\$ 0.1	\$ 477.6

- (a) Includes estimated principal payments due under our Term Loan and the April 2017 ABL Facility as of October 31, 2019.
- (b) Based on interest rates in effect as of October 31, 2019.
- (c) Includes obligations under non-cancellable purchase orders for raw materials or chassis as of October 31, 2019.
- (d) Unrecognized tax benefits totaling \$2.4 million as of October 31, 2019, excluding related interests and penalties, are not included in the table because the timing of their resolution cannot be estimated. See Note 15 to our 2019 audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K for disclosures regarding uncertain income tax positions under ASC Topic 740.

Adjusted EBITDA and Adjusted Net Income

In considering the financial performance of the business, management analyzes the primary financial performance measures of Adjusted EBITDA and Adjusted Net Income. Adjusted EBITDA is defined as net income for the relevant period before depreciation and amortization, interest expense and provision for income taxes, as adjusted for certain items described below that we believe are not indicative of our ongoing operating performance. Adjusted Net Income is defined as net income, as adjusted for certain items described below that we believe are not indicative of our ongoing operating performance. Neither Adjusted EBITDA nor Adjusted Net Income is a measure defined by GAAP. The most directly comparable GAAP measure to Adjusted EBITDA and Adjusted Net Income is Net Income for the relevant period.

We believe Adjusted EBITDA and Adjusted Net Income are useful to investors because these performance measures are used by our management for measuring profitability. These measures exclude the impact of certain items which we believe have less bearing on our core operating performance because they are items that are not needed or available to the Company's managers in the daily activities of their businesses. We believe that the core operations of our business are those which can be affected by our management in a particular period through their resource allocation decisions that affect the underlying performance of our operations conducted during that period. We also believe that decisions utilizing Adjusted EBITDA and Adjusted Net Income allow for a more meaningful comparison of operating fundamentals between companies within our markets by eliminating the impact of capital structure and taxation differences between the companies.

To determine Adjusted EBITDA, we adjust Net Income for the following items: non-cash depreciation and amortization, interest expense, income taxes and other items as described below. Stock-based compensation expense is excluded from both Adjusted Net Income and Adjusted EBITDA because it is an expense that is measured based upon external inputs such as our current share price and the movement of share price of peer companies, which cannot be impacted by our business managers. Stock-based compensation expense also reflects a cost which may obscure trends in our underlying vehicle businesses for a given period, due to the timing and nature of the equity awards.

We also adjust for exceptional items, such as impairment charges, losses attributable to assets held for sale, and deferred purchase price payments, which are determined to be those that in management's judgment need to be disclosed by virtue of their size, nature or incidence, and include non-cash items and items settled in cash. In determining whether an event or transaction is exceptional, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Adjusted EBITDA is used by management to measure and report the Company's financial performance to the Company's Board of

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Directors, to assist in providing a meaningful analysis of the Company's operating performance, and is used as a measurement in incentive compensation for management. Based on the foregoing factors, management considers the adjustment for non-cash purchase accounting, certain legal matters, transaction expenses, stock-based compensation expense, restructuring costs, sponsor expense reimbursement, impairment charges, losses attributable to assets held for sale and deferred purchase price payment to be exceptional items.

Adjusted EBITDA and Adjusted Net Income have limitations as analytical tools. These are not presentations made in accordance with GAAP, are not measures of financial condition and should not be considered as an alternative to net income or net loss for the period determined in accordance with GAAP. Adjusted EBITDA and Adjusted Net Income are not necessarily comparable to similarly titled measures used by other companies. As a result, you should not consider this performance measure in isolation from, or as a substitute analysis for, our results of operations as determined in accordance with GAAP. Moreover, such measures do not reflect:

- our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- changes in, or cash requirements for, our working capital needs;
- the cash requirements necessary to service interest or principal payments on our debt;
- the cash requirements to pay our taxes.

The following table reconciles net income (loss) to Adjusted EBITDA for the periods presented:

(in millions)	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Net (loss) income	\$ (12.3)	\$ 13.0	\$ 31.4
Depreciation and amortization	45.4	45.5	37.8
Interest expense, net	32.4	25.3	20.7
(Benefit) provision for income taxes	(3.5)	(12.2)	18.7
EBITDA	62.0	71.6	108.6
Transaction expenses(a)	1.0	2.8	5.2
Sponsor expenses(b)	1.4	0.9	0.6
Restructuring costs(c)	5.7	7.0	4.5
Stock-based compensation expense(d)	7.2	6.3	26.6
Non-cash purchase accounting expense(e)	—	0.9	5.1
Loss on early extinguishment of debt(f)	—	—	11.9
Legal matters(g)	7.7	5.5	—
First year public company costs(h)	—	1.5	—
Impairment charges(i)	8.9	35.6	—
Losses attributable to assets held for sale(j)	4.7	9.9	—
Deferred purchase price payout(k)	3.5	6.0	—
Adjusted EBITDA	<u>\$ 102.1</u>	<u>\$ 148.0</u>	<u>\$ 162.5</u>

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The following table reconciles net income (loss) to Adjusted Net Income for the periods presented:

(in millions)	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Net (loss) income	\$ (12.3)	\$ 13.0	\$ 31.4
Amortization of intangible assets	17.4	18.1	14.9
Transaction expenses(a)	1.0	2.8	5.2
Sponsor expenses(b)	1.4	0.9	0.6
Restructuring costs(c)	5.7	7.0	4.5
Stock-based compensation expense(d)	7.2	6.3	26.6
Non-cash purchase accounting expense(e)	—	0.9	5.1
Loss on early extinguishment of debt(f)	—	—	11.9
Legal matters(g)	7.7	5.5	—
First year public company costs(h)	—	1.5	—
Impairment charges(i)	8.9	35.6	—
Losses attributable to assets held for sale(j)	4.7	9.9	—
Deferred purchase price payment(k)	3.5	6.0	—
Impact of tax rate change(l)	—	(11.3)	—
Income tax effect of adjustments(m)	(15.2)	(23.5)	(24.4)
Adjusted Net Income	\$ 30.0	\$ 72.7	\$ 75.8

(a) Reflects costs incurred in connection with business acquisitions, divestitures and capital market transactions. These expenses consist primarily of legal, accounting, due diligence, and one-time post-acquisition expenses in addition to costs related to offerings of our common stock.

(b) Reflects the reimbursement of expenses to the Company's primary equity holder.

(c) Restructuring expenses for fiscal year 2019 consisted of personnel costs, including severance, vacation and other employee benefit payments as well as facility closure and lease termination costs

Restructuring expenses for fiscal year 2018 represent costs incurred to restructure certain management positions in the Fire & Emergency, Commercial and Recreation segments, our corporate office, as well as to relocate our Class B RV production. Costs incurred in the current year consisted of personnel costs, including severance, vacation and other employee benefit payments as well as facility closure and lease termination costs.

Restructuring expenses for fiscal year 2017 were associated with the restructuring of the management functions and various product lines across the Company, including but not limited to severance, lease termination and other associated expenses.

(d) Reflects expenses associated with the redemption of stock options and vesting of restricted and performance stock units.

(e) Reflects the amortization of the difference between the book value and fair market value of certain acquired inventory that was subsequently sold after the acquisition date.

(f) Reflects losses recognized upon the redemption of our Notes in February 2017. The Company paid a prepayment premium of \$7.7 million and wrote off \$3.1 million of unamortized debt issuance costs and \$0.4 million of original issue discount. The loss on early extinguishment of debt also includes the write-off of \$0.7 million of unamortized debt issuance costs as a result of our debt re-financing in April 2017.

(g) Reflects legal fees and costs incurred to litigate and settle legal claims against us which are outside the normal course of business. Current year costs include payments: (i) to settle certain claims arising from a putative employee class action in the state of California, (ii) for fees and costs to litigate and settle non-ordinary course product, intellectual property and employment disputes and (iii) for fees and costs to litigate the putative securities class actions and derivative action pending against us and certain of our directors and officers.

(h) Reflects one-time consulting and audit fees associated with the design and implementation of internal controls over financial reporting to comply with the provisions of the Sarbanes-Oxley Act.

(i) Reflects non-cash impairment charges related to both the assets held for sale and other assets that management intends to monetize or are otherwise impaired including our rental fleet, inventory from discontinued product lines and certain information system assets. Refer to Note 6, "Divestiture Activities," to our 2019 audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

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- (j) Losses attributable to businesses that are or were classified as assets held for sale during the respective period.
- (k) Reflects the expense associated with the deferred purchase price payment owed to sellers of Lance, who are now employees of the Company. The Company made a payment of \$5.0 million on the 12-month anniversary date from the acquisition date and may make another payment of \$5.0 million on the 24-month anniversary date from the acquisition date, subject to conditions in the purchase agreement.
- (l) Reflects the one-time provisional impact of net deferred tax liability remeasurement as a result of the U.S. Tax Reform Act enacted in the first quarter of fiscal year 2018.
- (m) Income tax effect of adjustments using a 26.5% effective income tax rate for fiscal years 2019 and 2018, and a 36.5% effective income tax rate for fiscal year 2017, except for certain transaction expenses and losses attributable to assets held for sale.

Off-Balance Sheet Arrangements

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. With the exception of operating lease obligations, we do not have any off-balance sheet arrangements or relationships with entities that are not consolidated into or disclosed in our consolidated financial statements that have, or are reasonably likely to have, a material current or future effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures and capital resources. In addition, we do not engage in trading activities involving non-exchange traded contracts. See Note 16 to our 2019 audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K for additional discussion.

Seasonality

In a typical year, our operating results are impacted by seasonality. Historically the slowest quarters have been the first and second fiscal quarters when the purchasing seasons for vehicles such as school buses, RVs and sweepers are the lowest due to the colder weather and the relatively long time until the summer vacation season, and the fact that the school year is underway with municipalities and school bus contractors are utilizing their existing fleets to transport student populations. Sales of our products have typically been higher in the third and fourth fiscal quarters (with the fourth fiscal quarter typically being the strongest) due to better weather, the vacation season, buying habits of RV dealers and end-users, timing of government/municipal customer fiscal years, and the beginning of a new school year. Our quarterly results of operations, cash flows, and liquidity are likely to be impacted by these seasonal patterns. Sales and earnings for other vehicles that we produce, such as essential emergency vehicles and commercial bus fleets, are less seasonal, but fluctuations in sales of these vehicles can also be impacted by timing surrounding the fiscal years of municipalities and commercial customers, as well as the timing and amounts of multi-unit orders.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 2 to our 2019 audited consolidated financial statements. The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates, assumptions and judgments that affect amounts of assets and liabilities reported in our consolidated financial statements, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and reported amounts of revenues and expenses during the year. We believe our estimates and assumptions are reasonable; however, future results could differ from those estimates. We consider the following accounting estimates to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements.

Inventories

Inventories are stated at the lower of aggregate cost or net realizable value. Cost is determined using the first-in, first-out (“FIFO”) method. If inventory costs exceed expected net realizable value due to obsolescence or quantities on hand are in excess of expected demand, the Company records reserves for the difference between the cost and the expected net realizable value. These reserves are recorded based on various factors, including recent sales history and sales forecasts, industry market conditions, vehicle model changes and general economic conditions.

Goodwill and Indefinite-Lived Intangible Assets

The Company accounts for business combinations by estimating the fair value of consideration paid for acquired businesses, including contingent consideration, and assigning that amount to the fair values of assets acquired and liabilities assumed, with the remainder assigned to goodwill. If the fair value of assets acquired and liabilities assumed exceeds the fair value of consideration paid, a gain on bargain purchase is recognized. The estimates of fair values are determined utilizing customary valuation procedures and techniques, which require us, among other things, to estimate future cash flows and discount rates. Such analyses involve significant judgments and estimations.

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Goodwill and indefinite-lived intangible assets, consisting of trade names, are not amortized, however, the Company reviews goodwill and indefinite-lived intangible assets for impairment at least annually or more often if an event occurs or circumstances change which indicates that its carrying amount may not exceed its fair value. The annual impairment review is performed as of the first day of the fourth quarter of each fiscal year based upon information and estimates available at that time. To perform the impairment testing, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair values of the Company's reporting units or indefinite-lived intangible assets are less than their carrying amounts as a basis for determining whether or not to perform the quantitative impairment test. Qualitative testing includes the evaluation of economic conditions, financial performance and other factors such as key events when they occur. The Company then estimates the fair value of each reporting unit and each indefinite-lived intangible asset not meeting the qualitative criteria and compares their fair values to their carrying values.

Under the quantitative method, the fair value of each reporting unit of the Company is determined by using primarily the income approach and involves the use of significant estimates and assumptions. The income approach involves discounting management's projections of future interim and terminal cash flows to a present value at a risk-adjusted discount rate which corresponds with the Company's and market-participant weighted-average cost of capital ("WACC"). Key assumptions used in the income approach include future sales growth, gross margin and operating expenses trends, depreciation and amortization expense, taxes, capital expenditures and changes in working capital. Projected future cash flows are based on income forecasts and management's knowledge of the current operating environment and expectations for the Company on a going-forward basis. The WACC represents a blended cost of equity and debt capital applicable to the Company based on observed market participant rates of return for a group of comparable public companies in the industry, utilizes market participant capital structure assumptions by reference to the industry's average debt to total invested capital ratios, and is also being adjusted for relative risk premiums specific to each reporting unit tested. The terminal residual value is based upon the projected cash flow for the final projected year and is calculated using a capitalization rate based on estimates of growth of the net cash flows based on the Company's estimate of sustainable growth for each financial reporting unit. The inputs and assumptions used in the determination of fair value are considered Level 3 inputs within the fair value hierarchy.

If the fair value of any reporting unit, as calculated using the income approach, is less than its carrying value, the fair value of the implied goodwill is calculated as the difference between the fair value of the reporting unit and the fair value of the underlying assets and liabilities, excluding goodwill. An impairment charge is recorded for any excess of the carrying value of goodwill over the implied fair value for each reporting unit.

When determining the fair value of indefinite-lived trade names, the Company uses the relief-from-royalty ("RFR") method, within the income approach. The RFR method assumes that an intangible asset is valuable because the owner of the asset avoids the cost of licensing that asset. Under the RFR method, an estimate is made as to the appropriate royalty income that would be negotiated in an arm's-length transaction if the subject intangible asset were licensed from an independent third party. The royalty savings are then calculated by multiplying a royalty rate, expressed as a percentage of revenues, times a determined applicable level of future revenues provided per each trade name as estimated by the Company. The royalty rate is based on research of industry and market data related to transactions involving the licensing of comparable intangible assets. The resulting future royalty savings are then discounted to their present value equivalent utilizing market participant rates of return, adjusted for relative risk premiums specific to each trade name as well as the reporting unit housing it. In considering the fair value of trade names, the Company also considers relative age, consistent use, quality, expansion possibilities, relative profitability, relative market potential, and how a market participant may employ these intangible assets from a financial and economic point of view.

Warranty

Provisions for estimated warranty and other related costs are recorded in cost of sales and are periodically adjusted to reflect actual experience. The amount of accrued warranty liability reflects management's best estimate of the expected future cost of honoring our obligations under our limited warranty plans. The costs of fulfilling our warranty obligations principally involve replacement parts, labor and sometimes travel for any field retrofit or recall campaigns. Our estimates are based on historical experience, the number of units involved and the cost per claim. Also, each quarter we review actual warranty claims to determine if there are systemic effects that would require a field retrofit or recall campaign.

Recent Accounting Pronouncements

Refer to Note 2 to our 2019 audited consolidated financial statements for a discussion of the impact of new accounting standards on the Company's consolidated financial statement.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of changes in the value of market risk sensitive instruments caused by fluctuations in interest rates and foreign exchange rates. We are also exposed to market risk based on fluctuations in commodity market prices for key raw material inputs. Changes in these factors could cause fluctuations in the results of our operations and cash flows.

Interest Rate Risk

We are exposed to market risk based on fluctuations in market interest rates. Our exposure to fluctuating interest rate risk consists of floating rate debt instruments that are indexed to short-term benchmark interest rates. As of October 31, 2019, we had \$210.0 million of principal outstanding under our April 2017 ABL Facility at an average rate of 4.21% per annum, and \$172.3 million of principal outstanding under our Term Loan at an average rate of 5.29% per annum. On an annualized basis, a 100-basis point increase (decrease) in our floating interest rates under the April 2017 ABL Facility and Term Loan would have increased (decreased) interest expense by \$3.8 million.

Commodity Price Risk

We are a purchaser of certain commodities, including aluminum and raw steel. In addition, we are a purchaser of components and parts containing various commodities, including aluminum, fiberglass, copper and steel, which are integrated into our end products. We generally buy these commodities and components based on fixed market prices that are established with the vendor as part of the purchase process. Purchase contracts generally do not have an indexed price escalation formula to account for economic fluctuations between the contract date and the delivery date. We are typically unable to pass along increased costs due to economic fluctuations to our customers. In 2018 and 2019, steel and aluminum tariffs resulted in significant increases in the costs and lead-times associated with our raw materials. We rarely use commodity financial instruments to hedge commodity prices. We will alternatively fix our prices for certain materials over an agreed upon amount of time between three months to 24 months through contracts with our vendors.

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Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
REV Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of REV Group, Inc. and its subsidiaries (“the Company”) as of October 31, 2019 and 2018, the related consolidated statements of operations, comprehensive (loss) income, stockholders' equity and contingently redeemable common stock and cash flows for each of the three years in the period ended October 31, 2019, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of October 31, 2019, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated December 18, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company's auditor since 2008.

Milwaukee, Wisconsin
December 18, 2019

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
REV Group, Inc.

Opinion on the Internal Control Over Financial Reporting

We have audited REV Group, Inc.'s ("the Company") internal control over financial reporting as of October 31, 2019, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2019, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company and our report dated December 18, 2019, expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Milwaukee, Wisconsin
December 18, 2019

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REV Group, Inc. and Subsidiaries Consolidated Balance Sheets (In millions, except share and per share amounts)

	October 31, 2019	October 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3.3	\$ 11.9
Accounts receivable, net	253.5	266.9
Inventories, net	513.4	514.0
Other current assets	19.4	24.0
Assets held for sale	19.5	26.3
Total current assets	809.1	843.1
Property, plant and equipment, net	201.7	214.3
Goodwill	159.8	161.8
Intangible assets, net	159.9	174.6
Other long-term assets	16.6	14.3
Total assets	<u>\$ 1,347.1</u>	<u>\$ 1,408.1</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 3.6	\$ 1.3
Accounts payable	200.8	218.1
Customer advances	129.9	117.8
Accrued warranty	16.1	19.0
Other current liabilities	70.2	55.5
Liabilities held for sale	15.4	5.5
Total current liabilities	436.0	417.2
Long-term debt, less current maturities	376.6	420.6
Deferred income taxes	15.4	19.9
Other long-term liabilities	13.9	18.0
Total liabilities	841.9	875.7
Commitments and contingencies		
Shareholders' Equity:		
Common stock (\$.001 par value, 605,000,000 shares authorized; 62,217,486 and 62,683,808 shares issued and outstanding, respectively)	0.1	0.1
Additional paid-in capital	490.8	492.1
Retained earnings	15.8	40.6
Accumulated other comprehensive loss	(1.7)	(1.4)
Total REV's shareholders' equity	505.0	531.4
Non-controlling interest	0.2	1.0
Total shareholders' equity	505.2	532.4
Total liabilities and shareholders' equity	<u>\$ 1,347.1</u>	<u>\$ 1,408.1</u>

See Notes to Consolidated Financial Statements.

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REV Group, Inc. and Subsidiaries Consolidated Statements of Operations and Comprehensive (Loss) Income (In millions, except per share amounts)

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Net sales	\$ 2,403.7	\$ 2,381.3	\$ 2,267.8
Cost of sales	2,151.9	2,103.3	1,973.2
Gross profit	251.8	278.0	294.6
Operating expenses:			
Selling, general and administrative	199.3	182.8	188.3
Research and development costs	4.8	6.5	4.2
Amortization of intangible assets	17.2	18.1	14.9
Restructuring	5.7	7.2	4.5
Impairment charges	8.9	35.6	—
Total operating expenses	235.9	250.2	211.9
Operating income	15.9	27.8	82.7
Interest expense, net	32.5	25.6	20.7
Loss on early extinguishment of debt	—	—	11.9
(Loss) income before (benefit) provision for income taxes and non-controlling interest	(16.6)	2.2	50.1
(Benefit) provision for income taxes	(3.5)	(10.8)	18.7
Net (loss) income before non-controlling interest	(13.1)	13.0	31.4
Less: net loss attributable to non-controlling interest	(0.8)	—	—
Net (loss) income	\$ (12.3)	\$ 13.0	\$ 31.4
Other comprehensive (loss) income, net of tax	(0.3)	(1.4)	—
Comprehensive (loss) income	\$ (12.6)	\$ 11.6	\$ 31.4
(Loss) income per common share:			
Basic	\$ (0.20)	\$ 0.20	\$ 0.52
Diluted	\$ (0.20)	\$ 0.20	\$ 0.50
Dividends declared per common share	\$ 0.20	\$ 0.20	\$ 0.15

See Notes to Consolidated Financial Statements.

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REV Group, Inc. and Subsidiaries Consolidated Statements of Cash Flows (In millions)

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Cash flows from operating activities:			
Net (loss) income	\$ (13.1)	\$ 13.0	\$ 31.4
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	45.7	46.0	37.8
Amortization of debt issuance costs	2.0	1.9	1.8
Amortization of Senior Note discount	—	—	0.1
Stock-based compensation expense	7.2	6.3	26.6
Deferred income taxes	(5.0)	(4.1)	2.9
Loss on early extinguishment of debt	—	—	11.9
Gain on sale of assets	(1.9)	(3.0)	(1.2)
Impairment charges	8.9	35.6	—
Changes in operating assets and liabilities, net of effects of business acquisitions:			
Receivables, net	13.4	(22.3)	(39.7)
Inventories, net	(2.7)	(74.5)	(61.9)
Other current assets	(9.8)	(12.2)	(1.2)
Accounts payable	(17.2)	6.1	54.7
Accrued warranty	(8.6)	(11.3)	(6.2)
Customer advances	12.1	21.9	(0.8)
Other liabilities	24.6	(23.6)	(22.2)
Long-term assets	(3.1)	1.0	(0.8)
Net cash provided by (used in) operating activities	52.5	(19.2)	33.2
Cash flows from investing activities:			
Purchase of property, plant and equipment	(20.8)	(40.6)	(54.0)
Purchase of rental fleet vehicles	(3.0)	(20.1)	(17.7)
Purchase of land in Riverside, CA	—	—	(7.6)
Proceeds from sale of assets	24.0	8.7	6.6
Investment in China JV	—	(7.6)	—
Acquisition of businesses, net of cash acquired	—	(60.0)	(156.4)
Net cash provided by (used in) investing activities	0.2	(119.6)	(229.1)
Cash flows from financing activities:			
Net (repayments) proceeds from borrowings under April 2017 ABL Facility	(90.0)	141.5	75.9
Net proceeds from borrowings of Term Loan	49.2	50.0	75.0
Repayments on Term Loan	(1.5)	—	—
Payment of dividends	(12.5)	(12.8)	(6.4)
Repurchase and retirement of common stock	(8.3)	(53.3)	—
Net proceeds from initial public offering	—	—	253.6
Payment of debt issuance costs	(0.2)	(1.0)	(6.8)
Repayment of long-term debt and capital leases	—	—	(180.0)
Senior Note prepayment premium	—	—	(7.7)
Proceeds from exercise of common stock options, net of employer payroll taxes	0.6	9.5	2.6
Other financing activities	1.4	(1.0)	(3.3)
Net cash (used in) provided by financing activities	(61.3)	132.9	202.9
Net (decrease) increase in cash and cash equivalents	(8.6)	(5.9)	7.0
Cash and cash equivalents, beginning of year	11.9	17.8	10.8
Cash and cash equivalents, end of year	<u>\$ 3.3</u>	<u>\$ 11.9</u>	<u>\$ 17.8</u>
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	\$ 33.6	\$ 23.5	\$ 26.8
Income taxes, net of refunds	<u>\$ (9.1)</u>	<u>\$ 15.8</u>	<u>\$ 11.3</u>

See Notes to Consolidated Financial Statements.

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REV Group, Inc. and Subsidiaries Consolidated Statement of Shareholders' Equity and Contingently Redeemable Common Stock (In millions, except share amounts)

	Common Stock - Class A		Common Stock - Class B		Contingently Redeemable Common Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Non- controlling Interest	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Amount	# Shares	Amount	# Shares	Amount	# Shares	Amount	# Shares					
Balance, October 29, 2016	\$ —	6,930,720 Sh.	\$ —	42,684,320 Sh.	\$ 22.3	1,607,760 Sh.	\$ —	—	\$ 206.2	\$ 31.7	\$ —	\$ —	\$ 237.9
Net income										31.4			31.4
Stock-based compensation expense									5.3				5.3
Excess tax benefits from stock-based compensation expense									2.5				2.5
Change in value of contingently redeemable common stock					13.1					(13.1)			(13.1)
Reclassification of contingently redeemable common stock	—	1,607,760 Sh.			(35.4)	(1,607,760 Sh.)			35.3				35.3
Reclassification of liability awards									26.5				26.5
Net proceeds from initial public offering							—	12,500,000 Sh.	253.6				253.6
Reclassification of shares of common stock	—	(8,538,480 Sh.)	—	(42,684,320 Sh.)			0.1	51,222,800 Sh.					0.1
Exercise of common stock options							—	423,150 Sh.	2.6				2.6
Rounding of partial shares held prior to stock split								(5 Sh.)					—
Dividends declared on common stock										(9.6)			(9.6)
Balance, October 31, 2017	\$ —	—	\$ —	—	\$ —	—	\$ 0.1	64,145,945 Sh.	\$ 532.0	\$ 40.4	\$ —	\$ —	\$ 572.5
Net income										13.0			13.0
Other comprehensive loss, net of tax												(1.4)	(1.4)
Stock-based compensation expense									3.8				3.8
Exercise of common stock options							—	1,757,984 Sh.	9.7				9.7
Vesting of restricted stock, net of employee tax withholding							—	13,231 Sh.	(0.1)				(0.1)
Repurchase and retirement of common stock							—	(3,233,352 Sh.)	(53.3)				(53.3)
Dividends declared on common stock										(12.8)			(12.8)
Investment in non-controlling interest											1.0		1.0
Balance, October 31, 2018	\$ —	—	\$ —	—	\$ —	—	\$ 0.1	62,683,808 Sh.	\$ 492.1	\$ 40.6	\$ 1.0	\$ (1.4)	\$ 532.4
Net loss										(12.3)			(12.3)
Net loss attributable to non-controlling interest											(0.8)		(0.8)
Other comprehensive loss, net of tax												(0.3)	(0.3)
Stock-based compensation expense									6.4				6.4
Exercise of common stock options							—	99,999 Sh.	0.6				0.6
Vesting of restricted stock, net of employee tax withholding							—	151,276 Sh.	—				—
Repurchase and retirement of common stock							—	(717,597 Sh.)	(8.3)				(8.3)
Dividends declared on common stock										(12.5)			(12.5)
Balance, October 31, 2019	\$ —	—	\$ —	—	\$ —	—	\$ 0.1	62,217,486 Sh.	\$ 490.8	\$ 15.8	\$ 0.2	\$ (1.7)	\$ 505.2

See Notes to Consolidated Financial Statements.

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REV Group, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

(All tabular amounts presented in millions, except share and per share amounts)

Note 1. Nature of Operations, Equity Sponsor and Related Party Transactions

Nature of Operations: REV Group, Inc. is a leading designer, manufacturer and distributor of specialty vehicles and related aftermarket parts and services, serving a diversified customer base primarily in the United States through three segments: Fire & Emergency, Commercial and Recreation. The Company's Fire & Emergency business is conducted primarily under the following brands: E-One, Ferrara, KME, AEV, Frontline, Horton, Leader, Marque, McCoy Miller, Road Rescue and Wheeled Coach. The Company's Commercial business is conducted primarily under the following brands: Capacity, Champion, Collins Bus, Eldorado National, ENC, Federal Coach, Goshen Coach, Lay-Mor and World Trans. The Company's Recreation vehicle business is conducted primarily under the following brands: American Coach, Fleetwood RV, Monaco Coach, Holiday Rambler, Renegade, Midwest and Lance.

In the second quarter of fiscal year 2018, the Company made its initial investment in its China joint venture, Anhui Chery REV Specialty Vehicle Technology Co., Ltd ("China JV"). The initial investment of \$0.9 million is included in other long-term assets in the Company's consolidated balance sheet as of October 31, 2018. REV has 10% equity interest in the China JV. During the third quarter of fiscal year 2018, the Company extended a loan to China JV in the amount of \$6.7 million at the rate of 5% per annum. No further investments were made during fiscal year 2019. The principal and interest of the loan may be converted at the Company's sole option into an equity interest in the China JV. The Company recorded its investment in the China JV under the equity method of accounting.

On January 26, 2017, the Company announced the pricing of an initial public offering ("IPO") of shares of its common stock, which began trading on the New York Stock Exchange on January 27, 2017. On February 1, 2017, the Company completed the IPO of 12,500,000 shares of common stock at a price of \$22.00 per share. The Company received \$275.0 million in gross proceeds from the IPO, or \$253.6 million in net proceeds after deducting the underwriting discount and expenses related to the IPO. The net proceeds of the IPO were used to pay down the Company's existing debt. Immediately prior to closing of the IPO, the Company completed an 80-for-one stock split of its Class A common stock and Class B common stock and reclassified the Class A common stock and Class B common stock into a single class of common stock, which was the same class as the shares sold in the IPO.

In connection with the IPO, the Company entered into an amended and restated shareholders agreement with certain shareholders. The amended and restated shareholders agreement became effective upon completion of the IPO and replaced the shareholders agreement that was in effect immediately prior to the IPO.

Equity Sponsor: The Company's primary equity holders are funds and an investment vehicle associated with AIP CF IV, LLC, which the Company collectively refers to as "American Industrial Partners," "AIP" or "Sponsor" and which indirectly own approximately 54.3% of REV Group's voting equity as of October 31, 2019. AIP is an operations and engineering-focused private equity firm headquartered in New York, New York.

Related Party Transactions: During fiscal years 2019, 2018 and 2017, the Company reimbursed its primary equity holder for out of pocket expenses in the amount of \$1.4 million, \$0.9 million and \$0.6 million, respectively. These expenses are included in selling, general and administrative expenses in the Company's Consolidated Statements of Operations.

Certain production facilities and offices for two of the Company's subsidiaries are leased from related parties owned by certain members of management. Rent expense under these arrangements during fiscal years 2019, 2018 and 2017 totaled \$1.9 million, \$1.5 million and \$0.3 million, respectively.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of REV and all of its subsidiaries and are prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year: The Company's fiscal year is from November 1 to October 31. Unless otherwise stated, references to fiscal years 2019, 2018 and 2017 relate to the fiscal years ended October 31, 2019, 2018 and 2017, respectively.

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Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Business Combinations: The purchase price of an acquired company is allocated between assets acquired and liabilities assumed from the acquired business based on their estimated fair values. Any excess of consideration transferred is recorded as goodwill. To the extent the estimated fair value of the net assets acquired exceeds the purchase price, a gain on bargain purchase is recorded in current operations. The results of operations of the acquired businesses are included in the Company's operating results from the dates of acquisition.

Assets acquired and liabilities assumed generally include tangible and intangible assets, and contingent assets and liabilities. When available, the estimated fair values of these assets and liabilities are determined based on observable inputs such as quoted market prices, information from comparable transactions, and the replacement cost of assets in the same condition or stage of usefulness (Level 1 and 2). If observable inputs are not available, unobservable inputs are used such as expected future cash flows or internally developed estimates of value (Level 3).

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consisted principally of bank deposits and overnight sweep accounts. The Company performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution.

Deposits held with financial institutions may exceed the amount of insurance provided on such deposits. These deposits may be redeemed upon demand and are maintained with major financial institutions within the United States. At October 31, 2019, the Company had \$3.0 million of uninsured cash balances in excess of Federal Depository Insurance Company limits.

Accounts Receivable: Accounts Receivable consist of amounts billed and due from customers. The Company extends credit to customers in the normal course of business and maintains an allowance for uncollectible accounts resulting from the inability or unwillingness of customers to make required payments. Management determines the allowance for uncollectible accounts by evaluating individual customer receivables and considering a customer's financial condition, credit history, the age of accounts receivable and current economic conditions.

Receivables are written off when management determines collection is highly unlikely and collection efforts have ceased. The change in the allowance for uncollectible accounts is as follows:

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Beginning balance	\$ 1.3	\$ 1.1	\$ 1.6
Net recorded expense	0.2	0.6	0.8
Write-offs, net of recoveries/payments	(0.8)	(0.4)	(1.3)
Ending balance	<u>\$ 0.7</u>	<u>\$ 1.3</u>	<u>\$ 1.1</u>

Concentrations of Credit Risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. Concentration of credit risk with respect to accounts receivable is limited due to the large number of customers and their dispersion within North America. However, the majority of receivables are with dealers and municipalities in the United States. The Company continuously monitors credit risk associated with its receivables. The Company's top five customers accounted for approximately 16%, 13% and 15% of its net sales for fiscal years 2019, 2018 and 2017, respectively.

Inventories: Inventories are stated at the lower of aggregate cost or net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. If inventory costs exceed expected net realizable value due to obsolescence or quantities on hand are in excess of expected demand, the Company records reserves for the difference between the cost and the expected net realizable value. These reserves are recorded based on various factors, including recent sales history and sales forecasts, industry market conditions, vehicle model changes and general economic conditions.

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Property, Plant and Equipment: Property, plant and equipment are recorded at cost, except when acquired in a business combination where property, plant and equipment are recorded at fair value. Depreciation of property, plant and equipment is recognized over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives are as follows:

	Years
Buildings, related improvements & land improvements	5-39
Machinery & equipment	3-15
Computer hardware & software	3-10
Office, furniture & other	3-15

Expenditures that extend the useful life of existing property, plant and equipment are capitalized and depreciated over the remaining useful life of the related asset. Expenditures for repairs and maintenance are expensed as incurred. When property, plant and equipment are retired or sold, the cost and related accumulated depreciation is removed from the Company's balance sheet, with any gain or loss reflected in operations. Accumulated depreciation on capitalized lease assets is included in property, plant and equipment.

Goodwill and Indefinite-Lived Intangible Assets: Goodwill and Indefinite-lived intangible assets, consisting of tradenames, are reviewed for impairment by applying a fair-value based test on an annual basis, or more frequently if events or circumstances indicate a potential impairment. The annual impairment review is performed as of the first day of the fourth quarter of each fiscal year based upon information and estimates available at that time. When the fair value of the reporting unit or tradename is less than its carrying value, a further analysis is performed to measure and recognize the amount of the impairment loss, if any. Impairment losses, limited to the carrying value of the related asset, is recorded for the amount by which the carrying amount exceeds fair value.

For annual goodwill impairment testing purposes, fair values are estimated by utilizing the income approach and the market approach. Under the income approach, the Company determines fair value based on estimated future cash flows discounted by a risk-adjusted discount rate which corresponds with the Company's and market-participant weighted-average cost of capital ("WACC"). Estimated future cash flows are based on the Company's internal projection models, industry information and other assumptions deemed reasonable by management. Under the market approach, the Company derives the fair value of its reporting units based on revenue and earnings multiples of comparable publicly traded companies. Changes in assumptions underlying the impairment analyses can have an impact on the determination of cash flows and fair value, and such assumptions could change in such a manner that a future impairment may occur.

For annual indefinite-lived intangible asset impairment testing purposes, fair values are estimated by utilizing the "relief from royalty" (RFR) method. Under the RFR method, an estimate is made as to the appropriate royalty income that would be negotiated in an arm's-length transaction if the subject intangible asset were licensed from an independent third party. The royalty savings are then calculated by multiplying a royalty rate, expressed as a percentage of revenues, by a determined applicable level of future revenues provided per each trade name as estimated by the Company. The royalty rate is based on research of industry and market data related to transactions involving the licensing of comparable intangible assets. The resulting future royalty savings are then discounted to their present value equivalent utilizing an estimated WACC, adjusted for relative risk premiums specific to each trade name as well as the reporting unit housing it.

As part of the annual test on both goodwill and indefinite-lived intangible assets, the Company may utilize a qualitative approach rather than a quantitative approach to determine if an impairment exists, considering various factors including industry changes, actual results as compared to forecasted results, or the timing of a recent acquisition, if applicable.

The Company performed its annual goodwill and indefinite lived intangible asset impairment analyses as of August 1, 2019 and did not recognize an impairment loss as a result of the review.

Long-Lived Assets Including Definite-Lived Intangible Assets: Property, plant and equipment and intangible assets with definite lives are reviewed for potential impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying value of such assets to the undiscounted future cash flows expected to be generated by such assets. If the carrying value of an asset exceeds its estimated undiscounted future cash flows, an impairment provision is recognized to the extent that the undiscounted future cash flows exceed the carrying amount of the asset.

Earnings (Loss) Per Common Share: Basic earnings per share represents net income (loss) divided by basic weighted-average number of common shares. Diluted earnings per share represents net income (loss) divided by diluted weighted average number of common shares outstanding. Diluted weighted average common shares outstanding includes the dilutive effect of additional potential common shares issuable from stock options, restricted stock units and performance stock units, and are determined using the treasury stock method.

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Comprehensive Income (Loss): For the year ended October 31, 2019 and October 31, 2018, the Company included its foreign currency translation loss as part of its statement of operations and comprehensive (loss) income. Foreign currency translation loss for the year ended October 31, 2017, was immaterial to the Company's consolidated financial statements.

Revenue Recognition: Substantially all of the Company's revenue is recognized from contracts with customers with product shipment destinations in the United States and Canada. The Company accounts for a contract when it has approval and commitment from both parties, the rights and payment terms of the parties are identified, the contract has commercial substance and collectability of consideration is probable. The Company determines the transaction price for each contract at inception based on the consideration that it expects to receive for the goods and services promised under the contract. The Company made an accounting policy election so that the transaction price excludes sales and usage-based taxes collected.

The Company's primary source of revenue is generated from the manufacture and sale of specialty vehicles through its direct sales force or dealer network. The Company also generates revenue through separate contracts that relate to the sale of aftermarket parts and services. Revenue is typically recognized at a point-in-time, when control is transferred, which generally occurs when the product has been shipped to the customer or when it has been picked-up from the Company's manufacturing facilities. The Company has made an accounting policy election to account for any shipping and handling costs that occur after the transfer of control as a fulfillment cost that is accrued when control is transferred. Periodically, certain customers request bill and hold transactions. In such cases, revenue is not recognized until after control has transferred which is generally when the customer has requested such transaction and has been notified that the product (i) has been completed according to customer specifications, (ii) has passed our quality control inspections, and (iii) has been separated from our inventory and is ready for physical transfer to the customer. Warranty obligations associated with the sale of a unit are assurance-type warranties that are a guarantee of the unit's intended functionality and, therefore, do not represent a distinct performance obligation within the context of the contract. The Company does not disclose information about remaining performance obligations at period end because the Company's contracts generally have original expected durations of one year or less.

Contract Assets and Contract Liabilities

The Company is generally entitled to bill its customers upon satisfaction of its performance obligations, and payment is usually received shortly after billing. Payments for certain contracts are received in advance of satisfying the related performance obligations. Such payments are recorded as customer advances in the Company's Consolidated Balance Sheets. The corresponding performance obligations are generally satisfied within one year of the contract inception. During fiscal year 2019, the Company recognized \$82.0 million of revenue that was included in the customer advances balance as of October 31, 2018. The Company's payment terms do not include a significant financing component and the Company does not have significant contract assets.

Warranty: Provisions for estimated warranty and other related costs are recorded in cost of sales and are periodically adjusted to reflect actual experience. The amount of accrued warranty liability reflects management's estimate of the expected future cost of settling the Company's obligations under its warranty programs. The costs of fulfilling the Company's warranty obligations primarily consist of replacement parts, labor and sometimes travel for any field retrofit or recall campaigns. The Company's estimates are based on historical warranty expenditures, length of the warranty obligations for units sold, and the number of units under warranty. If a warranty cost is incurred due to a defect in a purchased material, the Company will seek reimbursement from the vendor to the fullest extent possible. The Company reviews warranty claims experience to determine if there are defects affecting numerous vehicles that would require a field retrofit or recall campaign.

Fair Value Measurements: The Company's financial instruments not required to be adjusted to fair value on a recurring basis consist principally of cash, receivables, long-term debt and accounts payable. The Company believes cash, accounts receivable, and accounts payable are recorded at amounts that approximate their current market values based on their short-term nature.

The Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between unrelated market participants at the measurement date. The Company utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy established by the Financial Accounting Standards Board ("FASB").

For illustrative purposes, the levels within the FASB fair value hierarchy are as follows:

- Level 1** Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2** Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly;
- Level 3** Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable, including the company's own assumptions in determining fair value.

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The Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements.

Assets and Liabilities Held for Sale: The Company classifies assets and liabilities (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale. The Company assesses the fair value of a disposal group, less any costs to sell, each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group, if material, in the line items assets held for sale and liabilities held for sale in the consolidated balance sheets. Refer to Note 6, "Divestiture Activities," of the notes to these consolidated financial statements for further information.

Income Taxes: Deferred income tax assets and liabilities are based on the temporary differences between the financial reporting basis and the income tax basis of the Company's assets and liabilities using currently enacted tax rates and laws. Valuation allowances are established to reduce deferred tax assets to the amount ultimately expected to be realized. The realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible for income tax purposes. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax-planning strategies in making the assessment of the realizability of deferred tax assets. The Company will continue to evaluate its valuation allowance requirements in light of changing facts and circumstances and may adjust its deferred tax valuation allowances accordingly. It is reasonably possible that the Company will either add to or reverse a portion of its existing deferred tax asset valuation allowance in the future.

The Company recognizes liabilities for uncertain income tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as the Company must determine the probability of various possible outcomes. The Company evaluates these uncertain tax positions on a quarterly basis or when new information becomes available to management. The evaluations are based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, successfully settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an increase to the related provision.

The Company includes interest and penalties related to income tax liabilities in the (benefit) provision for income taxes in the Company's consolidated statements of income. Liabilities for income taxes payable, accrued interest and penalties that are due within one year of the balance sheet date are included in other current liabilities.

Stock-Based Compensation: Stock compensation expense for restricted stock unit awards is recorded over the vesting period based on the grant date fair value of the awards. The grant date fair value is equal to the closing share price of the Company's common stock on the date of grant.

Stock compensation expense for performance stock unit awards is recorded over the vesting period based on the grant date fair value of the awards and achievement of specified performance targets. The grant date fair value is equal to the closing share price of the Company's common stock on the date of grant.

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For stock options, compensation expense is recorded over the agreed upon vesting term of the associated stock option grants and is measured based upon the estimation of fair value of on the grant date by applying the Black-Scholes option-pricing valuation model (the “Black-Scholes Model”). The application of the Black-Scholes Model required us to make certain assumptions such as the fair value of our common stock on the grant date, forfeitures of option grants and the rate of dividend payments on our common stock. Other assumptions utilized in the Black-Scholes Model include volatility of the share price of select peer public companies and the risk-free rate.

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

The following accounting pronouncements did not have a material impact on the Company’s consolidated financial statements:

- ASU 2018-02, “Income Statement—Reporting Comprehensive Income (Topic 220)” (“ASU 2018-02”)
- In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”) which outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The standard superseded most current revenue recognition guidance.

The Company adopted the new guidance on November 1, 2018 and applied the standard to all of its contracts using the modified retrospective approach. Under this method, the Company must recognize the cumulative effect of the changes in retained earnings on the date of adoption. The Company has determined the adoption of ASU 2014-09 did not have a material impact on its financial statements at the date of adoption. Accordingly, no cumulative effect adjustment to retained earnings was required and there are no other financial statement line items that were impacted by the adoption.

- ASU 2017-04, “Intangibles—Goodwill and Other” (Topic 350): Simplifying the Test for Goodwill Impairment

Accounting Pronouncements – To be Adopted

- In February 2016, FASB issued ASU 2016-02, “Leases” (Topic 842). Topic 842 is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company will be required to adopt ASU 2016-02, and the related amendments, beginning November 1, 2019. The Company plans to adopt the new standard using the optional transition method provided by accounting pronouncement, ASU No. 2018-11, through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption.

Subject to the Company’s ongoing evaluation of new lease contracts, the Company estimates adoption of the standard will result in recognition of right of use assets and lease liabilities of approximately \$21 to \$26 million as of November 1, 2019. The Company believes that the standard will not materially impact its consolidated statements of operations or the consolidated statements of cash flows.

Subsequent Events

The Company evaluated subsequent events through December 18, 2019, the date on which the financial statements were available to be issued, and determined there were no items to disclose.

Note 3. Acquisitions

Lance Camper Manufacturing Acquisition

On January 12, 2018, the Company acquired 100% of the common shares of Lance Camper Mfg. Corp. and its sister company Avery Transport, Inc. (collectively, “Lance” and the “Lance Acquisition”). Lance designs, engineers and manufactures truck campers, towable campers and toy haulers. This acquisition provided the Company a meaningful entrance into the high volume and rapidly growing towables segment of the recreational vehicle market. The final purchase price paid for Lance was \$67.3 million (\$61.3 million net of \$6.0 million cash acquired), which included an adjustment based on the level of net working capital at closing, as defined in the purchase agreement and was funded through the Company’s revolving credit facility. Lance is reported as part of the Recreation segment.

The Company will also pay up to an additional \$10.0 million to the selling shareholders subsequent to the acquisition date in the form of deferred purchase price payable of \$5.0 million on each of the 12- and 24-month anniversary dates of the acquisition date as per the agreement terms. This deferred payment is being recognized as an expense in the Company’s consolidated statement of operations over the period of the agreement. In the first quarter of fiscal year 2019, the Company paid the first \$5.0 million of this deferred purchase price to the selling shareholders.

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The final purchase price allocation resulted in goodwill of \$25.5 million, which is deductible for income tax purposes.

The following table summarizes the final fair values of the assets acquired and liabilities assumed for Lance:

Assets:	
Cash	\$ 6.0
Accounts receivable, net	3.8
Inventories, net	10.3
Other current assets	0.3
Property, plant and equipment	4.6
Intangible assets, net	26.3
Other long-term assets	0.1
Total assets acquired	51.4
Liabilities:	
Accounts payable	2.5
Accrued warranty	1.4
Other current liabilities	5.7
Other long-term liabilities	—
Total liabilities assumed	9.6
Net Assets Acquired	41.8
Consideration Paid	67.3
Goodwill	<u>\$ 25.5</u>

Intangible assets acquired as a result of the Lance Acquisition are as follows:

Customer relationships (6 year life)	\$ 14.7
Order backlog (1 year life)	1.8
Trademarks (indefinite life)	9.8
Total intangible assets, net	<u>\$ 26.3</u>

During the first quarter of fiscal year 2019, the Company completed its assessment of the purchase accounting and recorded measurement period adjustments that resulted in a \$2.0 million increase in intangible assets and a corresponding decrease in goodwill of \$2.0 million.

Net sales and operating income attributable to Lance were \$125.9 million and \$7.0 million for fiscal year 2019, respectively.

Note 4. Inventories

Inventories, net of reserves, consisted of the following:

	October 31, 2019	October 31, 2018
Chassis	\$ 44.9	\$ 53.3
Raw materials	198.1	188.4
Work in process	200.8	195.7
Finished products	79.6	91.6
	<u>523.4</u>	<u>529.0</u>
Less: reserves	(10.0)	(15.0)
Total inventories, net	<u>\$ 513.4</u>	<u>\$ 514.0</u>

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Note 5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	October 31, 2019	October 31, 2018
Land & land improvements	\$ 24.2	\$ 23.9
Buildings & improvements	107.6	102.5
Machinery & equipment	93.1	77.1
Rental fleet	24.4	35.4
Computer hardware & software	58.1	56.1
Office furniture & fixtures	5.8	5.1
Construction in process	11.4	14.7
	324.6	314.8
Less: accumulated depreciation	(122.9)	(100.5)
Total property, plant and equipment, net	\$ 201.7	\$ 214.3

Depreciation expense for fiscal years 2019, 2018 and 2017 was \$28.3 million, \$27.9 million and \$22.9 million, respectively.

Note 6. Divestiture Activities

In fiscal year 2018, management decided to divest certain businesses and assets which include the Revability business, one Regional Technical Center (“RTC”), a portion of the Company’s rental fleet, and certain other assets. In the first quarter of fiscal year 2019, the Company completed the sale of its mobility van business, Revability, with annual sales of approximately \$40 million. All assets and operations at the Clarkston and Davisburg, Michigan facilities were transferred to the buyer. In the second quarter of fiscal year 2019, the Company completed the sale of the RTC for net cash proceeds of \$11.4 million. In connection with this sale, the Company recognized a gain on sale of \$1.2 million.

As of October 31, 2019, assets and liabilities held for sale consisted of the following: property, plant and equipment, net—\$0.2 million, inventories, net—\$14.0 million, accounts receivable, net—\$0.4 million, other current and long-term assets—\$4.9 million, accounts payable—\$11.7 million and other current and long-term liabilities—\$3.7 million.

Note 7. Goodwill and Intangible Assets

The table below represents goodwill by segment:

	October 31, 2019	October 31, 2018
Fire & Emergency	\$ 88.6	\$ 88.6
Commercial	28.7	28.7
Recreation	42.5	44.5
Total goodwill	\$ 159.8	\$ 161.8

The change in the net carrying value amount of goodwill consisted of the following:

	October 31, 2019	October 31, 2018
Balance at beginning of period	\$ 161.8	\$ 133.2
Activity during the year:		
Acquisitions	(2.0)	28.6
Balance at end of period	\$ 159.8	\$ 161.8

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Intangible assets (excluding goodwill) consisted of the following:

	October 31, 2019			
	Weighted-Average Life	Gross	Accumulated Amortization	Net
Finite-lived intangible assets:				
Customer relationships	8.0	\$ 126.7	\$ (84.0)	\$ 42.7
Order backlog	1.0	6.7	(6.7)	—
Non-compete agreements	5.0	2.0	(1.3)	0.7
Trade names	7.0	3.5	(3.0)	0.5
Technology-related	7.0	0.9	(0.8)	0.1
		139.8	(95.8)	44.0
Indefinite-lived trade names		115.9	—	115.9
Total intangible assets, net		<u>\$ 255.7</u>	<u>\$ (95.8)</u>	<u>\$ 159.9</u>

	October 31, 2018			
	Weighted-Average Life	Gross	Accumulated Amortization	Net
Finite-lived intangible assets:				
Customer relationships	8.0	\$ 124.7	\$ (69.2)	\$ 55.5
Order backlog	1.0	6.7	(5.7)	1.0
Non-compete agreements	5.0	2.0	(0.9)	1.1
Trade names	7.0	3.5	(2.4)	1.1
Technology-related	7.0	0.7	(0.7)	—
		137.6	(78.9)	58.7
Indefinite-lived trade names		115.9	—	115.9
Total intangible assets, net		<u>\$ 253.5</u>	<u>\$ (78.9)</u>	<u>\$ 174.6</u>

Amortization expense was \$17.4 million, \$18.1 million and \$14.9 million for fiscal years 2019, 2018 and 2017, respectively. The estimated future amortization expense of intangible assets for the subsequent five fiscal years is as follows: 2020—\$14.3 million, 2021—\$10.4 million, 2022—\$7.5 million, 2023—\$3.6 million and 2024—\$2.3 million.

Note 8. Other Current Liabilities

Other current liabilities consisted of the following:

	October 31, 2019	October 31, 2018
Payroll and related benefits and taxes	\$ 22.2	\$ 22.5
Incentive compensation	4.1	—
Customer sales programs	4.7	5.8
Restructuring costs	0.9	0.5
Interest payable	1.9	1.9
Dividends payable	3.3	3.2
Deferred purchase price payment	4.5	4.0
Other	28.6	17.6
Total other current liabilities	<u>\$ 70.2</u>	<u>\$ 55.5</u>

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Note 9. Long-Term Debt

The Company was obligated under the following debt instruments:

	October 31, 2019	October 31, 2018
April 2017 ABL facility	\$ 210.0	\$ 300.0
Term Loan, net of debt issuance costs (\$2.2 and \$1.9)	170.2	121.9
	380.2	421.9
Less: current maturities	(3.6)	(1.3)
Long-term debt, less current maturities	<u>\$ 376.6</u>	<u>\$ 420.6</u>

April 2017 ABL Facility

Effective April 25, 2017, the Company entered into a \$350.0 million revolving credit and guaranty agreement (the “April 2017 ABL Facility” or “ABL Agreement”) with a syndicate of lenders. The April 2017 ABL Facility consists of: (i) Revolving Loans, (ii) Swing Line Loans, and (iii) Letters of Credit, aggregating up to a combined maximum of \$350.0 million. The total amount borrowed under the April 2017 ABL Facility is subject to a \$30.0 million sublimit for Swing Line loans and a \$35.0 million sublimit for Letters of Credit, along with certain borrowing base and other customary restrictions as defined in the ABL Agreement. The Company incurred \$4.9 million of debt issuance costs related to the April 2017 ABL Facility. The amount of debt issuance costs is included in other long-term assets in the Company’s consolidated balance sheets.

The April 2017 ABL Facility allows for incremental borrowing capacity in an aggregate amount of up to \$100.0 million, plus the excess, if any, of the borrowing base then in effect over total commitments then in effect. Any such incremental borrowing capacity is subject to receiving additional commitments from lenders and certain other customary conditions. The April 2017 ABL Facility matures on April 25, 2022. The Company may prepay principal, in whole or in part, at any time without penalty.

The following amendment has been made to the April 2017 ABL Facility:

- On December 22, 2017 the Company exercised a \$100.0 million incremental borrowing capacity option under the April 2017 ABL Facility, which increased total borrowing capacity under the facility from \$350.0 million to \$450.0 million. The Company incurred an additional \$0.4 million of debt issuance costs related to the incremental borrowing capacity option under the April 2017 ABL Facility.

Revolving Loans under the April 2017 ABL Facility bear interest at rates equal to, at the Company’s option, either a base rate plus an applicable margin, or a Eurodollar rate plus an applicable margin. Applicable interest rate margins are initially 0.75% for all base rate loans and 1.75% for all Eurodollar rate loans (with the Eurodollar rate having a floor of 0%), subject to adjustment based on utilization in accordance with the ABL Agreement. Interest is payable quarterly for all base rate loans and is payable monthly or quarterly for all Eurodollar rate loans.

The lenders under the April 2017 ABL Facility have a first priority security interest in substantially all accounts receivable and inventory of the Company, and a second priority security interest in substantially all other assets of the Company.

The April 2017 ABL Facility contains customary representations and warranties, affirmative and negative covenants, subject in certain cases to customary limitations, exceptions and exclusions. The April 2017 ABL Facility also contains certain customary events of default, which should such events occur, could result in the termination of the commitments under the April 2017 ABL Facility and the acceleration of all outstanding borrowings under it. The April 2017 ABL Facility contains a financial covenant restricting the Company from allowing its fixed charge coverage ratio to drop below 1.00 to 1.00 during a compliance period, which is triggered when the availability under the April 2017 ABL Facility falls below a threshold set forth in the credit agreement.

The Company was in compliance with all financial covenants under the April 2017 ABL Facility as of October 31, 2019. As of October 31, 2019, the Company’s availability under the April 2017 ABL Facility was \$225.7 million.

The fair value of the April 2017 ABL Facility approximated book value at both October 31, 2019 and October 31, 2018.

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Term Loan

Effective April 25, 2017, the Company entered into a \$75.0 million term loan agreement (“Term Loan” and “Term Loan Agreement”), as Borrower with certain subsidiaries of the Company, acting as guarantors of debt. Principal may be prepaid at any time during the term of the Term Loan without penalty. The Company incurred \$2.0 million of debt issuance costs related to the Term Loan.

The Term Loan Agreement allows for incremental facilities in an aggregate amount of up to \$125.0 million. Any such incremental facilities are subject to receiving additional commitments from lenders and certain other customary conditions. The Term Loan agreement requires quarterly payments of 0.25% of the original principal balance, with remaining principal payable at maturity, April 25, 2022.

The lenders under the Term Loan have a second priority security interest in substantially all accounts receivable and inventory of the Company.

The following amendments have been made to the Term Loan:

- On July 18, 2018, the Company exercised a \$50.0 million incremental commitment option under the Term Loan Agreement, which increased total borrowing under the facility from \$75.0 million to \$125.0 million. The Company incurred an additional \$0.6 million of debt issuance costs related to the incremental commitment option under the Term Loan. Proceeds from the incremental commitment were used to repay a portion of the outstanding borrowings under the April 2017 ABL Facility.
- On March 29, 2019, the Company exercised a \$50.0 million incremental commitment option under the Term Loan Agreement, which increased total borrowing under the facility from \$125.0 million to \$175.0 million. The Company incurred an additional \$0.8 million of debt issuance costs related to the incremental commitment option under the Term Loan, which were deducted from proceeds received by the Company. Proceeds from the incremental commitment were used to repay a portion of the outstanding borrowings under the April 2017 ABL Facility.
- On October 18, 2019, the Company amended the term loan agreement to raise the maximum leverage ratio to 4.00 to 1.00 from 3.50 to 1.00. The ratio will decline by 25 basis points in the third quarter of each fiscal year after the amendment date, reaching a final maximum leverage ratio of 3.50 to 1.00 on July 31, 2021. Additionally, the Company received a waiver related to the excess cash flow calculation payment for fiscal year 2019. The Company incurred \$0.2 million of debt issuance costs related to the amendment raising the maximum leverage ratio and the waiver for the excess cash flow calculation payment under the Term Loan Agreement.

Applicable interest rate margins for the Term Loan are 2.50% for base rate loans and 3.50% for Eurodollar rate loans (with the Eurodollar rate having a floor of 1.00%). Interest is payable quarterly for all base rate loans and is payable monthly or quarterly for all Eurodollar rate loans. The weighted-average interest rate on borrowings outstanding under the Term Loan at October 31, 2019 was 5.29%.

The Term Loan Agreement contains customary representations and warranties, affirmative and negative covenants, in each case, subject to customary limitations, exceptions and exclusions. The Term Loan Agreement also contains certain customary events of default. The Term Loan Agreement requires the Company to maintain a secured leverage ratio below a specified maximum ratio, which will be tested quarterly and become more restrictive over the term of the term loan.

The Company was in compliance with all financial covenants under the Term Loan as of October 31, 2019.

The fair value of the Term Loan approximated book value at both October 31, 2019 and October 31, 2018.

Aggregate contractual maturities of debt in future fiscal years are as follows:

2020	\$	3.6
2021		1.8
2022		377.0
Thereafter		—
Total debt	\$	<u>382.4</u>

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Note 10. Warranties

The Company's products generally carry explicit warranties that extend from several months to several years, based on terms that are generally accepted in their respective markets. Selected components (such as engines, transmissions, tires, etc.) included in the Company's end products may include warranties from original equipment manufacturers ("OEM"). These OEM warranties are passed on to the end customer of the Company's products, and in some cases the customer deals directly with the applicable OEM manufacturer for any issues encountered.

Changes in the Company's warranty liability consisted of the following:

	Fiscal Year Ended	
	October 31, 2019	October 31, 2018
Balance at beginning of year	\$ 30.8	\$ 40.2
Warranty provisions	20.8	24.1
Settlements made	(29.0)	(32.0)
Warranties for current year acquisitions	—	1.4
Changes in liability of pre-existing warranties	—	(2.9)
Balance at end of year	<u>\$ 22.6</u>	<u>\$ 30.8</u>

Accrued warranty is classified in the Company's consolidated balance sheets as follows:

	October 31, 2019	October 31, 2018
Current liabilities	\$ 16.1	\$ 19.0
Other long-term liabilities	6.5	11.8
Total warranty liability	<u>\$ 22.6</u>	<u>\$ 30.8</u>

Note 11. Leases

Certain administrative and production facilities and equipment are leased under long-term, non-cancelable operating lease agreements. Most leases contain renewal options for varying periods, and certain leases include options to purchase the leased property during or at the end of the lease term. Leases generally require the Company to pay for insurance, taxes and maintenance of the property.

Total rental expenses for property, plant and equipment charged to operations under non-cancelable operating leases was \$8.8 million, \$8.3 million and \$4.9 million during fiscal years 2019, 2018 and 2017, respectively.

Future minimum lease payments due under operating leases for the subsequent five fiscal years are as follows:

2020	\$ 8.5
2021	7.5
2022	5.8
2023	3.3
2024	1.5
Thereafter	0.1

Note 12. Employee Benefits

The Company has a defined contribution 401(k) plan covering substantially all employees. The plan allows employees to defer up to 100% of their employment income (subject to annual contribution limits imposed by the I.R.S.) after all taxes and applicable benefit deductions. Each employee who elects to participate is eligible to receive Company matching contributions that are based on employee contributions to the plans, subject to certain limitations. Amounts expensed for the Company's matching and discretionary contributions were \$9.7 million, \$9.7 million and \$7.1 million during fiscal years 2019, 2018 and 2017, respectively.

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Note 13. Stock Repurchase Program

On March 20, 2018 the Company's Board of Directors authorized up to \$50.0 million of repurchases of the Company's issued and outstanding common stock with an expiration date of March 19, 2020. On September 5, 2018 the Company's Board of Directors authorized an additional \$50.0 million of repurchases of the Company's issued and outstanding common stock with an expiration date of September 4, 2020. The Company's share repurchase program is executed from time to time through open market or through private transactions. Shares purchased under the share repurchase program are retired and returned to authorized and unissued status. During fiscal year 2018, the Company repurchased 3,233,352 shares under this repurchase program at a total cost of \$53.3 million at an average price per share of \$16.47. During fiscal year 2019, the Company repurchased 717,597 shares under this repurchase program at a total cost of \$8.3 million at an average price per share of \$11.62. As of October 31, 2019, the Company had \$38.3 million of authorization remaining under this program.

Note 14. Stock Compensation

The 2016 Omnibus Incentive Plan (the "2016 Plan") has 8,000,000 shares authorized for issuance with 7,815,493 shares remaining at October 31, 2019. The 2016 Plan replaced the 2010 Long-Term Incentive Plan (the "2010 Plan") in January 2017 in connection with our IPO. While no new awards will be granted under the 2010 Plan, awards previously issued under that plan that were outstanding as of the approval date of the 2016 Plan will remain outstanding and continue to be governed by the provisions of the 2010 Plan. The 2010 Plan has 1,239,686 shares remaining for issuance at October 31, 2019. The awards issued under the 2010 Plan that are currently outstanding are limited to stock options. These stock options have a contractual term of up to 10 years and typically vest and become exercisable over a period of one to four years.

Under the 2016 Plan, officers, directors, including non-employee directors, and employees of the Company may be granted restricted stock units (RSU) or performance stock units (PSU). Restricted stock units generally vest over a one to four-year service period following the grant date, provided the recipient is still our employee, or non-employee director, at the time of vesting. Performance stock unit awards generally vest over a three to four-year service period following the grant date, provided the recipient is still our employee at the time of vesting, and provided the achievement of performance targets applicable to each award is probable.

Stock-based compensation expense consists of vesting of restricted and performance stock units issued under the 2016 Plan and vesting of stock options issued under the 2010 Plan.

For fiscal years 2019, 2018 and 2017, the Company recorded stock-based compensation expense of \$7.2 million, \$6.3 million and \$26.6 million, respectively, as selling, general and administrative expenses in the Company's consolidated statements of operations and comprehensive (loss) income. The actual income tax benefit realized totaled \$1.8 million, \$1.7 million and \$10.1 million for those same periods.

Restricted Stock Units: The change in the number of nonvested restricted stock units outstanding consisted of the following:

	Number of Units	Weighted-Average Grant Date Fair Value Per Unit
Nonvested, beginning of year	414,033	\$ 25.83
Granted	1,266,548	9.04
Vested	(154,495)	22.60
Forfeited	(131,881)	14.61
Nonvested, end of year	1,394,205	\$ 11.94

The weighted average grant date fair value of restricted stock units granted during fiscal years 2018 and 2017 was \$26.18 and \$24.42, respectively. The total fair value of restricted stock units that vested during fiscal years 2019 and 2018 was \$3.5 million and \$0.4 million, respectively. The total fair value of restricted stock units that vested during fiscal year 2017 was immaterial.

As of October 31, 2019, the Company had \$12.3 million of unrecognized compensation expense related to restricted stock awards, which will be recognized over a weighted-average period of 2.8 years.

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Performance Stock Units: The change in the number of nonvested performance stock units consisted of the following:

	Number of Units	Weighted-Average Grant Date Fair Value Per Unit
Nonvested, beginning of year	194,268	\$ 23.81
Granted	—	—
Vested	(24,367)	27.36
Forfeited	(121,167)	22.70
Nonvested, end of year	48,734	\$ 22.86

The weighted average grant date fair value of performance stock units granted during fiscal years 2018 and 2017 was \$22.70 and \$27.36, respectively. The total fair value of performance stock units that vested during fiscal year 2019 was \$0.6 million. The total fair value of performance stock units that vested during fiscal years 2018 and 2017 was immaterial.

As of October 31, 2019, the Company had \$1.3 million of unrecognized compensation expense related to performance stock units, which will be recognized over a weighted-average period of 2 years.

Stock Options: Pursuant to certain provisions of the 2010 Plan, an option holder could put his or her shares to us under certain circumstances. As such, certain outstanding stock options were considered liability awards and were recorded at intrinsic value, which is the difference between the estimated fair value of the Company's common stock and the option strike price and recognized as a liability on the Company's consolidated balance sheet. Upon becoming a public entity, the Company recorded the liability awards at fair value. As a result of the IPO, the aforementioned put rights expired and the outstanding options were no longer considered liability awards and the fair value of the options were reclassified to shareholders' equity. The fair value of the liability share awards was \$26.5 million on the date of the Company's IPO.

Stock option activity for fiscal years 2019 was as follows:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value of Options
Outstanding, beginning of year	805,750	\$ 7.12	6.3	\$ 3,055
Granted	—	—	—	—
Exercised	(99,999)	6.39	3.9	518
Forfeited	(17,000)	6.50	—	101
Expired	(40,951)	0.99	—	469
Outstanding, end of year	647,800	\$ 7.64	5.9	\$ 3,113
Exercisable, end of year	626,800	\$ 7.62	5.9	\$ 3,022

The aggregate intrinsic value above reflects the total pre-tax intrinsic value (the difference between the per share fair value of the Company's stock and the exercise price of the stock options, multiplied by the number of in-the-money stock options) that would have been received by the option holders had all option holders exercised their options on October 31, 2019 and October 31, 2018. The intrinsic value of the Company's stock options changes based on the changes in the share price of the Company's common stock.

The total intrinsic value of stock options exercised during fiscal years 2019, 2018, and 2017 was \$0.5 million, \$26.8 million, and \$8.9 million, respectively.

As of October 31, 2019, the Company had \$0.1 million of unrecognized compensation expense related to stock options, which will be recognized over a weighted-average period of 0.3 years.

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Note 15. Income Taxes

Income before (benefit) provision for income taxes is taxed in the following jurisdictions:

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Domestic	\$ (16.5)	\$ 5.2	\$ 54.7
Foreign	(0.1)	(3.0)	(4.6)
(Losses) income before (benefit) provision for income taxes	<u>\$ (16.6)</u>	<u>\$ 2.2</u>	<u>\$ 50.1</u>

(Benefit) provision for income taxes is summarized as follows:

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Current:			
Federal	\$ 0.4	\$ (6.8)	\$ 12.1
State	1.1	0.1	3.7
Foreign	—	—	—
Total Current	<u>\$ 1.5</u>	<u>\$ (6.7)</u>	<u>\$ 15.8</u>
Deferred:			
Federal	(4.0)	(6.4)	4.6
State	(1.0)	0.9	(0.1)
Foreign	—	1.4	(1.6)
Total Deferred	<u>(5.0)</u>	<u>(4.1)</u>	<u>2.9</u>
(Benefit) provision for income taxes	<u>\$ (3.5)</u>	<u>\$ (10.8)</u>	<u>\$ 18.7</u>

Income tax (benefit)/expense at the federal statutory rate is reconciled to the Company's (benefit) provision for income taxes as follows:

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Income tax expense at federal statutory rate	\$ (3.5)	\$ 0.5	\$ 17.5
Taxes on foreign income which differ from the U.S. statutory rate	—	(0.3)	0.1
State expense	(0.2)	0.5	2.3
Stock-based compensation	0.8	—	—
Manufacturing and research incentives	(0.6)	(2.7)	(2.1)
Nondeductible items	0.2	0.7	0.9
Uncertain tax positions	(0.1)	(0.4)	—
Valuation allowance	—	2.2	—
Remeasurement of deferred taxes - U.S. Tax Reform	—	(11.3)	—
Other items	(0.1)	—	—
(Benefit) provision for income taxes	<u>\$ (3.5)</u>	<u>\$ (10.8)</u>	<u>\$ 18.7</u>

Tax benefit for fiscal year 2019 was favorably impacted by incentives for U.S. research and unfavorably impacted by stock-based compensation tax deductions.

Tax benefit for fiscal year 2018 was favorably impacted by the decrease in the U.S. tax rate and revaluation of net deferred tax liabilities, both as a result of tax legislation in the United States. Tax benefit was also favorably impacted by tax incentives for U.S. manufacturing and research, some of which can be attributed to federal provision-to-return adjustment. Tax benefit was unfavorably impacted by the addition of a valuation allowance on the deferred tax assets in Brazil.

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Tax expense for fiscal year 2017 was favorably impacted by incentives for U.S. manufacturing and research and unfavorably impacted by nondeductible transaction costs related to business acquisitions and expenses related to the Company's secondary stock offering.

No items included in Other items in the income tax reconciliation above are individually, or when appropriately aggregated, significant.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Reform Act") was signed into law by President Trump. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018, while also repealing the deduction for domestic production activities, limiting interest expense deductions, implementing a territorial tax system, imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries (the "Transition Tax"), and creating new taxes on certain foreign-sourced earnings. U.S. GAAP requires that the impact of tax legislation be recognized in the period in which the law was enacted. The U.S. Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 118, which provided guidance on how to account for the effects of the Tax Reform Act under ASC 740, Income Taxes. SAB No. 118 enabled companies to record a provisional amount for the effects for the Tax Reform Act based on a reasonable estimate, subject to adjustment during a measurement period of up to one year.

In the first quarter of fiscal year 2019, the Company completed its accounting for the Tax Reform Act under SAB No. 118, resulting in no change to the estimated cumulative tax benefit recorded in fiscal year 2018. In fiscal year 2018, the Company recorded \$11.3 million of cumulative tax benefit related to remeasurement of net deferred tax liabilities.

Temporary differences and carryforwards that give rise to deferred tax assets and liabilities include the following items:

	Fiscal Year Ended	
	October 31, 2019	October 31, 2018
Deferred tax assets:		
Product warranty	\$ 5.8	\$ 7.9
Inventory	5.0	6.7
Deferred employee benefits	4.3	1.7
Net operating loss and credit carryforwards	13.3	13.6
Other reserves and allowances	3.2	2.5
Gross deferred tax assets	31.6	32.4
Less: valuation allowance	(2.1)	(2.3)
Deferred tax assets	29.5	30.1
Deferred tax liabilities:		
Intangible assets	(26.5)	(28.4)
Property, plant and equipment	(16.3)	(20.6)
Other	(2.0)	(0.9)
Deferred tax liabilities	(44.8)	(49.9)
Net deferred tax liability	\$ (15.3)	\$ (19.8)

The net deferred tax assets/ (liabilities) recorded in the consolidated balance sheet are as follows:

	Fiscal Year Ended	
	October 31, 2019	October 31, 2018
Noncurrent deferred tax asset	\$ 0.1	\$ 0.1
Noncurrent deferred tax liability	(15.4)	(19.9)
Net deferred tax liability	\$ (15.3)	\$ (19.8)

At October 31, 2019, the Company has net operating loss carryforwards for U.S. federal income tax purposes of \$14.6 million, some of which are subject to annual limitations and begin to expire in 2029. The Company has state net operating loss carryforwards of \$31.8 million, which begin to expire in 2027.

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The Company, or one of its subsidiaries, files income tax returns in the U.S, Canada, Brazil, Singapore and various state jurisdictions. With few exceptions, fiscal years 2016, 2017 and 2018 remain open to tax examination by Brazilian, Canadian and U.S. federal and state tax authorities. The Company regularly assesses the likelihood of an adverse outcome resulting from examinations to determine the adequacy of its tax reserves.

A reconciliation of the beginning and ending amount of unrecognized tax benefits are as follows:

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Balance at beginning of year	\$ 2.1	\$ 2.6	\$ 2.7
Additions (reductions) for tax positions in prior year	0.3	0.3	0.1
Additions for tax positions in current year	0.1	0.3	0.1
Cash settlements with taxing authorities	—	(0.2)	—
Statute of limitations	(0.1)	(0.9)	(0.3)
Balance at end of year	<u>\$ 2.4</u>	<u>\$ 2.1</u>	<u>\$ 2.6</u>

If recognized, \$2.6 million, \$2.2 million, and \$2.9 million of the Company's unrecognized tax benefits as of October 31, 2019, October 31, 2018 and October 29, 2017 respectively, would affect the Company's effective income tax rate.

During the next twelve months, it is reasonably possible that federal and state tax resolutions could reduce unrecognized tax benefits and income tax expense by up to \$0.3 million, either because the Company's tax positions are sustained on audit or settled, or the applicable statute of limitations closes.

Note 16. Commitments and Contingencies

Personal Injury Actions and Other: Product and general liability claims arise against the Company from time to time in the ordinary course of business. These claims are generally covered by third-party insurance. There is inherent uncertainty as to the eventual resolution of unsettled claims. Management, however, believes that any losses will not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

Market Risks: The Company is contingently liable under bid, performance and specialty bonds and has open standby letters of credit issued by the Company's banks in favor of third parties as follows:

	October 31, 2019	October 31, 2018
Performance, bid and specialty bonds	\$ 229.9	\$ 228.2
Open standby letters of credit	14.3	13.0
Total	<u>\$ 244.2</u>	<u>\$ 241.2</u>

Chassis Contingent Liabilities: The Company obtains certain vehicle chassis from automobile manufacturers under converter pool agreements. These agreements generally provide that the manufacturer will supply chassis at the Company's various production facilities under the terms and conditions set forth in the agreement. The manufacturer does not transfer the certificate of origin to the Company and, accordingly, the chassis are treated as consigned inventory of the automobile manufacturer. Upon being put into production, the Company becomes obligated to pay the manufacturer for the chassis. Chassis are typically converted and delivered to customers within 90 to 120 days of receipt. If the chassis are not converted within this timeframe of delivery, the Company generally purchases the chassis and records inventory, or the Company is obligated to begin paying an interest charge on this inventory until purchased. Such agreements are customary in the industries in which the Company operates and the Company's exposure to loss under such agreements is limited by the value of the vehicles that would be repossessed and resold to mitigate any losses. The Company's contingent liability under such agreements was \$48.6 million and \$54.5 million as of October 31, 2019 and October 31, 2018, respectively.

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Repurchase Commitments: The Company has entered into repurchase agreements with certain lending institutions. The repurchase commitments are on an individual unit basis with a term from the date it is financed by the lending institution through payment date by the dealer or other customer, generally not exceeding two years. The Company's outstanding obligations under such agreements were \$212.5 million and \$310.5 million as of October 31, 2019, and October 31, 2018, respectively. This value represents the gross value of all vehicles under repurchase agreements and does not take into consideration proceeds that would be received upon resale of repossessed vehicles, which would be used to reduce the Company's ultimate net liability. Such agreements are customary in the industries in which the Company operates and the Company's exposure to loss under such agreements is limited by the potential loss on the resale value of the inventory which is required to be repurchased. Losses incurred under such arrangements have not been significant and the Company expects this pattern to continue. The reserve for losses included in other liabilities on contracts outstanding at October 31, 2019 and October 31, 2018 is immaterial.

Guarantee Arrangements: The Company is party to multiple agreements whereby it guarantees indebtedness of others, including losses under loss pool agreements. The Company estimated that its maximum loss exposure under these contracts was \$25.5 million and \$25.2 million at October 31, 2019 and October 31, 2018, respectively. Under the terms of these and various related agreements and upon the occurrence of certain events, the Company generally has the ability to, among other things, take possession of the underlying collateral. If the financial condition of the customers and dealers were to deteriorate and result in their inability to make payments, then additional accruals may be required. While the Company does not expect to experience losses under these agreements that are materially in excess of the amounts reserved, it cannot provide any assurance that the financial condition of the third parties will not deteriorate resulting in the third party's inability to meet their obligations.

In the event that third parties are unable to meet obligations under these agreements, the Company cannot guarantee that the collateral underlying the agreements will be available or sufficient to avoid losses materially in excess of the amounts reserved. Any losses under these guarantees would generally be mitigated by the value of any underlying collateral, including financed equipment, and are generally subject to the finance company's ability to provide the Company clear title to foreclosed equipment and other conditions. During periods of economic weakness, collateral values generally decline and can contribute to higher exposure to losses.

Other Matters: The Company is, from time to time, party to various legal proceedings arising out of ordinary course of business. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, the Company believes that its ultimate liability, if any, arising from pending legal proceedings, as well as from asserted legal claims and known potential legal claims, which are probable of assertion, taking into account established accruals for estimated liabilities, should not be material to the business, financial condition or results of operations.

A consolidated federal putative securities class action and a consolidated state putative securities class action are pending against the Company and certain of its officers and directors. These actions collectively purport to assert claims on behalf of putative classes of purchasers of the Company's common stock in or traceable to its January 2017 IPO, purchasers in its secondary offering of common stock in October 2017, and purchasers from October 10, 2017 through June 7, 2018. The state action also names certain of the underwriters for the Company's IPO or secondary offering as defendants. The federal and state courts each consolidated multiple separate actions pending before them, the first of which was filed on June 8, 2018. The actions have alleged certain violations of the Securities Act of 1933 and, for the federal action, the Securities Exchange Act of 1934.

Collectively, the actions seek certification of the putative classes asserted and compensatory damages and attorneys' fees and costs. The underwriter defendants have notified the Company of their intent to seek indemnification from the Company pursuant to the IPO underwriting agreement regarding the claims asserted with respect to the IPO, and the Company expects the underwriters to do the same in regard to the claims asserted with respect to the October 2017 offering. Two purported derivative actions, which have since been consolidated, were also filed in federal court in Delaware in 2019 against the Company's directors (with the Company as a nominal defendant), premised on allegations similar to those asserted in the consolidated federal securities litigation. The Company and the other defendants intend to defend these lawsuits vigorously. Additional lawsuits may be filed and, at this time, the Company is unable to predict the outcome of the lawsuits, the possible loss or range of loss, if any, associated with the resolution of the lawsuits, or any potential effect that it may have on the Company or its operations.

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Note 17. Earnings Per Common Share

Basic earnings per common share (“EPS”) is computed by dividing net (loss) income by the weighted average number of common shares outstanding. Diluted EPS is computed by dividing net (loss) income by the weighted-average number of common shares outstanding assuming dilution. The difference between basic EPS and diluted EPS is the result of the dilutive effect of outstanding stock options, performance stock units and restricted stock units. The table below reconciles basic weighted-average common shares outstanding to diluted weighted-average shares outstanding for fiscal years 2019, 2018 and 2017:

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Basic weighted-average common shares outstanding	62,789,165	63,966,977	60,738,242
Dilutive stock options	—	1,242,644	1,652,521
Dilutive restricted stock units	—	548	14,729
Dilutive performance stock units	—	—	—
Diluted weighted-average common shares	<u>62,789,165</u>	<u>65,210,169</u>	<u>62,405,492</u>

The table below represents exclusions from the calculation of weighted-average shares outstanding assuming dilution due to the anti-dilutive effect of the common stock equivalents for fiscal years 2019, 2018 and 2017:

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Anti-Dilutive Stock Options	988,551	97,085	—
Anti-Dilutive Restricted Stock Units	1,783,271	574,359	—
Anti-Dilutive Performance Stock Units	18,408	91,509	—
Anti-Dilutive Common Stock Equivalents	<u>2,790,230</u>	<u>762,953</u>	<u>—</u>

Note 18. Business Segment Information

The Company is organized into three reportable segments based on management’s process for making operating decisions, allocating capital and measuring performance, and based on the similarity of products, customers served, common use of facilities, and economic characteristics. The Company’s segments are as follows:

Fire & Emergency: This segment includes KME, E-One, Ferrara, American Emergency Vehicles, Leader Emergency Vehicles, Horton Emergency Vehicles, REV Ambulance Orlando and REV Brazil. These business units manufacture and market commercial and custom fire and emergency vehicles primarily for fire departments, airports, other governmental units, contractors, hospitals and other care providers in the United States and other countries.

Commercial: This segment includes Collins Bus, Champion Bus, ENC, ElDorado National (Kansas), Capacity, Lay-Mor and REV Coach. Collins Bus manufactures, markets and distributes school buses, normally referred to as Type A school buses, as well as shuttle buses used for churches, transit authorities, hotels and resorts, retirement centers and other similar uses. Champion Bus, ENC and ElDorado National (Kansas) manufacture, market and distribute shuttle buses, transit buses, airport car rental and hotel/motel shuttles, tour and charter operations and other uses under several well-established brand names. Capacity manufactures, markets and distributes trucks used in terminal type operations, i.e., rail yards, warehouses, rail terminals and shipping terminals/ports. Lay-Mor manufactures, markets and distributes industrial sweepers for both the commercial and rental markets.

Recreation: This segment includes REV Recreation Group (“RRG”), Goldshield Fiberglass, Inc. (“Goldshield”), Renegade, Midwest and Lance, and their respective manufacturing facilities, service and parts divisions. RRG primarily manufactures, markets and distributes Class A mobile RVs in both gas and diesel models. Renegade primarily manufactures, markets and distributes Class C and “Super C” RVs. Goldshield manufactures, markets and distributes fiberglass reinforced molded parts to a diverse cross section of original equipment manufacturers and other commercial and industrial customers, including various components for RRG, which is one of Goldshield’s primary customers. Midwest manufactures, markets and distributes Class B RVs and luxury vans. Lance manufactures, markets and distributes truck campers, towable campers and toy haulers.

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For purposes of measuring financial performance of its business segments, the Company does not allocate to individual business segments costs or items that are of a corporate nature. The caption “Corporate, Other & Elims” includes corporate office expenses, results of insignificant operations, intersegment eliminations and income and expense not allocated to reportable segments.

Total assets of the business segments exclude general corporate assets, which principally consist of cash and cash equivalents, certain property, plant and equipment and certain other assets pertaining to corporate and other centralized activities.

Intersegment sales generally include amounts invoiced by a segment for work performed for another segment. Amounts are based on actual work performed and agreed-upon pricing which is intended to be reflective of the contribution made by the supplying business segment. All intersegment transactions have been eliminated in consolidation.

Selected financial information of the Company’s segments is as follows:

	Fiscal Year 2019				
	Fire & Emergency	Commercial	Recreation	Corporate, Other & Elims	Consolidated
Net Sales	\$ 967.9	\$ 720.0	\$ 716.3	\$ (0.5)	\$ 2,403.7
Depreciation and amortization	\$ 14.1	\$ 8.7	\$ 15.6	\$ 7.3	\$ 45.7
Capital expenditures	\$ 8.6	\$ 3.7	\$ 2.7	\$ 5.8	\$ 20.8
Total assets	\$ 617.2	\$ 317.7	\$ 316.4	\$ 95.8	\$ 1,347.1
Adjusted EBITDA	\$ 43.2	\$ 56.0	\$ 46.8	\$ (43.9)	

	Fiscal Year 2018				
	Fire & Emergency	Commercial	Recreation	Corporate and Other	Consolidated
Net Sales	\$ 956.6	\$ 638.5	\$ 811.9	\$ (25.7)	\$ 2,381.3
Depreciation and amortization	\$ 15.3	\$ 10.0	\$ 13.4	\$ 7.3	\$ 46.0
Capital expenditures	\$ 7.9	\$ 4.2	\$ 9.7	\$ 18.8	\$ 40.6
Total assets	\$ 612.4	\$ 293.2	\$ 383.2	\$ 119.3	\$ 1,408.1
Adjusted EBITDA	\$ 86.0	\$ 38.1	\$ 60.4	\$ (36.5)	

	Fiscal Year 2017				
	Fire & Emergency	Commercial	Recreation	Corporate and Other	Consolidated
Sales:					
Net Sales—External Customers	\$ 984.0	\$ 620.1	\$ 659.8	\$ 3.9	\$ 2,267.8
Net Sales—Intersegment	\$ —	\$ 9.4	\$ 12.9	\$ (22.3)	\$ —
Depreciation and amortization	\$ 14.6	\$ 8.5	\$ 11.0	\$ 3.7	\$ 37.8
Capital expenditures	\$ 9.5	\$ 6.4	\$ 5.5	\$ 32.6	\$ 54.0
Total assets	\$ 606.0	\$ 281.6	\$ 263.9	\$ 102.9	\$ 1,254.4
Adjusted EBITDA	\$ 109.5	\$ 50.5	\$ 36.2	\$ (33.7)	

The following tables present net sales by geographic region based on product shipment destination for fiscal years 2019, 2018 and 2017:

	Fiscal Year 2019			
	U.S. and Canada	Europe/Africa	Rest of World	Total
Fire & Emergency	\$ 909.0	\$ 3.1	\$ 55.8	\$ 967.9
Commercial	713.5	0.2	6.3	720.0
Recreation	706.4	0.6	9.3	716.3
Corporate, Other & Elims	(0.5)	—	—	(0.5)
Total Net Sales	\$ 2,328.4	\$ 3.9	\$ 71.4	\$ 2,403.7

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	Fiscal Year 2018			
	U.S. and Canada	Europe/ Africa	Rest of World	Total
Fire & Emergency	\$ 938.2	\$ 3.3	\$ 15.1	\$ 956.6
Commercial	632.3	—	6.2	638.5
Recreation	808.2	—	3.7	811.9
Corporate, Other & Elims	(26.2)	0.1	0.4	(25.7)
Total Net Sales	<u>\$ 2,352.5</u>	<u>\$ 3.4</u>	<u>\$ 25.4</u>	<u>\$ 2,381.3</u>

	Fiscal Year 2017			
	U.S. and Canada	Europe/ Africa	Rest of World	Total
Fire & Emergency	\$ 969.4	\$ 0.9	\$ 13.7	\$ 984.0
Commercial	610.8	—	9.3	620.1
Recreation	656.5	—	3.3	659.8
Corporate & Other	3.9	—	—	3.9
Total Net Sales—External Customers	<u>\$ 2,240.6</u>	<u>\$ 0.9</u>	<u>\$ 26.3</u>	<u>\$ 2,267.8</u>
Intersegment Sales	\$ 22.3	—	—	—
Corporate Eliminations	<u>(22.3)</u>	<u>—</u>	<u>—</u>	<u>—</u>

In considering the financial performance of the business, the chief operating decision maker analyzes the primary financial performance measure of Adjusted EBITDA. Adjusted EBITDA is defined as net income for the relevant period before depreciation and amortization, interest expense and benefit for income taxes, as adjusted for items management believes are not indicative of the Company's ongoing operating performance. Adjusted EBITDA is not a measure defined by U.S. GAAP but is computed using amounts that are determined in accordance with U.S. GAAP. A reconciliation of this performance measure to net income (loss) is included below.

The Company believes Adjusted EBITDA is useful to investors and used by management for measuring profitability because the measure excludes the impact of certain items which management believes have less bearing on the Company's core operating performance, and allows for a more meaningful comparison of operating fundamentals between companies within its industries by eliminating the impact of capital structure and taxation differences between the companies. Additionally, Adjusted EBITDA is used by management to measure and report the Company's financial performance to the Company's Board of Directors, assists in providing a meaningful analysis of the Company's operating performance and is used as a measurement in incentive compensation for management.

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Provided below is a reconciliation of segment Adjusted EBITDA to net (loss) income:

	Fiscal Year Ended		
	October 31, 2019	October 31, 2018	October 31, 2017
Fire & Emergency Adjusted EBITDA	\$ 43.2	\$ 86.0	\$ 109.5
Commercial Adjusted EBITDA	56.0	38.1	50.5
Recreation Adjusted EBITDA	46.8	60.4	36.2
Corporate and Other Adjusted EBITDA	(43.9)	(36.5)	(33.7)
Depreciation and amortization	(45.4)	(45.5)	(37.8)
Interest expense, net	(32.4)	(25.3)	(20.7)
Benefit (provision) for income taxes	3.5	12.2	(18.7)
Transaction expenses	(1.0)	(2.8)	(5.2)
Sponsor expenses	(1.4)	(0.9)	(0.6)
Restructuring costs	(5.7)	(7.0)	(4.5)
Stock-based compensation expense	(7.2)	(6.3)	(26.6)
Non-cash purchase accounting	—	(0.9)	(5.1)
Loss on early extinguishment of debt	—	—	(11.9)
Legal matters	(7.7)	(5.5)	—
First year public company costs	—	(1.5)	—
Impairment charges	(8.9)	(35.6)	—
Losses attributable to assets held for sale	(4.7)	(9.9)	—
Deferred purchase price payment	(3.5)	(6.0)	—
Net (Loss) Income	<u>\$ (12.3)</u>	<u>\$ 13.0</u>	<u>\$ 31.4</u>

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) of the Exchange Act, the Company's management evaluated, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of October 31, 2019, the end of the period covered by this report. Based upon their evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission ("SEC") rules and forms, and to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management conducted an assessment of the effectiveness of our internal control over financial reporting as of October 31, 2019 using the criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management believes that as of October 31, 2019, the Company's internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm, RSM US LLP, has issued an attestation report on our internal control over financial reporting. The report appears in "Item 8. Financial Statements and Supplementary Data."

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during fiscal year 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item will appear in our definitive proxy statement for our 2019 Annual Meeting of Shareholders (the “Proxy Statement”) to be filed with the SEC within 120 days of the fiscal year ended October 31, 2019, which information is incorporated in this item by reference.

Item 11. Executive Compensation.

The information required by Item 402 of Regulation S-K will be included under the captions “Executive Compensation” and “Director Compensation” in our Proxy Statement, which sections are incorporated in this item by reference. The information required by Item 407(e)(4) of Regulation S-K will be included under the caption “Corporate Governance—Compensation Committee Interlocks and Insider Participation” in the Proxy Statement, which section is incorporated in this item by reference.

The information required by Item 407(e)(5) of Regulation S-K will be included under the caption “Executive Compensation—Compensation Committee Report” in the Proxy Statement, which section is incorporated in this item by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item will appear under the headings “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement, which section is incorporated in this item by reference.

The information required by Item 201(d) of Regulation S-K will be included under the caption “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement, which section is incorporated in this item by reference.

The information required by Item 403 of Regulation S-K will be included under the caption “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement, which section is incorporated in this item by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will appear under the headings “Certain Relationships and Related Party Transactions” in the Proxy Statement, which section is incorporated in this item by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this item will appear under the heading “Proposal No. 2 Ratification of Selection of Independent Registered Public Accounting Firm” in the Proxy Statement, which section is incorporated in this item by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following information required under this item is filed as a part of this report:

(1) Consolidated Balance Sheets as of October 31, 2019 and October 31, 2018

For the Fiscal Years Ended October 31, 2019, October 31, 2018, and October 31, 2017:

Consolidated Statements of Operations and Comprehensive (Loss) Income

Consolidated Statements of Cash Flows

Consolidated Statement of Shareholders' Equity and Contingently Redeemable Common Stock

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

All schedules are omitted because of the absence of the conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto in this Form 10-K.

(3) Exhibits

Refer to the Exhibit Index incorporated herein by reference. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report is identified in the Exhibit Index by an asterisk following the Exhibit Number.

Item 16. Form 10-K Summary.

None.

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Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 of the REV Group, Inc. Quarterly Report on Form 10-Q (file no. 001-37999), filed on March 7, 2017)
3.2	Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.2 of the REV Group, Inc. Quarterly Report on Form 10-Q (file no. 001-37999), filed on March 7, 2017)
4.1	Description of Capital Stock (Incorporated by reference to the “Description of Capital Stock” section of the REV Group, Inc. registration statement on Form S-3 (file no. 333-223897), filed on March 23, 2018)
10.1	Form of Amended and Restated Shareholders Agreement (Incorporated by reference to Exhibit 10.1 of Amendment No. 3 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on January 10, 2017)
10.2	Revolving Credit and Guaranty Agreement, by and among the Company, as Borrower, certain subsidiaries of the Company, as Guarantor Subsidiaries, Ally Bank, as Administrative Agent and Ally Bank and BMO Harris Bank N.A., as Co-Collateral Agents, and certain other lenders and agents party thereto, dated April 25, 2017. (Incorporated by reference to Exhibit 10.1 of the REV Group, Inc. Current Report on Form 8-K (file no. 001-37999), filed on April 25, 2017)
10.3	Term Loan and Guaranty Agreement, by and among the Company, as Borrower, certain subsidiaries of the Company, as Guarantor Subsidiaries, Ally Bank, as Administrative Agent and Collateral Agent, and certain other lenders and agents party thereto, dated April 25, 2017. (Incorporated by reference to Exhibit 10.2 of the REV Group, Inc. Current Report on Form 8-K (file no. 001-37999), filed on April 25, 2017)
10.4	Allied Specialty Vehicles, Inc. 2010 Long-Term Incentive Plan (Incorporated by reference to Exhibit 10.4 of the REV Group, Inc. registration statement on Form S-1 (file no. 333-214209), filed on October 24, 2016)
10.5	Form of Directors and Executive Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.5 of Amendment No. 2 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on December 23, 2016)
10.6	Form of Registration Rights Agreement (Incorporated by reference to Exhibit 10.6 of Amendment No. 3 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on January 10, 2017)
10.7	Form of Stock Option Award Agreement pursuant to the Allied Specialty Vehicles, Inc. 2010 Long-Term Incentive Plan (Incorporated by reference to Exhibit 10.7 of Amendment No. 2 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on December 23, 2016)
10.8	Offer Letter, dated July 9, 2014, between American Industrial Partners and Timothy W. Sullivan (Incorporated by reference to Exhibit 10.8 of Amendment No. 2 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on December 23, 2016)
10.9	Offer Letter, dated December 21, 2015, between the Registrant and Dean Nolden (Incorporated by reference to Exhibit 10.9 of Amendment No. 2 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on December 23, 2016)
10.10	Offer Letter, dated February 5, 2016, between the Registrant and Thomas B. Phillips (Incorporated by reference to Exhibit 10.11 of Amendment No. 2 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on December 23, 2016)
10.11	Offer Letter, dated February 5, 2016, between the Registrant and Barbara H. Stephens (Incorporated by reference to Exhibit 10.12 of Amendment No. 2 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on December 23, 2016)
10.12	REV Group, Inc. Cash Incentive Plan (Incorporated by reference to Exhibit 10.16 of Amendment No. 2 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on December 23, 2016)
10.13	REV Group, Inc. 2016 Omnibus Incentive Plan (Incorporated by reference to Exhibit 10.17 of Amendment No. 2 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on December 23, 2016)
10.14	Form of Restricted Stock Unit Award Agreement under REV Group, Inc. 2016 Omnibus Incentive Plan (Incorporated by reference to Exhibit 10.18 of Amendment No. 3 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on January 10, 2017)

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10.15	REV Group, Inc. Non-Employee Directors Compensation (Incorporated by reference to Exhibit 10.19 of Amendment No. 3 of the REV Group, Inc. registration statement on Form S-1/A (file no. 333-214209), filed on January 10, 2017)
10.16	Change in Control Severance Agreement, dated March 1, 2018, by and between the Registrant and Dean J. Nolden (Incorporated by reference to Exhibit 10.3 of Amendment No. 1 of the REV Group, Inc. Quarterly Report on Form 10-Q (file no. 001-37999), filed on September 5, 2018)
10.17	Change in Control Severance Agreement, dated March 1, 2018, by and between the Registrant and Barbara S. Stephens (Incorporated by reference to Exhibit 10.4 of Amendment No. 1 of the REV Group, Inc. Quarterly Report on Form 10-Q (file no. 001-37999), filed on September 5, 2018)
10.18	Change in Control Severance Agreement, dated March 1, 2018, by and between the Registrant and Timothy W. Sullivan (Incorporated by reference to Exhibit 10.5 of Amendment No. 1 of the REV Group, Inc. Quarterly Report on Form 10-Q (file no. 001-37999), filed on September 5, 2018)
10.19	Change in Control Severance Agreement, dated September 5, 2018, by and between the Registrant and Ian Walsh (Incorporated by reference to Exhibit 10.1 of the REV Group, Inc. Quarterly Report on Form 10-Q (file no. 001-37999), filed on September 5, 2018)
10.20	Change in Control Severance Agreement, dated September 5, 2018, by and between the Registrant and Stephen Boettinger (Incorporated by reference to Exhibit 10.2 of the REV Group, Inc. Quarterly Report on Form 10-Q (file no. 001-37999), filed on September 5, 2018)
10.21*	Change in Control Severance Agreement, dated December 16, 2019, by and between the Registrant and Christopher Daniels
10.22*	Form of Restricted Stock Award Agreement under REV Group, Inc. 2016 Omnibus Incentive Plan
21.1*	Subsidiaries of REV Group, Inc.
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

REV Group, Inc.

Date: December 18, 2019

By: /s/ Timothy Sullivan
Timothy Sullivan
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on December 18, 2019.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Timothy Sullivan</u> Timothy Sullivan	Director and Chief Executive Officer (Principal Executive Officer)	December 18, 2019
<u>/s/ Dean Nolden</u> Dean Nolden	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	December 18, 2019
<u>/s/ Paul Bamatter</u> Paul Bamatter	Director	December 18, 2019
<u>/s/ Jean Marie “John” Canan</u> Jean Marie “John” Canan	Director	December 18, 2019
<u>/s/ Dino Cusumano</u> Dino Cusumano	Director	December 18, 2019
<u>/s/ Charles Dutil</u> Charles Dutil	Director	December 18, 2019
<u>/s/ Justin Fish</u> Justin Fish	Director	December 18, 2019
<u>/s/ Kim Marvin</u> Kim Marvin	Director	December 18, 2019
<u>/s/ Joel Rotroff</u> Joel Rotroff	Director	December 18, 2019
<u>/s/ Donn Viola</u> Donn Viola	Director	December 18, 2019



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111 E. Kilbourn Ave, Suite 2600
Milwaukee, WI 53202



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