The Shyft Group, Inc. Deliveries R Us

IINTRO:

At Perritt Capital Management, we take focused positions in companies where we have a high conviction in their success; companies that are out of the mainstream of small cap investing. To highlight our process, we are pleased to present the newest installment in our new series <mark>"Marvelous Microcaps - Big Ideas on Small Companies."</mark> This series profiles companies that we believe have a niche in their existing markets or are launching a product that could disrupt their marketplace.

THE COMPANY:

The Shyft Group (SHYF) offers an unparalleled roster of commercial, retail, service specialty vehicle, and upfit brands. They uniquely combine in-depth industry knowledge, engineering and manufacturing expertise, and purposeful innovation to deliver job-enhancing efficiency-driving, ever-reliable products, and services. Their newest product is the exciting Blue Arc to support the Electric Vehicle (EV) transition. "Our industry has a responsibility to create a more environmentally sustainable future." They are currently the only supplier in the Class 3 to Class 5 EV manufacturing. In addition, their Power Cube offers the ability to charge a fleet without significant investment by their customers.

WHY WE OWN: THE PERRITT ADVANTAGE:

SHYF exemplifies what we look for in a microcap stock. Their sales have grown from $550 million in 2015 to $992m in 2021, adjusted EBITDA grew from 2.0% to 10.9% and the share price from $3.11 to $21.58 and the current price is around $22. They have both grown organically and deployed $100m toward acquisitions. Their goals are to have revenue of $1.75 billion and adjusted EBITDA of 15% by the year 2025. There is also a focus on ESG with energy efficient processes, investment in the electric vehicle portfolio, waste/water management, among others. The new EV initiative should start a substantial payback in 2025. They have secured ~40% of volume with a recent pre-order, expect $500-600m in revenue from this division alone in 2025 and have ~12% payback on their initial investment. In short, they have an excellent management track record of transforming a company, best-in-class commercial grade product, and a rock-solid balance sheet.

Data here is obtained from what are considered reliable sources; however, its accuracy, completeness, or reliability cannot be guaranteed.

Fund holdings and sector allocations are subject to change at any time and should not be considered a recommendation to buy or sell any security. Please click PRCGX and PREOX for a list of the top ten holdings.

Adjusted EBITDA - earnings before interest, taxes, depreciation, and amortization) is a measure computed for a company that takes earnings and adds back interest expenses, taxes and depreciation charges, plus other adjustments to the metric.
ESG – Environmental, social, and governance investing refers to a set of standards for a company's behavior used by socially conscious investors to screen potential investments.
Class 3-Class 5 EV – are commercial electric vehicles (van, trucks, and buses).

Before you invest in the Perritt MicroCap Opportunities Fund or Perritt Ultra MicroCap Fund, please refer to the prospectus for important information about the investment company, including investment objectives, risks, charges, and expenses. You may also obtain a hard copy of the prospectus by calling 800-331-8936. The prospectus should be read carefully before you invest.

Mutual fund investing involves risk. Principal loss is possible. The Funds invest in smaller companies, which involve additional risks, such as limited liquidity and greater volatility. The Funds invest in microcap companies which tend to perform poorly during times of economic stress. The Ultra MicroCap Fund may invest in early-stage companies which tend to be more volatile and more speculative than investments in more established companies.
Past Performance does not guarantee future results.

The Perritt Funds are distributed by Quasar Distributors, LLC.

First published October 2022.