

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2022
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: 001-10883

WABASH NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

3900 McCarty Lane

Lafayette Indiana

(Address of Principal Executive Offices)

52-1375208

(IRS Employer Identification Number)



47905

(Zip Code)

Registrant's telephone number, including area code: (765) 771-5310

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	WNC	New York Stock Exchange

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 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 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 number of shares of common stock outstanding at October 19, 2022 was 47,944,127.

**WABASH NATIONAL CORPORATION
FORM 10-Q**

TABLE OF CONTENTS

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Condensed Consolidated Balance Sheets at September 30, 2022 and December 31, 2021</u>
	<u>3</u>
	<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2022 and 2021</u>
	<u>4</u>
	<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2022 and 2021</u>
	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2022 and 2021</u>
	<u>6</u>
	<u>Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2022 and 2021</u>
	<u>7</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>
	<u>9</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>29</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
	<u>44</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
	<u>45</u>
<u>PART II – OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>
	<u>45</u>
<u>Item 1A.</u>	<u>Risk Factors</u>
	<u>45</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>45</u>
<u>Item 6.</u>	<u>Exhibits</u>
	<u>46</u>
	<u>Signatures</u>
	<u>47</u>

Part I - FINANCIAL INFORMATION
Item 1. Financial Statements

WABASH NATIONAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	September 30, 2022	December 31, 2021
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 81,478	\$ 71,778
Accounts receivable, net	248,086	176,511
Inventories, net	309,701	237,621
Prepaid expenses and other	35,251	43,795
Total current assets	674,516	529,705
Property, plant, and equipment, net	252,383	232,425
Goodwill	188,441	188,443
Intangible assets, net	102,415	114,441
Other assets	51,560	42,057
Total assets	\$ 1,269,315	\$ 1,107,071
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ —	\$ —
Current portion of finance lease obligations	—	59
Accounts payable	239,049	173,950
Other accrued liabilities	158,315	115,316
Total current liabilities	397,364	289,325
Long-term debt	443,662	428,315
Deferred income taxes	33,100	36,019
Other non-current liabilities	34,714	27,873
Total liabilities	908,840	781,532
Commitments and contingencies		
Noncontrolling interest	373	—
Wabash National Corporation stockholders' equity:		
Common stock 200,000,000 shares authorized, \$0.01 par value, 48,065,277 and 48,954,482 shares outstanding, respectively	765	759
Additional paid-in capital	662,581	653,978
Retained earnings	150,943	92,111
Accumulated other comprehensive (loss) income	(7,474)	859
Treasury stock at cost, 28,509,690 and 27,013,275 common shares, respectively	(446,713)	(422,168)
Total Wabash National Corporation stockholders' equity	360,102	325,539
Total liabilities, noncontrolling interest, and equity	\$ 1,269,315	\$ 1,107,071

The accompanying notes are an integral part of these Condensed Consolidated Statements.

WABASH NATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited – dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 655,150	\$ 482,566	\$ 1,844,680	\$ 1,323,991
Cost of sales	563,145	431,521	1,616,586	1,170,172
Gross profit	92,005	51,045	228,094	153,819
General and administrative expenses	27,845	20,966	85,121	66,740
Selling expenses	7,752	5,590	21,337	18,320
Amortization of intangible assets	3,184	5,631	12,026	17,228
Impairment and other, net	349	595	692	(631)
Income from operations	52,875	18,263	108,918	52,162
Other income (expense):				
Interest expense	(5,210)	(5,847)	(15,341)	(18,031)
Other, net	(179)	232	(577)	(195)
Other expense, net	(5,389)	(5,615)	(15,918)	(18,226)
Income before income tax expense	47,486	12,648	93,000	33,936
Income tax expense	11,130	1,640	21,831	7,459
Net income	36,356	11,008	71,169	26,477
Net income attributable to noncontrolling interest	186	—	373	—
Net income attributable to common stockholders	\$ 36,170	\$ 11,008	\$ 70,796	\$ 26,477
Net income attributable to common stockholders per share:				
Basic	\$ 0.75	\$ 0.22	\$ 1.45	\$ 0.52
Diluted	\$ 0.73	\$ 0.22	\$ 1.43	\$ 0.51
Weighted average common shares outstanding (in thousands):				
Basic	48,515	49,974	48,849	51,116
Diluted	49,402	50,581	49,651	51,785
Dividends declared per share	\$ 0.08	\$ 0.08	\$ 0.24	\$ 0.24

The accompanying notes are an integral part of these Condensed Consolidated Statements.

WABASH NATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited – dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$ 36,356	\$ 11,008	\$ 71,169	\$ 26,477
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(80)	(105)	(140)	259
Unrealized (loss) gain on derivative instruments	(2,168)	(9,187)	(8,193)	13,974
Total other comprehensive (loss) income	(2,248)	(9,292)	(8,333)	14,233
Comprehensive income	34,108	1,716	62,836	40,710
Comprehensive income attributable to noncontrolling interest	186	—	373	—
Comprehensive income attributable to common stockholders	\$ 33,922	\$ 1,716	\$ 62,463	\$ 40,710

The accompanying notes are an integral part of these Condensed Consolidated Statements.

WABASH NATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – dollars in thousands)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 71,169	\$ 26,477
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	25,239	19,593
Amortization of intangibles	12,026	17,228
Net gain on sale of property, plant and equipment and business divestiture	(635)	(1,447)
Loss on debt extinguishment	—	452
Deferred income taxes	(178)	(1,756)
Stock-based compensation	7,367	5,889
Impairment	1,339	817
Non-cash interest expense	644	882
Accounts receivable	(71,575)	(118,176)
Inventories	(72,080)	(96,818)
Prepaid expenses and other	(716)	1,054
Accounts payable and accrued liabilities	101,101	65,424
Other, net	(1,545)	6,152
Net cash provided by (used in) operating activities	72,156	(74,229)
Cash flows from investing activities		
Cash payments for capital expenditures	(42,304)	(20,192)
Proceeds from the sale of assets	1,445	21,967
Net cash (used in) provided by investing activities	(40,859)	1,775
Cash flows from financing activities		
Proceeds from exercise of stock options	1,241	1,949
Dividends paid	(12,176)	(12,470)
Borrowings under revolving credit facilities	72,244	347
Payments under revolving credit facilities	(57,279)	(347)
Principal payments under finance lease obligations	(59)	(259)
Principal payments under term loan credit facility	—	(30,000)
Debt issuance costs paid	(1,023)	(50)
Stock repurchases	(24,545)	(55,019)
Net cash used in financing activities	(21,597)	(95,849)
Cash and cash equivalents:		
Net increase (decrease) in cash, cash equivalents, and restricted cash	9,700	(168,303)
Cash, cash equivalents, and restricted cash at beginning of period	71,778	217,677
Cash, cash equivalents, and restricted cash at end of period	\$ 81,478	\$ 49,374
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 10,679	\$ 12,734
Cash paid for income taxes	\$ 1,928	\$ 3,403
Period end balance of payables for property, plant, and equipment	\$ 7,914	\$ 3,238

The accompanying notes are an integral part of these Condensed Consolidated Statements.

WABASH NATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited – dollars in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Shares	Amount					
Balances at December 31, 2021	48,954,482	\$ 759	\$ 653,978	\$ 92,111	\$ 859	\$ (422,168)	\$ 325,539
Net income for the period				12,074			12,074
Foreign currency translation					243		243
Stock-based compensation	277,124	5	2,272				2,277
Stock repurchase	(247,174)					(8,013)	(8,013)
Common stock dividends				(4,065)			(4,065)
Unrealized gain on derivative instruments, net of tax					13,585		13,585
Common stock issued in connection with:							
Stock option exercises	48,208		613				613
Balances at March 31, 2022	49,032,640	\$ 764	\$ 656,863	\$ 100,120	\$ 14,687	\$ (430,181)	\$ 342,253
Net income for the period				22,552			22,552
Foreign currency translation					(303)		(303)
Stock-based compensation	16,416		2,370				2,370
Stock repurchase	(360,659)					(5,312)	(5,312)
Common stock dividends				(3,901)			(3,901)
Unrealized loss on derivative instruments, net of tax					(19,610)		(19,610)
Common stock issued in connection with:							
Stock option exercises	12,690		122				122
Balances at June 30, 2022	48,701,087	\$ 764	\$ 659,355	\$ 118,771	\$ (5,226)	\$ (435,493)	\$ 338,171
Net income for the period				36,170			36,170
Foreign currency translation					(80)		(80)
Stock-based compensation	3,344		2,720				2,720
Stock repurchase	(691,844)					(11,220)	(11,220)
Common stock dividends				(3,998)			(3,998)
Unrealized loss on derivative instruments, net of tax					(2,168)		(2,168)
Common stock issued in connection with:							
Stock option exercises	52,690	1	506				507
Balances at September 30, 2022	48,065,277	\$ 765	\$ 662,581	\$ 150,943	\$ (7,474)	\$ (446,713)	\$ 360,102

The accompanying notes are an integral part of these Condensed Consolidated Statements.

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	Shares	Amount					
Balances at December 31, 2020	52,536,482	\$ 755	\$ 644,695	\$ 107,233	\$ 7,633	\$ (355,437)	\$ 404,879
Net income for the period				3,217			3,217
Foreign currency translation					(303)		(303)
Stock-based compensation	101,083	1	2,031				2,032
Stock repurchase	(1,038,674)					(19,321)	(19,321)
Common stock dividends				(3,967)			(3,967)
Unrealized gain on derivative instruments, net of tax					14,530		14,530
Common stock issued in connection with:							
Stock option exercises	112,400	1	1,234				1,235
Balances at March 31, 2021	51,711,291	\$ 757	\$ 647,960	\$ 106,483	\$ 21,860	\$ (374,758)	\$ 402,302
Net income for the period				12,252			12,252
Foreign currency translation					667		667
Stock-based compensation	37,147	1	2,183				2,184
Stock repurchase	(1,304,214)					(21,981)	(21,981)
Common stock dividends				(4,290)			(4,290)
Unrealized gain on derivative instruments, net of tax					8,631		8,631
Common stock issued in connection with:							
Stock option exercises	19,810		215				215
Balances at June 30, 2021	50,464,034	\$ 758	\$ 650,358	\$ 114,445	\$ 31,158	\$ (396,739)	\$ 399,980
Net income for the period				11,008			11,008
Foreign currency translation					(105)		(105)
Stock-based compensation	1,799		1,673				1,673
Stock repurchase	(935,382)					(13,717)	(13,717)
Common stock dividends				(3,958)			(3,958)
Unrealized loss on derivative instruments, net of tax					(9,187)		(9,187)
Common stock issued in connection with:							
Stock option exercises	44,200	1	499				500
Balances at September 30, 2021	49,574,651	\$ 759	\$ 652,530	\$ 121,495	\$ 21,866	\$ (410,456)	\$ 386,194

The accompanying notes are an integral part of these Condensed Consolidated Statements.

WABASH NATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF THE BUSINESS & BASIS OF PRESENTATION

Wabash National Corporation (the “Company,” “Wabash,” “we,” “our,” or “us”) was founded in 1985 in Lafayette, Indiana as a dry van trailer manufacturer. The Company designs and manufactures a diverse range of products, including dry freight and refrigerated trailers, platform trailers, bulk tank trailers, dry and refrigerated truck bodies, structural composite panels and products, trailer aerodynamic solutions, and specialty food grade processing equipment. This diversification has been achieved through acquisitions, organic growth, and product innovation.

The condensed consolidated financial statements of the Company have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements contain all material adjustments (consisting only of normal recurring adjustments) necessary to present fairly the consolidated financial position of the Company, its results of operations, and its cash flows. The Company consolidates into its financial statements the accounts of the Company and any partially owned subsidiary it has the ability to control (see Note 5). The Company does not have any subsidiaries it consolidates based solely on the power to direct the activities and significant participation in the entity’s expected results that would not otherwise be consolidated based on control through voting interests. Further, its affiliates are businesses established and maintained in connection with its operating strategy and are not special purposes entities. All intercompany transactions and balances have been eliminated.

The condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

2. NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” which provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments in this update apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued as a result of reference rate reform. These amendments are not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. ASU No. 2020-04 is effective as of March 12, 2020 through December 31, 2022 and may be applied to contract modifications and hedging relationships from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company will adopt this standard when LIBOR is discontinued. The Company is evaluating the impact the new standard will have on our condensed consolidated financial statements and related disclosures but does not anticipate a material impact.

3. REVENUE RECOGNITION

The Company recognizes revenue from the sale of its products when obligations under the terms of a contract with our customers are satisfied; this occurs with the transfer of control of our products and replacement parts or throughout the completion of service work. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring promised goods or services to a customer and excludes all taxes collected from the customer. Shipping and handling fees are included in *Net sales* and the associated costs included in *Cost of sales* in the Condensed Consolidated Statements of Operations. For shipping and handling costs that take place after the transfer of control, the Company applies the practical expedient and treats such costs as a fulfillment cost. Incidental items that are immaterial in the context of the contract are recognized as expense. For performance obligations satisfied over time, which include certain equipment-related sales within our Parts & Services reportable segment that have no alternative use and contain an enforceable right to payment, as well as service work whereby the customer simultaneously receives and consumes the benefits provided, the Company recognizes revenue on the basis of the Company’s efforts or inputs to the satisfaction of these performance obligations, measured by actual total cost incurred to the total estimated costs for each project. Total revenue recognized over time was not material to the condensed consolidated financial statements for all periods presented.

The Company has identified three separate and distinct performance obligations: (1) the sale of a trailer or equipment, (2) the sale of replacement parts, and (3) service work. For trailer, truck body, equipment, and replacement part sales, control is transferred and revenue is recognized from the sale upon shipment to or pick up by the customer in accordance with the contract terms. The Company does not have any material extended payment terms as payment is received shortly after the point of sale. Accounts receivable are recorded when the right to consideration becomes unconditional. The Company does have customers who pay for the product prior to the transfer of control which is recorded as customer deposits in *Other accrued liabilities* as shown in Note 11. Customer deposits are recognized as revenue when the Company performs its obligations under the contract and transfers control of the product.

4. GOODWILL & OTHER INTANGIBLE ASSETS

Segment Realignment

As further described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, beginning in September 2021 the Company realigned its operating and reportable segments. Based on these changes, the Company has established two operating and reportable segments: Transportation Solutions ("TS") and Parts & Services ("P&S"). These operating and reportable segments have also been determined to be the applicable reporting units for purposes of goodwill assignment and evaluation.

As of September 30, 2022, goodwill allocated to the TS and P&S segments was approximately \$120.5 million and \$67.9 million, respectively. The Company considered whether there were any indicators of impairment during the three and nine months ended September 30, 2022 and concluded there were none.

Extract Technology® Divestiture

During the second quarter of 2021, the Company sold its Extract Technology® ("Extract") business that manufactured stainless steel isolators and downflow booths, as well as custom-fabricated equipment, including workstations and drum booths for the pharmaceutical, fine chemical, biotech, and nuclear end markets. Prior to the divestiture, Extract was an operating unit within the Parts & Services reporting unit. In accordance with the relevant accounting guidance, as part of the sale the Company allocated \$11.1 million of goodwill based upon the relative fair value of the Extract operating unit compared to the reporting unit as a whole. This goodwill was included in the carrying value of the disposed assets and the resulting net gain recognized in connection with the sale. Prior to and subsequent to the divestiture, the Company performed an impairment assessment for the reporting unit and concluded the fair value of the reporting unit continued to exceed the carrying value.

The changes in the carrying amounts of goodwill from December 31, 2020 through the nine-month period ended September 30, 2022 were as follows (in thousands):

	Transportation Solutions	Parts & Services	Total
Balance at December 31, 2020			
Goodwill	\$ 188,775	\$ 119,185	\$ 307,960
Accumulated impairment losses	(68,257)	(40,143)	(108,400)
Net balance as of December 31, 2020	120,518	79,042	199,560
Impact of divestiture on goodwill	—	(11,101)	(11,101)
Effects of foreign currency	(11)	(5)	(16)
Balance at December 31, 2021			
Goodwill	188,764	108,079	296,843
Accumulated impairment losses	(68,257)	(40,143)	(108,400)
Net balance as of December 31, 2021	120,507	67,936	188,443
Effects of foreign currency	(3)	(2)	(5)
Balance at March 31, 2022			
Goodwill	188,761	108,077	296,838
Accumulated impairment losses	(68,257)	(40,143)	(108,400)
Net balance as of March 31, 2022	120,504	67,934	188,438
Effects of foreign currency	1	1	2
Balance at June 30, 2022			
Goodwill	188,762	108,078	296,840
Accumulated impairment losses	(68,257)	(40,143)	(108,400)
Net balance as of June 30, 2022	120,505	67,935	188,440
Effects of foreign currency	1	—	1
Balance at September 30, 2022			
Goodwill	188,763	108,078	296,841
Accumulated impairment losses	(68,257)	(40,143)	(108,400)
Net balance as of September 30, 2022	<u>\$ 120,506</u>	<u>\$ 67,935</u>	<u>\$ 188,441</u>

5. NONCONTROLLING INTEREST AND VARIABLE INTEREST ENTITIES (“VIEs”)

VIEs & Consolidation

The Company consolidates those entities in which it has a direct or indirect controlling financial interest based on either the variable interest model (the “VIE model”) or the voting interest model (the “VOE model”).

VIEs are entities that, by design, either (i) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (ii) have equity investors that do not have the ability to make significant decisions relating to the entity’s operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. The primary beneficiary is the party that has both (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance; and (ii) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE through its interest in the VIE.

To assess whether the Company has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, the Company considers all the facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes identifying the activities that most significantly impact the VIE's economic performance and identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE (typically management and representation on the board of directors as well as control of the overall strategic direction of the entity) and have the right to unilaterally remove those decision-makers are deemed to have the power to direct the activities of a VIE.

To assess whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, the Company considers all of its economic interests, which primarily include the obligation to absorb losses or fund expenditures or losses (if needed), that are deemed to be variable interests in the VIE. This assessment requires the Company to apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE. Factors considered in assessing the significance include: the design of the VIE, including its capitalization structure; subordination of interests; payment priority; relative share of interests held across various classes within the VIE's capital structure; and the reasons why the interests are held by the Company.

At the VIE's inception, the Company determines whether it is the primary beneficiary and if the VIE should be consolidated based on the facts and circumstances. The Company then performs on-going reassessments of the VIE based on reconsideration events and reevaluates whether a change to the consolidation conclusion is required each reporting period. If the Company is not deemed to be the primary beneficiary in a VIE, the Company accounts for the investment or other variable interests in a VIE in accordance with the applicable GAAP.

Entities that do not qualify as a VIE are assessed for consolidation under the VOE model. Under the VOE model, the Company consolidates the entity if it determines that it, directly or indirectly, has greater than 50% of the voting shares and that other equity holders do not have substantive voting, participating or liquidation rights. The Company has no entities consolidated under the VOE model.

At each reporting period, the Company reassesses whether it remains the primary beneficiary for VIEs consolidated under the VIE model.

Wabash Parts LLC

During the second quarter of 2022, the Company unified and expanded its parts and distribution capabilities by executing an agreement with a partner to create a new legal entity (Wabash Parts LLC, "WP") to operate a parts and services distribution platform. The Company holds 50% ownership in WP while its partner holds the remaining 50%. Initial capital contributions were insignificant. WP has no debt or other financial obligations other than typical operating expenses and costs. Creditors of WP do not have recourse to the general credit of the Company. The operating agreement requires excess cash distributions, as defined in the agreement, no later than 30 days after the end of the second and fourth quarters of each year in proportion to the respective ownership interests.

The operating agreement provides the Company's partner with a put right that would require the Company to purchase its partner's interest in WP. Upon receiving notice that the Company's partner has exercised the put right, a valuation will occur as stipulated within the operating agreement. Such put right has not been exercised by the Company's partner and is therefore not mandatorily redeemable as of the current period end date, however the existence of the put right that is beyond the Company's control requires the noncontrolling interest to be presented in the temporary equity section of the Company's Condensed Consolidated Balance Sheets.

Because the entity does not have sufficient equity at risk to permit it to carry on its activities without additional financial support, the Company concluded that WP is a VIE. The Company has the power to direct the activities of WP through majority representation on the Board of Directors as well as control related to the management and overall strategic direction of the entity. In addition, the Company has the obligation to absorb the benefits and losses of WP that could potentially be significant to the entity. The Company also has a requirement to provide funding to the entity if needed. Given the facts and circumstances specific to WP, the Company concluded that it is the primary beneficiary and, as such, is required to consolidate the entity. WP's results of operations are included in the Parts & Services operating and reportable segment. Through September 30, 2022, the Company did not provide financial or other support to this VIE that it was not contractually obligated to provide. As of September 30, 2022, the Company does not have any obligations to provide financial support to WP.

The following table presents the assets and liabilities of the WP VIE consolidated on the Company's Condensed Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,266	\$ —
Accounts receivable, net	1,776	—
Inventories, net	162	—
Prepaid expenses and other	25	—
Total current assets	3,229	—
Property, plant, and equipment, net	—	—
Other assets	157	—
Total assets	\$ 3,386	\$ —
Liabilities		
Current liabilities:		
Accounts payable	\$ 2,640	\$ —
Other accrued liabilities	—	—
Total current liabilities	2,640	—
Other non-current liabilities	—	—
Total liabilities	\$ 2,640	\$ —

The following table is a rollforward of activities in the Company's noncontrolling interest (in thousands):

	2022	2021
Balance at January 1	\$ —	\$ —
Net income attributable to noncontrolling interest	—	—
Other comprehensive income (loss)	—	—
Distributions declared to noncontrolling interest	—	—
Balance at March 31	—	—
Net income attributable to noncontrolling interest	187	—
Other comprehensive income (loss)	—	—
Distributions declared to noncontrolling interest	—	—
Balance at June 30	187	—
Net income attributable to noncontrolling interest	186	—
Other comprehensive income (loss)	—	—
Distributions declared to noncontrolling interest	—	—
Balance at September 30	\$ 373	\$ —

6. INVENTORIES, NET

Inventories are stated at the lower of cost, determined on either the first-in, first-out or average cost method, or net realizable value. Inventories, net of reserves, consist of the following components (in thousands):

	September 30, 2022	December 31, 2021
Raw materials and components	\$ 198,259	\$ 174,915
Finished goods	84,553	42,933
Work in progress	19,217	14,133
Aftermarket parts	6,794	4,903
Used trailers	878	737
	<u>\$ 309,701</u>	<u>\$ 237,621</u>

7. PREPAID EXPENSES AND OTHER

Prepaid expenses and other current assets consist of the following (in thousands):

	September 30, 2022	December 31, 2021
Chassis converter pool agreements	\$ 16,938	\$ 18,185
Assets held for sale	—	350
Income tax receivables	3,934	10,386
Insurance premiums & maintenance/subscription agreements	6,101	3,290
Commodity swap contracts	301	7,963
All other	7,977	3,621
	<u>\$ 35,251</u>	<u>\$ 43,795</u>

Chassis converter pool agreements represent chassis transferred to the Company on a restricted basis by the manufacturer, who retains the sole authority to authorize commencement of work on the chassis and to make certain other decisions with respect to the chassis including the terms and pricing of sales to the manufacturer's dealers. Assets held for sale as of December 31, 2021 related to property, plant, and equipment assets that were unused and were actively being marketed for sale. Insurance premiums and maintenance/subscription agreements are charged to expense over the contractual life, which is generally one year or less. As further described in Note 9, commodity swap contracts relate to our hedging activities (that are in an asset position) to mitigate the risks associated with fluctuations in commodity prices. Other items primarily consist of investments held by the Company's captive insurance subsidiary, unemployment tax refund receivables, and other various prepaid and other assets. As of September 30, 2022 and December 31, 2021, there was no restricted cash included in prepaid expenses and other current assets.

8. DEBT

Long-term debt consists of the following (in thousands):

	September 30, 2022	December 31, 2021
Senior Notes due 2028	\$ 400,000	\$ 400,000
Revolving Credit Agreement	48,000	33,035
	<u>448,000</u>	<u>433,035</u>
Less: unamortized discount and fees	(4,338)	(4,720)
Less: current portion	—	—
	<u>\$ 443,662</u>	<u>\$ 428,315</u>

Senior Notes due 2028

On October 6, 2021, the Company closed on an offering of \$400 million in aggregate principal amount of its 4.50% unsecured Senior Notes due 2028 (the “New Senior Notes”). The New Senior Notes were issued pursuant to an indenture dated as of October 6, 2021, by and among the Company, certain subsidiary guarantors named therein (the “Guarantors”) and Wells Fargo Bank, National Association, as trustee (the “Indenture”). The New Senior Notes bear interest at the rate of 4.50% and pay interest semi-annually in cash in arrears on April 15 and October 15 of each year. The New Senior Notes will mature on October 15, 2028. At any time prior to October 15, 2024, the Company may redeem some or all of the New Senior Notes for cash at a redemption price equal to 100% of the aggregate principal amount of the New Senior Notes being redeemed plus an applicable make-whole premium set forth in the Indenture and accrued and unpaid interest to, but not including, the redemption date.

Prior to October 15, 2024, the Company may redeem up to 40% of the New Senior Notes at a redemption price of 104.500% of the principal amount, plus accrued and unpaid interest to, but not including, the redemption date, with the proceeds of certain equity offerings so long as if, after any such redemption occurs, at least 60% of the aggregate principal amount of the New Senior Notes remain outstanding. On and after October 15, 2024, the Company may redeem some or all of the New Senior Notes at redemption prices (expressed as percentages of principal amount) equal to 102.250% for the twelve-month period beginning on October 15, 2024, 101.125% for the twelve-month period beginning October 15, 2025 and 100.000% beginning on October 15, 2026, plus accrued and unpaid interest to, but not including, the redemption date. Upon the occurrence of a Change of Control (as defined in the Indenture), unless the Company has exercised its optional redemption right in respect of the New Senior Notes, the holders of the New Senior Notes will have the right to require the Company to repurchase all or a portion of the New Senior Notes at a price equal to 101% of the aggregate principal amount of the New Senior Notes, plus any accrued and unpaid interest to, but not including, the date of repurchase.

The New Senior Notes are guaranteed on a senior unsecured basis by all direct and indirect existing and future domestic restricted subsidiaries, subject to certain restrictions. The New Senior Notes and related guarantees are the Company’s and the Guarantors’ general unsecured senior obligations and will be subordinated to all of the Company and the Guarantors’ existing and future secured debt to the extent of the assets securing that secured obligation. In addition, the New Senior Notes are structurally subordinated to any existing and future debt of any of the Company’s subsidiaries that are not Guarantors, to the extent of the assets of those subsidiaries.

Subject to a number of exceptions and qualifications, the Indenture restricts the Company’s ability and the ability of certain of its subsidiaries to: (i) incur additional indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, its capital stock or with respect to any other interest or participation in, or measured by, its profits; (iii) make loans and certain investments; (iv) sell assets; (v) create or incur liens; (vi) enter into transactions with affiliates; and (vii) consolidate, merge or sell all or substantially all of its assets. These covenants are subject to a number of important exceptions and qualifications.

During any time when the New Senior Notes are rated investment grade by at least two of Moody’s, Fitch and Standard & Poor’s Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended and the Company and its subsidiaries will cease to be subject to such covenants during such period.

The Indenture contains customary events of default, including payment defaults, breaches of covenants, failure to pay certain judgments and certain events of bankruptcy, insolvency and reorganization. If an event of default occurs and is continuing, the principal amount of the New Senior Notes, plus accrued and unpaid interest, if any, may be declared immediately due and payable. These amounts automatically become due and payable if an event of default relating to certain events of bankruptcy, insolvency or reorganization occurs. As of September 30, 2022, the Company was in compliance with all covenants.

Contractual coupon interest expense and accretion of fees for the New Senior Notes for the three- and nine-month periods ended September 30, 2022 was \$4.5 million and \$0.2 million, and \$13.5 million and \$0.5 million, respectively. Contractual coupon interest expense and accretion of fees are included in *Interest expense* in the Company’s Condensed Consolidated Statements of Operations. There was no contractual coupon interest expense and accretion of fees for the New Senior Notes during the three- and nine-month periods ended September 30, 2021.

Contractual coupon interest expense and accretion of discount and fees for the Senior Notes due 2025, which were redeemed in full during the fourth quarter of 2021, for the three- and nine-month periods ended September 30, 2021 was \$4.5 million and \$13.5 million, respectively. Contractual coupon interest expense and accretion of discount and fees are included in *Interest expense* on the Company’s Condensed Consolidated Statements of Operations.

Revolving Credit Agreement

On September 23, 2022, the Company entered into the Third Amendment to Second Amended and Restated Credit Agreement among the Company, certain of its subsidiaries as borrowers (together with the Company, the “Borrowers”), certain of its subsidiaries as guarantors, the lenders party thereto and Wells Fargo Capital Finance, LLC, as the administrative agent (the “Agent”), which amended the Company’s existing Second Amended and Restated Credit Agreement dated as of December 21, 2018 (as amended from time to time, the “Credit Agreement”).

Under the Credit Agreement, the lenders agree to make available a \$350 million revolving credit facility to the Borrowers with a scheduled maturity date of September 23, 2027. The Company has the option to increase the total commitments under the facility by up to an additional \$175 million, subject to certain conditions, including obtaining agreements from one or more lenders, whether or not party to the Credit Agreement, to provide such additional commitments. Availability under the Credit Agreement is based upon quarterly (or more frequent under certain circumstances) borrowing base certifications of the Borrowers’ eligible inventory, eligible leasing inventory and eligible accounts receivable, and is reduced by certain reserves in effect from time to time.

Subject to availability, the Credit Agreement provides for a letter of credit subfacility in the amount of \$25 million and allows for swingline loans in the amount of \$35 million. Outstanding borrowings under the Credit Agreement bear interest at an annual rate, at the Borrowers’ election, equal to (i) adjusted term Secured Overnight Financing Rate (“SOFR”) plus a margin ranging from 1.25% to 1.75% or (ii) a base rate plus a margin ranging from 0.25% to 0.75%, in each case depending upon the monthly average excess availability under the Credit Agreement. The Borrowers are required to pay a monthly unused line fee equal to 0.20% times the average daily unused availability along with other customary fees and expenses of the Agent and the lenders.

The Credit Agreement is guaranteed by certain subsidiaries of the Company (the “Guarantors”) and is secured by substantially all personal property of the Borrowers and the Guarantors.

The Credit Agreement contains customary covenants limiting the ability of the Company and certain of its subsidiaries to, among other things, pay cash dividends, incur debt or liens, redeem or repurchase stock, enter into transactions with affiliates, merge, dissolve, repay subordinated indebtedness, make investments and dispose of assets. In addition, the Company will be required to maintain a minimum fixed charge coverage ratio of not less than 1.0 to 1.0 as of the end of any period of 12 fiscal months when excess availability under the Credit Agreement is less than the greater of (a) 10.0% of the lesser of (i) the total revolving commitments and (ii) the borrowing base (such lesser amount, the “Line Cap”) and (b) \$25 million. The Company was in compliance with all covenants as of September 30, 2022.

If availability under the Credit Agreement is less than the greater of (i) 10% of the Line Cap and (ii) \$25 million for three consecutive business days, or if there exists an event of default, amounts in any of the Borrowers’ and the Guarantors’ deposit accounts (other than certain excluded accounts) will be transferred daily into a blocked account held by the Agent and applied to reduce the outstanding amounts under the facility.

The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, the lenders may, among other things, require the immediate payment of all amounts outstanding and foreclose on collateral. In addition, in the case of an event of default arising from certain events of bankruptcy or insolvency, the lenders’ obligations under the Credit Agreement would automatically terminate, and all amounts outstanding under the Credit Agreement would automatically become due and payable.

During the three- and nine-month periods ended September 30, 2022, the Company had net payments of principal of \$11.0 million and net borrowings of principal of \$15.0 million, respectively, under the Credit Agreement. As of September 30, 2022, there was \$48.0 million outstanding under the Credit Agreement. Interest expense for the three- and nine-month periods ended September 30, 2022, was approximately \$0.5 million and \$1.3 million, respectively.

During the three- and nine-month periods ended September 30, 2021, and as of September 30, 2021, there were no amounts outstanding under the Credit Agreement. The Company paid no interest under the Credit Agreement during the three- and nine-month periods ended September 30, 2021.

The Company’s liquidity position, defined as cash on hand and available borrowing capacity on the Credit Agreement, amounted to \$349.5 million as of September 30, 2022 and \$258.0 million as of December 31, 2021.

During the fourth quarter of 2021, the Company drew \$50.0 million under the Credit Agreement, a portion of which was used along with the proceeds of the New Senior Notes to fund the redemption in full of the Senior Notes due 2025, to repay in full the \$108.8 million of outstanding borrowings under the New Term Loan Credit Agreement, and to pay all related fees and expenses of the New Senior Notes.

New Term Loan Credit Agreement

As of September 30, 2021, the Company had \$108.8 million outstanding under the Company's Second Amended and Restated Credit Agreement dated as of December 21, 2018, as amended by the First Amendment to Second Amended and Restated Credit Agreement, dated September 20, 2020 (the "New Term Loan Credit Agreement") (which was repaid in full during the fourth quarter of 2021), none of which was classified as current on the Company's Condensed Consolidated Balance Sheets. For the three- and nine-month periods ended September 30, 2021, under the New Term Loan Credit Agreement the Company paid interest of \$1.1 million and \$3.8 million, respectively. In addition, during the second quarter of 2021, the Company made principal payments totaling \$30.0 million and recognized loss on debt extinguishment charges of approximately \$0.5 million. The extinguishment charges are included in *Other, net* in the Condensed Consolidated Statements of Operations.

For the three- and nine-month periods ended September 30, 2021, the Company incurred charges of less than \$0.1 million and approximately \$0.2 million, respectively, for amortization of fees and original issuance discount. Amortization of fees and original issuance discount are included in *Interest expense* in the Condensed Consolidated Statements of Operations.

9. FINANCIAL DERIVATIVE INSTRUMENTS

Commodity Pricing Risk

As of September 30, 2022, the Company was party to commodity swap contracts for specific commodities with notional amounts of approximately \$49.6 million. The Company uses commodity swap contracts to mitigate the risks associated with fluctuations in commodity prices impacting its cash flows related to inventory purchases from suppliers. The Company does not hedge all commodity price risk.

At inception, the Company designated the commodity swap contracts as cash flow hedges. The contracts mature at specified monthly settlement dates and will be recognized into earnings through January 2023. The effective portion of the hedging transaction is recognized in Accumulated Other Comprehensive Income (Loss) ("AOCI") and transferred to earnings when the forecasted hedged transaction takes place or when the forecasted hedged transaction is no longer probable to occur.

Financial Statement Presentation

As of September 30, 2022 and December 31, 2021, the fair value carrying amount of the Company's derivative instruments were recorded as follows (in thousands):

	Balance Sheet Caption	Asset / (Liability) Derivatives	
		September 30, 2022	December 31, 2021
Derivatives designated as hedging instruments			
Commodity swap contracts	Prepaid expenses and other	\$ 301	\$ 7,963
Commodity swap contracts	Accounts payable and Other accrued liabilities	(6,728)	(5,121)
Total derivatives designated as hedging instruments		<u>\$ (6,427)</u>	<u>\$ 2,842</u>

The following table summarizes the gain or loss recognized in AOCI as of September 30, 2022 and December 31, 2021 and the amounts reclassified from AOCI into earnings for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Amount of Gain Recognized in AOCI on Derivatives (Effective Portion, net of tax)		Location of Gain (Loss) Reclassified from AOCI into Earnings (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Earnings			
	September 30, 2022	December 31, 2021		Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Derivatives instruments							
Commodity swap contracts	\$ (5,345)	\$ 2,848	Cost of sales	\$ (1,956)	\$ 17,956	\$ 10,607	\$ 27,365

Over the next 12 months, the Company expects to reclassify approximately \$7.1 million of pretax deferred losses, related to the commodity swap contracts, from AOCI to cost of sales as inventory purchases are settled.

10. LEASES

The Company records a right-of-use ("ROU") asset and lease liability for substantially all leases for which it is a lessee, in accordance with Accounting Standards Codification ("ASC") 842. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company has no significant lease agreements in place for which the Company is a lessor. At inception of a contract, the Company considers all relevant facts and circumstances to assess whether or not the contract represents a lease by determining whether or not the contract conveys the right to control the use of an identified asset, either explicit or implicit, for a period of time in exchange for consideration.

The Company leases certain industrial spaces, office spaces, land, and equipment. Some leases include one or more options to renew, with renewal terms that can extend the lease term from generally one to 5 years. The exercise of lease renewal options is at the Company's sole discretion, and are included in the lease term only to the extent such renewal options are reasonably certain of being exercised at lease commencement. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. During the three and nine months ended September 30, 2022, leased assets obtained in exchange for new operating lease liabilities totaled approximately \$6.6 million and \$16.4 million, respectively. During the three and nine months ended September 30, 2021, leased assets obtained in exchange for new operating lease liabilities totaled approximately \$2.3 million and \$4.3 million, respectively. As of September 30, 2022, obligations related to operating leases that the Company has executed but have not yet commenced totaled approximately \$0.2 million on a non-discounted basis, which the Company generally expects to be recognized over the next five years.

During the three and nine months ended September 30, 2022, the Company entered into sale-leaseback-sublease transactions. Amounts related to these transactions during the three and nine months ended September 30, 2022 were insignificant. In addition, certain of the transactions occurred with a related party—such transactions were at market value and arm's length.

Leased assets and liabilities included within the Condensed Consolidated Balance Sheets consist of the following (in thousands):

	Classification	September 30, 2022	December 31, 2021
Right-of-Use Assets			
Operating	Other assets	\$ 24,429	\$ 11,379
Finance	Property, plant and equipment, net of depreciation	—	2,658
Total leased ROU assets		<u>\$ 24,429</u>	<u>\$ 14,037</u>
Liabilities			
Current			
Operating	Other accrued liabilities	\$ 6,229	\$ 3,507
Finance	Current portion of finance lease obligations	—	59
Noncurrent			
Operating	Non-current liabilities	18,200	7,872
Finance	Finance lease obligations	—	—
Total lease liabilities		<u>\$ 24,429</u>	<u>\$ 11,438</u>

Lease costs included in the Condensed Consolidated Statements of Operations consist of the following (in thousands):

	Classification	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Operating lease cost	Cost of sales, selling expenses and general and administrative expense	\$ 1,559	\$ 1,329
Finance lease cost			
Amortization of ROU leased assets	Depreciation and amortization within Cost of sales	—	36
Interest on lease liabilities	Interest expense	—	6
Net lease cost		<u>\$ 1,559</u>	<u>\$ 1,371</u>

	Classification	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating lease cost	Cost of sales, selling expenses and general and administrative expense	\$ 3,877	\$ 3,813
Finance lease cost			
Amortization of ROU leased assets	Depreciation and amortization within Cost of sales	36	108
Interest on lease liabilities	Interest expense	1	21
Net lease cost		<u>\$ 3,914</u>	<u>\$ 3,942</u>

Maturity of the Company's lease liabilities as of September 30, 2022 is as follows (in thousands):

	Operating Leases	Finance Leases	Total
2022 (remainder)	\$ 1,918	\$ —	\$ 1,918
2023	7,046	—	7,046
2024	5,934	—	5,934
2025	4,872	—	4,872
2026	4,338	—	4,338
Thereafter	3,104	—	3,104
Total lease payments	<u>\$ 27,212</u>	<u>\$ —</u>	<u>\$ 27,212</u>
Less: interest	2,783	—	
Present value of lease payments	<u>\$ 24,429</u>	<u>\$ —</u>	

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Remaining lease term and discount rates are as follows:

	September 30, 2022	December 31, 2021
Weighted average remaining lease term (years)		
Operating leases	4.2	4.3
Finance leases	0.0	0.1
Weighted average discount rate		
Operating leases	4.96 %	5.12 %
Finance leases	— %	6.16 %

Lease costs included in the Condensed Consolidated Statements of Cash Flows are as follows (in thousands):

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 3,917	\$ 3,660
Operating cash flows from finance leases	\$ 1	\$ 12
Financing cash flows from finance leases	\$ 59	\$ 259

11. OTHER ACCRUED LIABILITIES

The following table presents the major components of *Other accrued liabilities* (in thousands):

	September 30, 2022	December 31, 2021
Warranty	\$ 21,574	\$ 22,045
Chassis converter pool agreements	16,938	18,185
Payroll and related taxes	24,324	15,679
Customer deposits	32,869	17,646
Self-insurance	11,378	11,152
Accrued interest	8,375	4,288
Operating lease obligations	6,229	3,507
Accrued taxes	21,608	8,425
All other	15,020	14,389
	<u>\$ 158,315</u>	<u>\$ 115,316</u>

The following table presents the changes in the product warranty accrual included in *Other accrued liabilities* (in thousands):

	2022	2021
Balance as of January 1	\$ 22,045	\$ 20,570
Provisions and revisions to estimates	1,832	3,779
Payments	(2,303)	(2,882)
Balance as of September 30	<u>\$ 21,574</u>	<u>\$ 21,467</u>

The Company offers a limited warranty for its products with a coverage period that ranges between one and 5 years, except that the coverage period for DuraPlate® trailer panels is 10 years. The Company passes through component manufacturers' warranties to our customers. The Company's policy is to accrue the estimated cost of warranty coverage at the time of the sale.

12. FAIR VALUE MEASUREMENTS

The Company's fair value measurements are based upon a three-level valuation hierarchy. These valuation techniques are based upon the transparency of inputs (observable and unobservable) to the valuation of an asset or liability as of the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 — Valuation is based on quoted prices for identical assets or liabilities in active markets;
- Level 2 — Valuation is based on quoted prices for similar assets or liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for the full term of the financial instrument; and
- Level 3 — Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

Recurring Fair Value Measurements

The Company maintains a non-qualified deferred compensation plan which is offered to senior management and other key employees. The amount owed to participants is an unfunded and unsecured general obligation of the Company. Participants are offered various investment options with which to invest the amount owed to them, and the plan administrator maintains a record of the liability owed to participants by investment. To minimize the impact of the change in market value of this liability, the Company has elected to purchase a separate portfolio of investments through the plan administrator similar to those chosen by the participant.

The investments purchased by the Company include mutual funds, which are classified as Level 1, and life-insurance contracts valued based on the performance of underlying mutual funds, which are classified as Level 2. Additionally, the Company holds a pool of investments made by a wholly owned captive insurance subsidiary. These investments are comprised of mutual funds, which are classified as Level 1.

The fair value of the Company's derivatives is estimated with a market approach using third-party pricing services, which have been corroborated with data from active markets or broker quotes, and are classified as Level 2.

Fair value measurements and the fair value hierarchy level for the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021 are shown below (in thousands):

	Frequency	Asset / (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022					
Commodity swap contracts	Recurring	\$ (6,427)	\$ —	\$ (6,427)	\$ —
Mutual funds	Recurring	\$ 6,362	\$ 6,362	\$ —	\$ —
Life-insurance contracts	Recurring	\$ 14,474	\$ —	\$ 14,474	\$ —
December 31, 2021					
Commodity swap contracts	Recurring	\$ 2,842	\$ —	\$ 2,842	\$ —
Mutual funds	Recurring	\$ 6,183	\$ 6,183	\$ —	\$ —
Life-insurance contracts	Recurring	\$ 18,670	\$ —	\$ 18,670	\$ —

Estimated Fair Value of Debt

The estimated fair value of debt at September 30, 2022 consists primarily of the Senior Notes due 2028 and borrowings under the Credit Agreement (see Note 8). The fair value of the Senior Notes due 2028 are based upon third party pricing sources, which generally do not represent daily market activity or represent data obtained from an exchange, and are classified as Level 2. The interest rates on the Company's borrowings under the Credit Agreement are adjusted regularly to reflect current market rates and thus carrying value approximates fair value for any borrowings.

The Company's carrying and estimated fair value of debt at September 30, 2022 and December 31, 2021 were as follows (in thousands):

Instrument	September 30, 2022				December 31, 2021			
	Carrying Value	Fair Value			Carrying Value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Senior Notes due 2028	\$ 395,662	\$ —	\$ 309,020	\$ —	\$ 395,280	\$ —	\$ 399,727	\$ —
Credit Agreement	48,000	—	48,000	—	33,035	—	33,035	—
	<u>\$ 443,662</u>	<u>\$ —</u>	<u>\$ 357,020</u>	<u>\$ —</u>	<u>\$ 428,315</u>	<u>\$ —</u>	<u>\$ 432,762</u>	<u>\$ —</u>

The fair value of debt is based on current public market prices for disclosure purposes only. Unrealized gains or losses are not recognized in the financial statements as long-term debt is presented at carrying value, net of unamortized premium or discount and unamortized deferred financing costs in the condensed consolidated financial statements.

13. COMMITMENTS AND CONTINGENCIES

As of September 30, 2022, the Company was named as a defendant or was otherwise involved in numerous legal proceedings and governmental examinations, in connection with the conduct of its business activities, in various jurisdictions, both in the United States and internationally. On the basis of information currently available to it, management does not believe that existing proceedings and investigations will have a material impact on our consolidated financial condition or liquidity if determined in a manner adverse to the Company. However, such matters are unpredictable, and we could incur judgments or enter into settlements for current or future claims that could materially and adversely affect our financial statements. Costs associated with the litigation and settlements of legal matters are reported within *General and administrative expenses* in the Condensed Consolidated Statements of Operations.

Environmental Disputes

In August 2014, the Company received notice as a potentially responsible party (“PRP”) by the South Carolina Department of Health and Environmental Control (the “DHEC”) pertaining to the Philip Services Site located in Rock Hill, South Carolina pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) and corresponding South Carolina statutes. PRPs include parties identified through manifest records as having contributed to deliveries of hazardous substances to the Philip Services Site between 1979 and 1999. The DHEC’s allegation that the Company was a PRP arises out of four manifest entries in 1989 under the name of a company unaffiliated with Wabash National Corporation (or any of its former or current subsidiaries) that purport to be delivering a de minimis amount of hazardous waste to the Philip Services Site “c/o Wabash National Corporation.” As such, the Philip Services Site PRP Group (the “PRP Group”) notified Wabash in August 2014 that it was offering the Company the opportunity to resolve any liabilities associated with the Philip Services Site by entering into a Cash Out and Reopener Settlement Agreement (the “Settlement Agreement”) with the PRP Group, as well as a Consent Decree with the DHEC. The Company has accepted the offer from the PRP Group to enter into the Settlement Agreement and Consent Decree, while reserving its rights to contest its liability for any deliveries of hazardous materials to the Philips Services Site. The requested settlement payment is immaterial to the Company’s financial conditions and results of operations, and as a result, if the Settlement Agreement and Consent Decree are finalized, the payment to be made by the Company thereunder is not expected to have a material adverse effect on the Company’s financial condition or results of operations.

On November 13, 2019, the Company received a notice that it was considered one of several PRPs by the Indiana Department of Environmental Management (“IDEM”) under CERCLA and state law related to substances found in soil and groundwater at a property located at 817 South Earl Avenue, Lafayette, Indiana (the “Site”). The Company has never owned or operated the Site, but the Site is near certain of the Company’s owned properties. In 2020, the Company agreed to implement a limited work plan to further investigate the source of the contamination at the Site and worked with IDEM and other PRPs to finalize the terms of the work plan. The Company submitted its initial site investigation report to IDEM during the third quarter of 2020, indicating that the data collected by the Company’s consultant confirmed that the Company’s properties are not the source of contamination at the Site. In December 2021, after completing further groundwater sampling work, the Company submitted to IDEM a supplemental written report, which again stated that the Company is not a responsible party and the Company’s properties are not a source of any contamination. In June 2022, the Company and other PRPs finalized Work Plan Addendum No. 3, which provides for additional groundwater sampling on another PRP property in the next six months. As of September 30, 2022, based on the information available, the Company does not expect this matter to have a material adverse effect on its financial condition or results of operations.

Chassis Converter Pool Agreements

The Company obtains most vehicle chassis for its specialized vehicle products directly from the chassis manufacturers under converter pool agreements. Chassis are obtained from the manufacturers based on orders from customers, and in some cases, for unallocated orders. The agreements generally state that the manufacturer will provide a supply of chassis to be maintained at the Company's facilities with the condition that we will store such chassis and will not move, sell, or otherwise dispose of such chassis except under the terms of the agreement. In addition, the manufacturer typically retains the sole authority to authorize commencement of work on the chassis and to make certain other decisions with respect to the chassis including the terms and pricing of sales of the chassis to the manufacturer's dealers. The manufacturer also does not transfer the certificate of origin to the Company nor permit the Company to sell or transfer the chassis to anyone other than the manufacturer (for ultimate resale to a dealer). Although the Company is party to related finance agreements with manufacturers, the Company has not historically settled, nor expects to in the future settle, any related obligations in cash. Instead, the obligation is settled by the manufacturer upon reassignment of the chassis to an accepted dealer, and the dealer is invoiced for the chassis by the manufacturer. Accordingly, as of September 30, 2022, the Company's outstanding chassis converter pool with the manufacturer totaled \$16.9 million and the Company has included this financing agreement on the Company's Condensed Consolidated Balance Sheets within *Prepaid expenses and other* and *Other accrued liabilities*. All other chassis programs are handled as consigned inventory belonging to the manufacturer and totaled approximately \$0.6 million. Under these agreements, if the chassis is not delivered to a customer within a specified time frame, the Company is required to pay a finance or storage charge on the chassis. Additionally, the Company receives finance support funds from manufacturers when the chassis are assigned into the Company's chassis pool. Typically, chassis are converted and delivered to customers within 90 days of the receipt of the chassis by the Company.

14. NET INCOME PER COMMON SHARE

Basic earnings per common share is calculated based on the weighted average number of common shares outstanding during the period, including vested shares deferred under our non-qualified deferred compensation plan. Diluted earnings per common share is determined based on the weighted average number of common shares outstanding during the period combined with the incremental average common shares that would have been outstanding assuming the conversion of all potentially dilutive common shares into common shares as of the earliest date possible. The calculation of basic and diluted net income attributable to common stockholders per common share is determined using net income attributable to common stockholders as the numerator and the number of shares included in the denominator as shown below (in thousands, except per share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic net income attributable to common stockholders per share:				
Net income attributable to common stockholders	\$ 36,170	\$ 11,008	\$ 70,796	\$ 26,477
Weighted average common shares outstanding	48,515	49,974	48,849	51,116
Basic net income attributable to common stockholders per share	\$ 0.75	\$ 0.22	\$ 1.45	\$ 0.52
Diluted net income attributable to common stockholders per share:				
Net income attributable to common stockholders	\$ 36,170	\$ 11,008	\$ 70,796	\$ 26,477
Weighted average common shares outstanding	48,515	49,974	48,849	51,116
Dilutive stock options and restricted stock	887	607	802	669
Diluted weighted average common shares outstanding	49,402	50,581	49,651	51,785
Diluted net income attributable to common stockholders per share	\$ 0.73	\$ 0.22	\$ 1.43	\$ 0.51

15. STOCK-BASED COMPENSATION

The Company recognizes all share-based payments based upon their grant date fair value. The Company grants restricted stock units subject to specific service, performance, and/or market conditions. The Company's policy is to recognize expense for awards that have service conditions only subject to graded vesting using the straight-line attribution method. The fair value of service and performance-based units is based on the market price of a share of underlying common stock at the date of grant. The fair values of the awards that contain market conditions are estimated using a Monte Carlo simulation approach in a risk-neutral framework to model future stock price movements based upon historical volatility, risk-free rates of return, and correlation matrix. The amount of compensation costs related to restricted stock units and performance units not yet recognized was \$14.1 million at September 30, 2022, for which the expense will be recognized through 2025.

16. STOCKHOLDERS' EQUITY

Share Repurchase Program

In August 2021, the Company announced that the Board of Directors approved the repurchase of an additional \$150 million in shares of common stock over a three-year period. This authorization was an increase to the previous \$100 million repurchase programs approved in November 2018, February 2017, and February 2016. The repurchase program is set to expire in August 2024. Stock repurchases under this program may be made in the open market or in private transactions at times and in amounts determined by the Company. As of September 30, 2022, \$114.9 million remained available under the program.

Common and Preferred Stock

The Board of Directors has the authority to issue common and unclassified preferred stock of up to 200 million shares and 25 million shares, respectively, with par value of \$0.01 per share, as well as to fix dividends, voting and conversion rights, redemption provisions, liquidation preferences, and other rights and restrictions.

Accumulated Other Comprehensive Income (Loss)

Changes in AOCI by component, net of tax, for the nine months ended September 30, 2022 are summarized as follows (in thousands):

	Foreign Currency Translation	Derivative Instruments	Total
Balances at December 31, 2021	\$ (1,989)	\$ 2,848	\$ 859
Net unrealized gains (losses) arising during the period ^(a)	243	17,555	17,798
Less: Net realized gains (losses) reclassified to net income ^(b)	—	3,970	3,970
Net change during the period	243	13,585	13,828
Balances at March 31, 2022	(1,746)	16,433	14,687
Net unrealized gains (losses) arising during the period ^(c)	(303)	(14,165)	(14,468)
Less: Net realized gains (losses) reclassified to net income ^(d)	—	5,445	5,445
Net change during the period	(303)	(19,610)	(19,913)
Balances at June 30, 2022	(2,049)	(3,177)	(5,226)
Net unrealized gains (losses) arising during the period ^(e)	(80)	(3,634)	(3,714)
Less: Net realized gains (losses) reclassified to net income ^(f)	—	(1,466)	(1,466)
Net change during the period	(80)	(2,168)	(2,248)
Balances at September 30, 2022	\$ (2,129)	\$ (5,345)	\$ (7,474)

^(a) Derivative instruments net of \$5.9 million of tax liability for the three months ended March 31, 2022.

^(b) Derivative instruments net of \$1.3 million of tax liability for the three months ended March 31, 2022.

^(c) Derivative instruments net of \$4.7 million of tax benefit for the three months ended June 30, 2022.

^(d) Derivative instruments net of \$1.8 million of tax liability for the three months ended June 30, 2022.

^(e) Derivative instruments net of \$1.2 million of tax benefit for the three months ended September 30, 2022.

^(f) Derivative instruments net of \$0.5 million of tax benefit for the three months ended September 30, 2022.

Changes in AOCI by component, net of tax, for the nine months ended September 30, 2021 are summarized as follows (in thousands):

	Foreign Currency Translation	Derivative Instruments	Total
Balances at December 31, 2020	\$ (2,182)	\$ 9,815	\$ 7,633
Net unrealized gains (losses) arising during the period ^(g)	(303)	15,305	15,002
Less: Net realized gains (losses) reclassified to net loss ^(h)	—	775	775
Net change during the period	(303)	14,530	14,227
Balances at March 31, 2021	(2,485)	24,345	21,860
Net unrealized gains (losses) arising during the period ⁽ⁱ⁾	667	14,895	15,562
Less: Net realized gains (losses) reclassified to net income ⁽ⁱ⁾	—	6,264	6,264
Net change during the period	667	8,631	9,298
Balances at June 30, 2021	(1,818)	32,976	31,158
Net unrealized gains (losses) arising during the period ^(k)	(105)	4,244	4,139
Less: Net realized gains (losses) reclassified to net income ^(l)	—	13,431	13,431
Net change during the period	(105)	(9,187)	(9,292)
Balances at September 30, 2021	\$ (1,923)	\$ 23,789	\$ 21,866

^(g) Derivative instruments net of \$5.2 million of tax liability for the three months ended March 31, 2021.

^(h) Derivative instruments net of \$0.3 million of tax liability for the three months ended March 31, 2021.

⁽ⁱ⁾ Derivative instruments net of \$5.0 million of tax liability for the three months ended June 30, 2021.

^(j) Derivative instruments net of \$2.1 million of tax liability for the three months ended June 30, 2021.

^(k) Derivative instruments net of \$1.4 million of tax liability for the three months ended September 30, 2021.

^(l) Derivative instruments net of \$4.5 million of tax liability for the three months ended September 30, 2021.

17. INCOME TAXES

For the three months ended September 30, 2022, the Company recognized income tax expense of \$11.1 million compared to \$1.6 million for the same period in the prior year. The Company recognized income tax expense of \$21.8 million in the first nine months of 2022 compared to \$7.5 million for the same period in the prior year. The effective tax rates for the first nine months of 2022 and 2021 were 23.5% and 22.0%, respectively. For the first nine months of 2022 and 2021, the effective tax rate differs from the US Federal statutory rate of 21% primarily due to the impact of state and local taxes net of discrete items incurred related to stock-based compensation.

On August 16, 2022, the Inflation Reduction Act was signed into legislation and includes numerous tax incentives and provisions. The Company is evaluating the impact of the new legislation but does not expect a material impact on the condensed consolidated financial statements.

18. IMPAIRMENT AND SALES OF PROPERTY, PLANT, AND EQUIPMENT

During the first quarter of 2022, the Company impaired approximately \$1.0 million of construction-in-progress projects that were no longer expected to be completed. In addition, the Company sold a building (and the related land) for net proceeds of \$1.1 million. A gain on sale of approximately \$0.7 million was recognized as part of the sale. The impairment and gain on sale are included in *Impairment and other, net* in the Condensed Consolidated Statements of Operations.

During the second quarter of 2021, the Company sold its Extract Technology® (“Extract”) business that manufactured stainless steel isolators and downflow booths, as well as custom-fabricated equipment, including workstations and drum booths for the pharmaceutical, fine chemical, biotech, and nuclear end markets. Proceeds of the sale, net of transaction costs and cash divested, totaled approximately \$20.8 million. Prior to the sale, Extract was an operating unit within the Diversified Products reporting segment. A gain on sale of approximately \$1.9 million was recognized in connection with the divestiture, and a portion of the net proceeds from the sale were used to pay down outstanding principal under the New Term Loan Credit Agreement as further described in Note 8. The gain on sale is included in *Impairment and other, net* in the Condensed Consolidated Statements of Operations. In accordance with the relevant accounting guidance, as part of the sale the Company allocated \$11.1 million of goodwill based upon the relative fair value of the Extract operating unit compared to the Diversified Products reporting unit as a whole. This goodwill, along with net intangible assets of approximately \$1.3 million, were included in the carrying value of the disposed assets and the resulting gain recognized in connection with the sale.

During the first quarter of 2021, the Company impaired unused and obsolete property, plant, and equipment assets totaling approximately \$0.8 million. The impairment charges are included in *Impairment and other, net* in the Condensed Consolidated Statements of Operations.

19. SEGMENTS

a. Segment Reporting

As further described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, beginning in September 2021 the Company realigned its operating and reportable segments based on how the Chief Operating Decision Maker (“CODM”) manages the business, allocates resources, makes operating decisions, and evaluates operating performance. Based on this realignment, the Company eliminated the historical Commercial Trailer Products, Diversified Products, and Final Mile Products segments and established two operating and reportable segments: Transportation Solutions and Parts & Services.

Additional information related to the composition of each segment is included below.

- **Transportation Solutions (“TS”):** The TS segment comprises the design and manufacturing operations for the Company’s transportation-related equipment and products. This includes dry and refrigerated van trailers, platform trailers, and the Company’s wood flooring production facility, all of which were previously reported in the CTP segment. The Company’s EcoNex™ products that were historically included in both the CTP and FMP segments are now reported in the TS segment. In addition, the TS segment includes tank trailers and truck-mounted tanks that were historically reported in the DPG segment. Finally, truck-mounted dry and refrigerated bodies and service and stake bodies that were previously reported in the FMP segment are also in the TS segment.
- **Parts & Services (“P&S”):** The P&S segment is comprised of each of the Company’s historical segments’ parts and services businesses as well as the upfitting component of our truck bodies business. In addition, the Company’s Composites business, which focuses on the use of DuraPlate® composite panels beyond the semi-trailer market, is also part of the P&S segment (previously reported in the DPG segment). This segment also includes the Wabash Parts LLC parts and distribution entity we created with our partner during the second quarter of 2022 as further described in Note 5. Finally, the P&S segment includes the Company’s Engineered Products business (previously reported in the DPG segment), including stainless-steel storage tanks and silos, mixers, and processors for a variety of end markets. Growing and expanding the parts and services businesses is a key strategic initiative for the Company moving forward.

The accounting policies of the TS and P&S segments are the same as those described in the summary of significant accounting policies except that the Company evaluates segment performance based on income (loss) from operations. The Company has not allocated certain corporate related administrative costs, interest and income taxes included in the corporate and eliminations segment to the Company’s other reportable segments. The Company accounts for intersegment sales and transfers at cost. Segment assets are not presented as it is not a measure reviewed by the CODM in allocating resources and assessing performance.

Reportable segment information is as follows (in thousands):

Three Months Ended September 30, 2022	Transportation Solutions	Parts & Services	Corporate and Eliminations	Consolidated
Net sales				
External customers	\$ 609,490	\$ 45,660	\$ —	\$ 655,150
Intersegment sales	2,289	1,068	(3,357)	—
Total net sales	<u>\$ 611,779</u>	<u>\$ 46,728</u>	<u>\$ (3,357)</u>	<u>\$ 655,150</u>
Income (loss) from operations	\$ 63,274	\$ 7,732	\$ (18,131)	\$ 52,875
Three Months Ended September 30, 2021	Transportation Solutions	Parts & Services	Corporate and Eliminations	Consolidated
Net sales				
External customers	\$ 441,258	\$ 41,308	\$ —	\$ 482,566
Intersegment sales	1,378	595	(1,973)	—
Total net sales	<u>\$ 442,636</u>	<u>\$ 41,903</u>	<u>\$ (1,973)</u>	<u>\$ 482,566</u>
Income (loss) from operations	\$ 25,970	\$ 4,148	\$ (11,855)	\$ 18,263
Nine Months Ended September 30, 2022	Transportation Solutions	Parts & Services	Corporate and Eliminations	Consolidated
Net sales				
External customers	\$ 1,703,655	\$ 141,025	\$ —	\$ 1,844,680
Intersegment sales	6,171	2,806	(8,977)	—
Total net sales	<u>\$ 1,709,826</u>	<u>\$ 143,831</u>	<u>\$ (8,977)</u>	<u>\$ 1,844,680</u>
Income (loss) from operations	\$ 142,944	\$ 22,659	\$ (56,685)	\$ 108,918
Nine Months Ended September 30, 2021	Transportation Solutions	Parts & Services	Corporate and Eliminations	Consolidated
Net sales				
External customers	\$ 1,186,909	\$ 137,082	\$ —	\$ 1,323,991
Intersegment sales	3,264	1,941	(5,205)	—
Total net sales	<u>\$ 1,190,173</u>	<u>\$ 139,023</u>	<u>\$ (5,205)</u>	<u>\$ 1,323,991</u>
Income (loss) from operations	\$ 69,492	\$ 18,509	\$ (35,839)	\$ 52,162

b. Product Information

The Company offers products primarily in four general categories: (1) new trailers, (2) used trailers, (3) components, parts and services, and (4) equipment and other (which includes truck bodies). The following table sets forth the major product categories and their percentage of consolidated net sales (dollars in thousands):

Three Months Ended September 30, 2022	Transportation Solutions	Parts & Services	Eliminations	Consolidated	
New trailers	\$ 529,659	\$ 1,150	\$ (301)	\$ 530,508	81.0 %
Used trailers	—	693	—	693	0.1 %
Components, parts and services	—	34,171	—	34,171	5.2 %
Equipment and other	82,120	10,714	(3,056)	89,778	13.7 %
Total net sales	<u>\$ 611,779</u>	<u>\$ 46,728</u>	<u>\$ (3,357)</u>	<u>\$ 655,150</u>	<u>100.0 %</u>

Three Months Ended September 30, 2021	Transportation Solutions	Parts & Services	Eliminations	Consolidated	
New trailers	\$ 375,430	\$ —	\$ —	\$ 375,430	77.8 %
Used trailers	—	465	—	465	0.1 %
Components, parts and services	—	31,974	—	31,974	6.6 %
Equipment and other	67,206	9,464	(1,973)	74,697	15.5 %
Total net sales	<u>\$ 442,636</u>	<u>\$ 41,903</u>	<u>\$ (1,973)</u>	<u>\$ 482,566</u>	<u>100.0 %</u>

Nine Months Ended September 30, 2022	Transportation Solutions	Parts & Services	Eliminations	Consolidated	
New trailers	\$ 1,476,052	\$ 1,392	\$ (973)	\$ 1,476,471	80.0 %
Used trailers	—	2,382	—	2,382	0.1 %
Components, parts and services	—	105,208	—	105,208	5.7 %
Equipment and other	233,774	34,849	(8,004)	260,619	14.1 %
Total net sales	<u>\$ 1,709,826</u>	<u>\$ 143,831</u>	<u>\$ (8,977)</u>	<u>\$ 1,844,680</u>	<u>100.0 %</u>

Nine Months Ended September 30, 2021	Transportation Solutions	Parts & Services	Eliminations	Consolidated	
New trailers	\$ 966,193	\$ —	\$ —	\$ 966,193	73.0 %
Used trailers	165	1,690	—	1,855	0.1 %
Components, parts and services	—	101,747	—	101,747	7.7 %
Equipment and other	223,815	35,586	(5,205)	254,196	19.2 %
Total net sales	<u>\$ 1,190,173</u>	<u>\$ 139,023</u>	<u>\$ (5,205)</u>	<u>\$ 1,323,991</u>	<u>100.0 %</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report of Wabash National Corporation (together with its subsidiaries, the "Company," "Wabash," "we," "our," or "us") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "expect," "plan" or "anticipate" and other similar words. Our "forward-looking statements" include, but are not limited to, statements regarding:

- the highly cyclical nature of our business;
- demand for our products and the sensitivity of demand to economic conditions;
- economic weakness and its impact on the markets and customers we serve;
- our backlog and indicators of the level of our future revenues;
- the COVID-19 pandemic, or other outbreaks of disease or similar public health threats;
- reliance on a limited number of suppliers of raw materials and components, price increases of raw materials and components, and our ability to obtain raw materials and components;
- our ability to attract and retain key personnel or a sufficient workforce;
- our ability to execute on our long-term strategic plan and growth initiatives or to meet our long-term financial goals;
- our ability to successfully execute our strategic initiatives;
- volatility in the supply of vehicle chassis and other vehicle components;
- changes in our customer relationships or in the financial condition of our customers;
- significant competition in the industries in which we operate including offerings by our competitors of new or better products and services or lower prices;
- our competition in the highly competitive specialized vehicle industry;
- market acceptance of our technology and products or market share gains of competing products;
- disruptions of manufacturing operations;
- reliance on information technology to support our operations and our ability to protect against service interruptions or security breaches;
- current and future governmental laws and regulations and costs related to compliance with such laws and regulations;
- increased risks of international operations;
- changes in U.S. trade policy, including the imposition of tariffs and the resulting consequences;
- the effects of product liability and other legal claims;
- climate change and related public focus from regulators and various stakeholders;
- impairment in the carrying value of goodwill and other long-lived intangible assets;
- our ability to continue a regular quarterly dividend;
- our ability to generate sufficient cash to service all of our indebtedness;
- our indebtedness, financial condition and fulfillment of obligations thereunder;
- changes to U.S. or foreign tax laws and the effects on our effective tax rate and future profitability;
- provisions of our New Senior Notes which could discourage potential future acquisitions of us by a third party;
- the risks related to restrictive covenants in our New Senior Notes indenture and Credit Agreement (each, as defined below), including limits on financial and operating flexibility;
- price and trading volume volatility of our common stock; and
- assumptions relating to the foregoing.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in this Quarterly Report. Important risks and factors that could cause our actual results to be materially different from our expectations include the factors that are disclosed in “Item 1A-Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021. Each forward-looking statement contained in this Quarterly Report reflects our management’s view only as of the date on which that forward-looking statement was made. We are not obligated to update forward-looking statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events, except as required by law.

COVID-19 Update

The COVID-19 pandemic has created significant uncertainties and disruptions in the global economy. We continue to monitor the ongoing challenges of an endemic infection and remain focused on the health and safety of our employees, as well as the health of our business, as we manage our operating plans and consider the most recent developments, the best practice guidelines by health experts, the number of cases in the United States, and local, state, and federal requirements.

While we have moved to an endemic phase, the COVID-19 pandemic has had lasting effects and continues to cause supply chain, labor, and raw material constraints that impact global markets.

Inflationary Cost Environment and Supply Chain Disruption

During the nine months ended September 30, 2022, we have experienced inflation across our supply chain, increased freight and logistics costs, and volatility in connection with labor shortages. While the global market downturn and overall impacts on our operations are expected to be temporary, the duration and severity of the impacts cannot be estimated at this time. Continued or worsening disruptions to, and impacts on, our production, supply chain, demand for our products, and overall business could have a material adverse effect on our results of operations, financial condition, and cash flows.

Results of Operations

The following table sets forth certain operating data as a percentage of net sales for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	86.0 %	89.4 %	87.6 %	88.4 %
Gross profit	14.0 %	10.6 %	12.4 %	11.6 %
General and administrative expenses	4.3 %	4.3 %	4.6 %	5.0 %
Selling expenses	1.2 %	1.2 %	1.2 %	1.4 %
Amortization of intangibles	0.5 %	1.2 %	0.7 %	1.3 %
Impairment and other, net	0.1 %	0.1 %	— %	— %
Income from operations	8.1 %	3.8 %	5.9 %	3.9 %
Interest expense	(0.8 %)	(1.2 %)	(0.8 %)	(1.4 %)
Other, net	— %	— %	— %	— %
Income before income tax expense	7.2 %	2.6 %	5.0 %	2.6 %
Income tax expense	1.7 %	0.3 %	1.2 %	0.6 %
Net income	5.5 %	2.3 %	3.9 %	2.0 %

For the three-month period ended September 30, 2022, we recorded net sales of \$655.2 million compared to \$482.6 million in the prior year period. Net sales for the three-month period ended September 30, 2022 increased \$172.6 million, or 35.8%, compared to the prior year period, due primarily to an increase in new trailer shipments of 7.3% on account of stronger demand in these markets. In addition, despite continued supply chain challenges, new truck body shipments increased 8.9%, which drove an increase in truck body revenue of approximately \$17.5 million. The higher new trailer and truck body shipment volumes drove an increase of 38.2% in net sales within the TS reportable segment. Net sales within the P&S reportable segment increased \$4.8 million, which was due in part to the Wabash Parts LLC parts and distribution entity we created with our partner during the second quarter of 2022 as further described in Note 5, as well as overall higher demand for our parts, services, and upfitting offerings. Gross profit margin increased to 14.0% in the third quarter of 2022 compared to 10.6% in the prior year period primarily driven by higher shipments and higher revenue per new trailer unit and truck body. While we have observed a sustained increase in overall industry demand during 2022, we continue to experience some challenges as we ramp-up production, manage our supply chain, and hire additional labor. However, we remain focused on positioning ourselves to profitably capitalize on the current increase in demand and industry upswings.

For the three-month period ended September 30, 2022, selling, general and administrative expenses increased \$9.0 million as compared to the same period in 2021. As a percentage of net sales, selling, general and administrative expenses was 5.5% in the third quarter of 2022 as compared to 5.5% in the prior year period. While selling, general and administrative expenses as a percentage of net sales were consistent for each period, the overall increase in selling, general and administrative expenses in the current year period compared to the same period in the prior year was largely due to an increase in employee-related costs, including benefits and incentive programs, as well as higher professional fees and outside services costs.

Our management team continues to be focused on increasing overall stockholder value by optimizing our manufacturing operations to match the current demand environment, implementing cost savings initiatives and enterprise lean techniques, strengthening our capital structure and maintaining strong liquidity, developing innovative products that enable our customers to succeed, improving earnings, and continuing diversification of the business into higher margin opportunities that leverage our intellectual and process capabilities.

Three Months Ended September 30, 2022 Compared with the Three Months Ended September 30, 2021

Net Sales

Net sales in the third quarter of 2022 increased \$172.6 million, or 35.8%, compared to the third quarter of 2021. By business segment, prior to the elimination of intercompany sales, sales and related units sold were as follows (dollars in thousands):

	Three Months Ended September 30,		Change	
	2022	2021	Amount	%
(prior to elimination of intersegment sales)				
Sales by Segment				
Transportation Solutions	\$ 611,779	\$ 442,636	\$ 169,143	38.2 %
Parts & Services	46,728	41,903	4,825	11.5 %
Eliminations	(3,357)	(1,973)	(1,384)	
Total	\$ 655,150	\$ 482,566	\$ 172,584	35.8 %
New Units Shipped	(units)			
Trailers	13,365	12,455	910	7.3 %
Truck bodies	4,115	3,780	335	8.9 %
Total	17,480	16,235	1,245	7.7 %
Used Units Shipped	(units)			
Trailers	20	15	5	33.3 %

TS segment sales, prior to the elimination of intersegment sales, were \$611.8 million for the third quarter of 2022, an increase of \$169.1 million, or 38.2%, compared to the third quarter of 2021. New trailers shipped during the third quarter of 2022 totaled 13,365 trailers compared to 12,455 trailers in the prior year period, an increase of 7.3%. Despite continued supply chain challenges, new truck bodies shipped during the third quarter of 2022 totaled 4,115 truck bodies compared to 3,780 truck bodies in the prior year period, an increase of 8.9%. The increase in new trailer shipments resulted in an overall increase in new trailer and truck body revenue, driven by strong demand for our van, tank, and platform trailers. Revenue per new trailer unit and truck body increased across each of our product lines, due in part to pricing actions to recover increases in materials costs.

P&S segment sales, prior to the elimination of intersegment sales, were \$46.7 million for the third quarter of 2022, an increase of \$4.8 million, or 11.5%, compared to the third quarter of 2021. The overall increase in sales for this segment was due in part to the Wabash Parts LLC parts and distribution entity, which had approximately \$4.5 million of sales during the third quarter of 2022. In addition, there was overall higher demand for our parts, services, and upfitting offerings in the current year period. These increases were partially offset by the completed closure of 17 service locations during the first nine months of 2021, which attributed to approximately \$1.4 million of sales during the prior year period.

Cost of Sales

Cost of sales was \$563.1 million in the third quarter of 2022, an increase of \$131.6 million, or 30.5%, compared to the prior year period. Cost of sales is comprised of material costs, a variable expense, and other manufacturing costs, comprised of both fixed and variable expenses, including direct and indirect labor, outbound freight, overhead expenses, and depreciation.

TS segment cost of sales was \$531.0 million in the third quarter of 2022, an increase of \$133.1 million, or 33.4%, compared to the prior year period. The increase in cost of sales, which was primarily driven by higher sales and production volumes on account of stronger demand, was due to an increase in materials costs of \$99.5 million, or 35.0%, and higher labor and employee-related costs of approximately \$19.5 million. An additional increase related to other manufacturing costs, including outside services, operating supplies, repairs and maintenance, and depreciation, which totaled approximately \$10.2 million.

P&S segment cost of sales was \$35.5 million in the third quarter of 2022, an increase of \$1.9 million, or 5.6%, compared to the prior period. The increase in cost of sales for this segment was due in part to the Wabash Parts LLC parts and distribution entity, as well as overall higher demand for our parts, services, and upfitting solutions, which drove an overall increase in materials costs of approximately \$1.3 million, or 4.9%. An additional increase of approximately \$0.4 million is attributable to operating supplies, outside services costs, and repairs and maintenance.

Gross Profit

Gross profit was \$92.0 million in the third quarter of 2022, an increase of \$41.0 million from the prior year period. Gross profit as a percentage of net sales was 14.0% for the third quarter of 2022, compared to 10.6% for the same period in 2021. Gross profit by segment was as follows (dollars in thousands):

	Three Months Ended September 30,		Change	
	2022	2021	Amount	%
Gross Profit by Segment				
Transportation Solutions	\$ 80,779	\$ 44,705	\$ 36,074	80.7 %
Parts & Services	11,226	8,268	2,958	35.8 %
Corporate & Eliminations	—	(1,928)	1,928	
Total	\$ 92,005	\$ 51,045	\$ 40,960	80.2 %

TS segment gross profit was \$80.8 million for the third quarter of 2022 compared to \$44.7 million for the third quarter of 2021. Gross profit, prior to the elimination of intersegment sales, as a percentage of net sales, was 13.2% in the third quarter of 2022 compared to 10.1% in the comparative 2021 period. The overall increase in gross profit from the prior year period was primarily driven by an increase in our dry vans products of approximately \$32.4 million and our truck bodies, platforms, and tank trailers, all of which were generally attributable to higher demand for these products compared to the prior year period. Gross profit as a percentage of net sales increased from the prior year period primarily due to pricing actions to recover increases in materials costs.

P&S segment gross profit was \$11.2 million for the third quarter of 2022 compared to \$8.3 million for the third quarter of 2021. Gross profit, prior to the elimination of intersegment sales, as a percentage of net sales, was 24.0% in the third quarter of 2022 compared to 19.7% in the 2021 period. This increase was generally related to higher gross profit in our parts, services, and upfitting offerings in the current year period (due in part to product mix), as well as exit costs incurred during the third quarter of 2021 related to the closure of service locations.

General and Administrative Expenses

General and administrative expenses for the third quarter of 2022 increased \$6.9 million, or 32.8%, from the prior year period. The increase from the prior year period was due in part to an increase of approximately \$3.5 million in general and administrative employee-related costs, including benefits and incentive programs. There was also an increase in professional and outside services costs of approximately \$2.1 million. In addition, travel-related expenses increased approximately \$0.4 million. As a percentage of net sales, general and administrative expenses were 4.3% for the third quarter of 2022 compared to 4.3% for the third quarter of 2021. The overall consistency in general and administrative expenses as a percentage of net sales was primarily attributable to sales increasing in proportion to the increase in general and administrative expenses.

Selling Expenses

Selling expenses were \$7.8 million in the third quarter of 2022, an increase of \$2.2 million, or 38.7%, compared to the prior year period. The increase was primarily attributable to an increase in advertising costs of approximately \$1.3 million. In addition, there was an increase in sales employee-related costs, including benefits and incentive programs, of approximately \$0.6 million and travel-related expenses of approximately \$0.2 million. As a percentage of net sales, selling expenses were 1.2% for the third quarter of 2022 compared to 1.2% for the third quarter of 2021. The overall consistency in selling expenses as a percentage of net sales was primarily attributable to sales increasing in proportion to the increase in selling expenses.

Amortization of Intangibles

Amortization of intangibles was \$3.2 million for the third quarter of 2022 compared to \$5.6 million in the prior year period. Amortization of intangibles was the result of expenses recognized for intangible assets recorded from the acquisitions of Walker in May 2012 and Supreme in September 2017. The decrease from the prior year period is primarily attributable to the write-off of approximately \$28.3 million in trade name and trademark intangible assets during the fourth quarter of 2021 as part of our rebranding as Wabash®, which is further described in our Annual Report on Form 10-K for the year ended December 31, 2021. In addition, we sold our Extract Technology® business during the second quarter of 2021 and wrote-off the related intangible assets as part of the sale. Finally, certain of the intangible assets recorded upon the acquisition of Walker in May 2012 became fully amortized during the second quarter of 2022.

Impairment and Other, Net

Impairment and other, net was a net loss of \$0.3 million for the three months ended September 30, 2022 compared to a net loss of \$0.6 million for the three months ended September 30, 2021. Activity during the current year period primarily related to the write-off of certain IT-related assets. Activity during the prior year period related to property, plant, and equipment sales.

Other Income (Expense)

Interest expense for the third quarter of 2022 totaled \$5.2 million compared to \$5.8 million in the third quarter of 2021. Interest expense relates to interest and non-cash accretion charges on our Senior Notes due 2028 (during 2022), Credit Agreement (during 2022), Senior Notes due 2025 (during 2021), and New Term Loan Credit Agreement (during 2021). The decrease from the prior year period is primarily attributable to the repayment of the New Term Loan Credit Agreement in full during the fourth quarter of 2021, partially offset by interest on borrowings under the Credit Agreement during the third quarter of 2022.

Other, net for the third quarter of 2022 represented expense of \$0.2 million as compared to income of \$0.2 million for the prior year period. Expense for current year period and income for the prior year period are related to individually insignificant items.

Income Taxes

We recognized income tax expense of \$11.1 million in the third quarter of 2022 compared to \$1.6 million for the same period in the prior year. The effective tax rate for this period was 23.4% compared to a rate of 13.0% for the same period in the prior year. For the third quarter of 2022 and 2021, the effective tax rate differs from the U.S. Federal statutory rate of 21% primarily due to the impact of state and local taxes net of discrete items incurred related to stock-based compensation.

On August 16, 2022, the Inflation Reduction Act was signed into legislation and includes numerous tax incentives and provisions. We are evaluating the impact of the new legislation but do not expect a material impact on the condensed consolidated financial statements.

Nine Months Ended September 30, 2022 Compared with the Nine Months Ended September 30, 2021

Net Sales

Net sales in the first nine months of 2022 increased \$520.7 million, or 39.3%, compared to the first nine months of 2021. By business segment, prior to the elimination of intercompany sales, sales and related units sold were as follows (dollars in thousands):

	Nine Months Ended September 30,		Change	
	2022	2021	Amount	%
(prior to elimination of intersegment sales)				
Sales by Segment				
Transportation Solutions	\$ 1,709,826	\$ 1,190,173	\$ 519,653	43.7 %
Parts & Service	143,831	139,023	4,808	3.5 %
Eliminations	(8,977)	(5,205)	(3,772)	
Total	\$ 1,844,680	\$ 1,323,991	\$ 520,689	39.3 %
New Units Shipped	(units)			
Trailers	38,910	33,710	5,200	15.4 %
Truck bodies	11,550	13,330	(1,780)	(13.4)%
Total	50,460	47,040	3,420	7.3 %
Used Units Shipped	(units)			
Trailers	80	70	10	14.3 %

TS segment sales prior to the elimination of intersegment sales were \$1,709.8 million for the first nine months of 2022, an increase of \$519.7 million, or 43.7%, compared to the first nine months of 2021. Trailers shipped during the first nine months of 2022 totaled 38,910 trailers compared to 33,710 trailers in the prior year period, a 15.4% increase. New truck bodies shipped during the first nine months of 2022 totaled 11,550 truck bodies compared to 13,330 truck bodies in the prior year period, a decrease of 13.4%, primarily due to continued supply chain challenges. The increase in new trailer shipments resulted in an overall increase in new trailer revenue, driven by strong demand for our van, tank, and platform trailers. Despite the decrease in truck body shipments from the prior year period, truck body revenue increased approximately \$8.7 million. Revenue per new trailer unit and truck body increased, due in part to pricing actions to offset the increase in commodity costs.

P&S segment sales prior to the elimination of intersegment sales were \$143.8 million for the first nine months of 2022, an increase of \$4.8 million, or 3.5%, compared to the same period of 2021. The overall increase in sales was primarily attributable to the Wabash Parts LLC parts and distribution entity, which had approximately \$8.1 million of sales during the first nine months of 2022. In addition, there was overall higher demand for our parts, services, and upfitting offerings in the current year period. These increases in sales were partially offset by the sale of our Extract Technology® business during the second quarter of 2021, which had sales totaling approximately \$11.7 million during 2021. We also completed the closure of 17 service locations during the first nine months of 2021 that attributed to approximately \$7.4 million of sales.

Cost of Sales

Cost of sales was \$1,616.6 million in the first nine months of 2022, an increase of \$446.4 million, or 38.1%, compared to the prior year period. Cost of sales is comprised of material costs, a variable expense, and other manufacturing costs, comprised of both fixed and variable expenses, including direct and indirect labor, outbound freight, overhead expenses, and depreciation.

TS segment cost of sales was \$1,515.3 million in the first nine months of 2022, an increase of \$454.9 million, or 42.9%, compared to the prior year period. The increase in cost of sales, which was primarily driven by higher sales and production volumes on account of stronger demand, was due to an increase in materials costs of approximately \$352.2 million, or 47.5%, and higher labor and employee-related costs of approximately \$63.1 million. An additional increase related to other manufacturing costs, including outside services, operating supplies, repairs and maintenance, and depreciation, which totaled approximately \$25.3 million.

P&S segment cost of sales was \$110.3 million in the first nine months of 2022, a decrease of \$0.2 million, or 0.1%, compared to the prior period. The overall decrease in cost of sales was due to the sale of our Extract Technology® business during the second quarter of 2021 and the closure of 17 service locations during the first nine months of 2021 totaling approximately \$19.3 million. These decreases were mostly offset by increases due to the Wabash Parts LLC parts and distribution entity, as well as higher materials costs related to our other parts, services, and upfitting offerings.

Gross Profit

Gross profit was \$228.1 million in the first nine months of 2022, an increase of \$74.3 million from the prior year period. Gross profit as a percentage of sales was 12.4% for the first nine months, compared to 11.6% during the same period in 2021. Gross profit by segment was as follows (dollars in thousands):

	Nine Months Ended September 30,		Change	
	2022	2021	\$	%
Gross Profit by Segment				
Transportation Solutions	\$ 194,516	\$ 129,776	\$ 64,740	49.9 %
Parts & Services	33,578	28,912	4,666	16.1 %
Corporate & Eliminations	—	(4,869)	4,869	
Total	\$ 228,094	\$ 153,819	\$ 74,275	48.3 %

TS segment gross profit was \$194.5 million for the first nine months of 2022 compared to \$129.8 million for the prior year period. Gross profit prior to the elimination of intersegment sales, as a percentage of net sales, was 11.4% in 2022 compared to 10.9% in the prior period. The overall increase in gross profit from the prior year period was primarily driven by an increase in our dry vans products of approximately \$76.0 million and our truck bodies, platforms, and tank trailers, all of which were generally attributable to higher demand for these products compared to the prior year period. Gross profit as a percentage of net sales increased from the prior year period primarily due to pricing actions to recover increases in materials costs.

P&S segment gross profit was \$33.6 million for the first nine months of 2022 compared to \$28.9 million in the same period of 2021. Gross profit prior to the elimination of intersegment sales, as a percentage of net sales, was 23.3% in the 2022 period compared to 20.8% in the prior period. This increase was generally related to higher gross profit in our parts, services, and upfitting offerings in the current year period (due in part to product mix), as well as exit costs incurred during the third quarter of 2021 related to the closure of service locations.

General and Administrative Expenses

General and administrative expenses for the first nine months of 2022 increased \$18.4 million, or 27.5%, from the prior year period. The increase from the prior year period was due in part to an increase of approximately \$8.3 million in professional fees and outside services costs. There was also an increase in general and administrative employee-related costs, including benefits and incentive programs, of approximately \$4.2 million. In addition, depreciation, rental, and maintenance expenses increased a total of approximately \$2.4 million, and travel-related expenses increased approximately \$0.7 million. As a percentage of sales, general and administrative expenses were 4.6% for the 2022 period as compared to 5.0% for the same period of 2021. The overall decrease in general and administrative expenses as a percentage of net sales was primarily attributable to the increase in sales compared to the prior year period.

Selling Expenses

Selling expenses were \$21.3 million in the first nine months of 2022, an increase of \$3.0 million, or 16.5%, compared to the prior year period. The increase was primarily attributable to an increase in advertising costs of approximately \$2.5 million. In addition, there was an increase in professional and outside services costs of approximately \$0.7 million and travel-related expenses of approximately \$0.3 million. These increases were partially offset by a decrease in sales employee-related costs, including benefits and incentive programs, of approximately \$0.6 million. As a percentage of net sales, selling expenses were 1.2% for the 2022 period as compared to 1.4% for the same period of 2021. The overall decrease in selling expenses as a percentage of net sales was primarily attributable to the increase in sales compared to the prior year period.

Amortization of Intangibles

Amortization of intangibles was \$12.0 million for the first nine months of 2022 compared to \$17.2 million in the prior year period. Amortization of intangibles was the result of expenses recognized for intangible assets recorded from the acquisitions of Walker in May 2012 and Supreme in September 2017. The decrease from the prior year period is primarily attributable to the write-off of approximately \$28.3 million in trade name and trademark intangible assets during the fourth quarter of 2021 as part of our rebranding as Wabash®, which is further described in our Annual Report on Form 10-K for the year ended December 31, 2021. In addition, we sold our Extract Technology® business during the second quarter of 2021 and wrote-off the related intangible assets as part of the sale. Finally, certain of the intangible assets recorded upon the acquisition of Walker in May 2012 became fully amortized during the second quarter of 2022.

Impairment and Other, Net

Impairment and other, net was a net loss of \$0.7 million during the first nine months of 2022 compared to a net gain of \$0.6 million during the first nine months of 2021. The net loss during the current year period is primarily related to the impairment of \$1.0 million of construction-in-progress projects that were no longer expected to be completed and the write-off of certain IT-related assets, partially offset by the sale of a building (and the related land) as further described in Note 18. During the second quarter of 2021, we sold our Extract Technology® business and recognized a gain on sale of approximately \$1.9 million. This gain was partially offset by the impairment of unused and obsolete property, plant, and equipment assets during the first quarter of 2021 totaling approximately \$0.8 million. Additional activity during the first nine months of 2021 relates to sales of property, plant, and equipment assets.

Other Income (Expense)

Interest expense for the first nine months of 2022 totaled \$15.3 million compared to \$18.0 million in the prior year period. Interest expense relates to interest and non-cash accretion charges on our Senior Notes due 2028 (during 2022), Credit Agreement (during 2022), Senior Notes due 2025 (during 2021), and New Term Loan Credit Agreement (during 2021). The decrease from the prior year period is primarily attributable to the repayment of the New Term Loan Credit Agreement in full during the fourth quarter of 2021, partially offset by interest on borrowings under the Credit Agreement during the first nine months of 2022.

Other, net for the first nine months of 2022 represented expense of \$0.6 million as compared to expense of \$0.2 million for the prior year period. Expense for the current year period is primarily related to losses on investments held by our wholly owned captive insurance subsidiary. Expense for the prior year period is primarily attributable to debt extinguishment charges totaling \$0.5 million in connection with the \$30.0 million principal payments under our New Term Loan Credit Agreement during the second quarter, partially offset by interest income.

Income Taxes

The Company recognized income tax expense of \$21.8 million in the first nine months of 2022 compared to income tax expense of \$7.5 million for the same period in the prior year. The effective tax rates for the first nine months of 2022 and 2021 were 23.5% and 22.0%, respectively. For the first nine months of 2022 and 2021, the effective tax rate differs from the US Federal statutory rate of 21% primarily due to the impact of state and local taxes net of discrete items incurred related to stock-based compensation.

On August 16, 2022, the Inflation Reduction Act was signed into legislation and includes numerous tax incentives and provisions. We are evaluating the impact of the new legislation but do not expect a material impact on the condensed consolidated financial statements.

Liquidity and Capital Resources

Capital Structure

Our capital structure is comprised of a mix of debt and equity. As of September 30, 2022, our debt to equity ratio was approximately 1.2:1.0. Our long-term objective is to generate operating cash flows sufficient to support the growth within our businesses and increase shareholder value. This objective will be achieved through a balanced capital allocation strategy of sustaining strong liquidity, maintaining healthy leverage ratios, investing in the business, both organically and strategically, and returning capital to our shareholders. As of May 11, 2021, the Board of Directors has designated a Finance Committee for the primary purpose of assisting the Board in its oversight of the Company's capital structure, financing, investment, and other financial matters of importance to the Company.

During the first nine months of 2022, in keeping with this balanced approach, we paid dividends of approximately \$12.2 million and repurchased shares under our Board approved share repurchase program totaling \$21.2 million. Also, as further described in Note 8 in the Notes to Condensed Consolidated Financial Statements, during the third quarter of 2022 we amended our Credit Agreement, which among other things, increased the total revolving commitments to \$350.0 million and extended the maturity date to September 23, 2027. In addition, as described in our Annual Report on Form 10-K for the year ended December 31, 2021, during the fourth quarter of 2021 we used the net proceeds of the New Senior Notes due 2028 and a portion of the increased capacity under the Credit Agreement to fund the redemption in full of the Senior Notes due 2025, to repay in full the \$108.8 million of outstanding borrowings under the New Term Loan Credit Agreement, and to pay all related fees and expenses. Collectively, these actions demonstrate our confidence in the financial outlook of the Company and our ability to generate cash flow, both near and long term, and reinforce our overall commitment to deliver shareholder value while maintaining the flexibility to continue to execute our strategic plan for profitable growth and diversification.

Our liquidity position, defined as cash on hand and available borrowing capacity on the Credit Agreement, amounted to \$349.5 million as of September 30, 2022, an increase of 30% compared to \$268.7 million as of September 30, 2021 and an increase of 35% from \$258.0 million as of December 31, 2021. The increase as of September 30, 2022 compared to September 30, 2021 and December 31, 2021 is primarily attributable to higher available capacity on the Credit Agreement (which as noted above was amended during the third quarter of 2022). For the remainder of 2022 and continuing into 2023, we expect to continue our commitment to fund our working capital requirements and capital expenditures, including our previously announced plans to add 20% more dry van manufacturing capacity beginning in 2023, which will be achieved by ramping down traditional refrigerated trailer capacity and converting the floor space to create additional dry van production. Along with the increased dry van manufacturing capacity, we will also maintain our assets to capitalize on any economic and/or industry upswings, while also responsibly returning capital to our shareholders. We will continue to move rapidly to adjust to the current environment to preserve the strength of our balance sheet, while prioritizing the safety of our employees and ensuring the liquidity and financial well-being of the Company.

Debt Agreements and Related Amendments

Senior Notes due 2028

On October 6, 2021, we closed on an offering of \$400 million in aggregate principal amount of its 4.50% unsecured Senior Notes due 2028 (the “New Senior Notes”). The New Senior Notes were issued pursuant to an indenture dated as of October 6, 2021, by and among Wabash, certain subsidiary guarantors named therein (the “Guarantors”) and Wells Fargo Bank, National Association, as trustee (the “Indenture”). The New Senior Notes bear interest at the rate of 4.50% and pay interest semi-annually in cash in arrears on April 15 and October 15 of each year. The New Senior Notes will mature on October 15, 2028. At any time prior to October 15, 2024, we may redeem some or all of the New Senior Notes for cash at a redemption price equal to 100% of the aggregate principal amount of the New Senior Notes being redeemed plus an applicable make-whole premium set forth in the Indenture and accrued and unpaid interest to, but not including, the redemption date.

Prior to October 15, 2024, we may redeem up to 40% of the New Senior Notes at a redemption price of 104.500% of the principal amount, plus accrued and unpaid interest to, but not including, the redemption date, with the proceeds of certain equity offerings so long as if, after any such redemption occurs, at least 60% of the aggregate principal amount of the New Senior Notes remain outstanding. On and after October 15, 2024, we may redeem some or all of the New Senior Notes at redemption prices (expressed as percentages of principal amount) equal to 102.250% for the twelve-month period beginning on October 15, 2024, 101.125% for the twelve-month period beginning October 15, 2025 and 100.000% beginning on October 15, 2026, plus accrued and unpaid interest to, but not including, the redemption date. Upon the occurrence of a Change of Control (as defined in the Indenture), unless we have exercised its optional redemption right in respect of the New Senior Notes, the holders of the New Senior Notes will have the right to require us to repurchase all or a portion of the New Senior Notes at a price equal to 101% of the aggregate principal amount of the New Senior Notes, plus any accrued and unpaid interest to, but not including, the date of repurchase.

The New Senior Notes are guaranteed on a senior unsecured basis by all direct and indirect existing and future domestic restricted subsidiaries, subject to certain restrictions. The New Senior Notes and related guarantees are our and the Guarantors’ general unsecured senior obligations and will be subordinated to all of our and the Guarantors’ existing and future secured debt to the extent of the assets securing that secured obligation. In addition, the New Senior Notes are structurally subordinated to any existing and future debt of any of our subsidiaries that are not Guarantors, to the extent of the assets of those subsidiaries.

Subject to a number of exceptions and qualifications, the Indenture restricts our ability and the ability of certain of its subsidiaries to: (i) incur additional indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, its capital stock or with respect to any other interest or participation in, or measured by, its profits; (iii) make loans and certain investments; (iv) sell assets; (v) create or incur liens; (vi) enter into transactions with affiliates; and (vii) consolidate, merge or sell all or substantially all of its assets. These covenants are subject to a number of important exceptions and qualifications.

During any time when the New Senior Notes are rated investment grade by at least two of Moody's, Fitch and Standard & Poor's Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, many of such covenants will be suspended and we and our subsidiaries will cease to be subject to such covenants during such period.

The Indenture contains customary events of default, including payment defaults, breaches of covenants, failure to pay certain judgments and certain events of bankruptcy, insolvency and reorganization. If an event of default occurs and is continuing, the principal amount of the New Senior Notes, plus accrued and unpaid interest, if any, may be declared immediately due and payable. These amounts automatically become due and payable if an event of default relating to certain events of bankruptcy, insolvency or reorganization occurs. As of September 30, 2022, we were in compliance with all covenants.

Contractual coupon interest expense and accretion of fees for the New Senior Notes for the three- and nine-month periods ended September 30, 2022 was \$4.5 million and \$0.2 million, and \$13.5 million and \$0.5 million, respectively. Contractual coupon interest expense and accretion of fees are included in *Interest expense* in our Condensed Consolidated Statements of Operations. There was no contractual coupon interest expense and accretion of fees for the New Senior Notes during the three- and nine-month periods ended September 30, 2021.

Contractual coupon interest expense and accretion of discount and fees for the Senior Notes due 2025, which were redeemed in full during the fourth quarter of 2021, for the three- and nine-month periods ended September 30, 2021 was \$4.5 million and \$13.5 million, respectively. Contractual coupon interest expense and accretion of discount and fees are included in *Interest expense* on our Condensed Consolidated Statements of Operations.

Revolving Credit Agreement

On September 23, 2022, we entered into the Third Amendment to Second Amended and Restated Credit Agreement among us, certain of its subsidiaries as borrowers (together with us, the "Borrowers"), certain of its subsidiaries as guarantors, the lenders party thereto and Wells Fargo Capital Finance, LLC, as the administrative agent (the "Agent"), which amended our existing Second Amended and Restated Credit Agreement dated as of December 21, 2018 (as amended from time to time, the "Credit Agreement").

Under the Credit Agreement, the lenders agree to make available a \$350 million revolving credit facility to the Borrowers with a scheduled maturity date of September 23, 2027. We have the option to increase the total commitments under the facility by up to an additional \$175 million, subject to certain conditions, including obtaining agreements from one or more lenders, whether or not party to the Credit Agreement, to provide such additional commitments. Availability under the Credit Agreement is based upon quarterly (or more frequent under certain circumstances) borrowing base certifications of the Borrowers' eligible inventory, eligible leasing inventory and eligible accounts receivable, and is reduced by certain reserves in effect from time to time.

Subject to availability, the Credit Agreement provides for a letter of credit subfacility in the amount of \$25 million and allows for swingline loans in the amount of \$35 million. Outstanding borrowings under the Credit Agreement bear interest at an annual rate, at the Borrowers' election, equal to (i) adjusted term Secured Overnight Financing Rate ("SOFR") plus a margin ranging from 1.25% to 1.75% or (ii) a base rate plus a margin ranging from 0.25% to 0.75%, in each case depending upon the monthly average excess availability under the Credit Agreement. The Borrowers are required to pay a monthly unused line fee equal to 0.20% times the average daily unused availability along with other customary fees and expenses of the Agent and the lenders.

The Credit Agreement is guaranteed by certain of our subsidiaries (the "Guarantors") and is secured by substantially all personal property of the Borrowers and the Guarantors.

The Credit Agreement contains customary covenants limiting our ability and certain of its subsidiaries to, among other things, pay cash dividends, incur debt or liens, redeem or repurchase stock, enter into transactions with affiliates, merge, dissolve, repay subordinated indebtedness, make investments and dispose of assets. In addition, we will be required to maintain a minimum fixed charge coverage ratio of not less than 1.0 to 1.0 as of the end of any period of 12 fiscal months when excess availability under the Credit Agreement is less than the greater of (a) 10.0% of the lesser of (i) the total revolving commitments and (ii) the borrowing base (such lesser amount, the "Line Cap") and (b) \$25 million. We were in compliance with all covenants as of September 30, 2022.

If availability under the Credit Agreement is less than the greater of (i) 10% of the Line Cap and (ii) \$25 million for three consecutive business days, or if there exists an event of default, amounts in any of the Borrowers' and the Guarantors' deposit accounts (other than certain excluded accounts) will be transferred daily into a blocked account held by the Agent and applied to reduce the outstanding amounts under the facility.

The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, the lenders may, among other things, require the immediate payment of all amounts outstanding and foreclose on collateral. In addition, in the case of an event of default arising from certain events of bankruptcy or insolvency, the lenders' obligations under the Credit Agreement would automatically terminate, and all amounts outstanding under the Credit Agreement would automatically become due and payable.

During the three- and nine-month periods ended September 30, 2022, we had net payments of principal of \$11.0 million and net borrowings of principal of \$15.0 million, respectively, under the Credit Agreement. As of September 30, 2022, there was \$48.0 million outstanding under the Credit Agreement. Interest expense for the three- and nine-month periods ended September 30, 2022, was approximately \$0.5 million and \$1.3 million, respectively.

During the three- and nine-month periods ended September 30, 2021, and as of September 30, 2021, there were no amounts outstanding under the Credit Agreement. We paid no interest under the Credit Agreement during the three- and nine-month periods ended September 30, 2021.

Our liquidity position, defined as cash on hand and available borrowing capacity on the Credit Agreement, amounted to \$349.5 million as of September 30, 2022 and \$258.0 million as of December 31, 2021.

During the fourth quarter of 2021, we drew \$50.0 million under the Credit Agreement, a portion of which was used along with the proceeds of the New Senior Notes to fund the redemption in full of the Senior Notes due 2025, to repay in full the \$108.8 million of outstanding borrowings under the New Term Loan Credit Agreement, and to pay all related fees and expenses of the New Senior Notes.

New Term Loan Credit Agreement

As of September 30, 2021, we had \$108.8 million outstanding under the Company's Second Amended and Restated Credit Agreement dated as of December 21, 2018, as amended by the First Amendment to Second Amended and Restated Credit Agreement, dated September 20, 2020 (the "New Term Loan Credit Agreement") (which was repaid in full during the fourth quarter of 2021), none of which was classified as current on our Condensed Consolidated Balance Sheets. For the three- and nine-month periods ended September 30, 2021, under the New Term Loan Credit Agreement we paid interest of \$1.1 million and \$3.8 million, respectively. In addition, during the second quarter of 2021, we made principal payments totaling \$30.0 million and recognized loss on debt extinguishment charges of approximately \$0.5 million. The extinguishment charges are included in *Other, net* in the Condensed Consolidated Statements of Operations.

For the three- and nine-month periods ended September 30, 2021, we incurred charges of less than \$0.1 million and \$0.2 million for amortization of fees and original issuance discount. Amortization of fees and original issuance discount are included in *Interest expense* in the Condensed Consolidated Statements of Operations.

Cash Flows

Cash provided by operating activities for the first nine months of 2022 totaled \$72.2 million, compared to using \$74.2 million during the same period in 2021. Cash provided by operations during the current year period was the result of net income adjusted for various non-cash activities including depreciation, amortization, net gain on the sale of assets, deferred taxes, stock-based compensation, impairment, accretion of debt fees and discount, and a \$43.3 million increase in working capital. Changes in key working capital accounts for 2022 and 2021 are summarized below (in thousands):

	Nine Months Ended September 30,		Change
	2022	2021	
Source (Use) of cash:			
Accounts receivable	\$ (71,575)	\$ (118,176)	\$ 46,601
Inventories	(72,080)	(96,818)	24,738
Accounts payable and accrued liabilities	101,101	65,424	35,677
Net source (use) of cash	<u>\$ (42,554)</u>	<u>\$ (149,570)</u>	<u>\$ 107,016</u>

Accounts receivable increased \$71.6 million in the first nine months of 2022 as compared to a \$118.2 million increase in the prior year period. Days sales outstanding, a measure of working capital efficiency that measures the amount of time a receivable is outstanding, was 34 days and 40 days for the three months ended September 30, 2022 and 2021, respectively. The increase in accounts receivable during the first nine months of 2022 was primarily due to the increase in shipments from the prior year period as well as the timing of shipments and receipt of customer payments. Inventory increased by \$72.1 million during the first nine months of 2022 as compared to an increase of \$96.8 million in the 2021 period. Our inventory turns, a commonly used measure of working capital efficiency that measures how quickly inventory turns per year, was approximately 6 times in the 2022 period and 7 times in the 2021 period. The increase in inventory for the 2022 period was primarily attributable to higher raw materials inventory to adjust to anticipated production for the remainder of 2022 and into 2023 as well as higher finished goods inventory. Accounts payable and accrued liabilities increased by \$101.1 million in 2022 compared to an increase of \$65.4 million for the same period in 2021. Days payable outstanding, a measure of working capital efficiency that measures the amount of time a payable is outstanding, was 38 days for the three months ended September 30, 2022 compared to 38 days for the three months ended September 30, 2021.

Investing activities used \$40.9 million during the first nine months of 2022, as compared to providing \$1.8 million during the same period in 2021. Investing activities for the first nine months of 2022 included capital expenditures of \$42.3 million, which was an increase compared to \$20.2 million during the same period in 2021. For the first nine months of 2022, investing activities also included proceeds from the sale of assets of approximately \$1.4 million. Proceeds from the sale of assets during the first nine months of 2021 were approximately \$22.0 million.

Financing activities used \$21.6 million during the first nine months of 2022 as compared to using \$95.8 million during the same period in 2021. Net cash used by financing activities during the current year period primarily relates to borrowings under our Credit Agreement totaling \$72.2 million, partially offset by principal, interest, and unused fee payments made under our Credit Agreement of \$57.3 million. In addition, net cash used by financing activities during the current year period included common stock repurchases and withholdings of \$24.5 million and cash dividend payments to our shareholders of \$12.2 million. Net cash used in financing activities during the first nine months of 2021 primarily relates to common stock repurchases and withholdings of \$55.0 million, principal payments under the New Term Loan Credit Agreement totaling \$30.0 million, and cash dividend payments to our shareholders of \$12.5 million.

As of September 30, 2022, our liquidity position, defined as cash on hand and available borrowing capacity under our Credit Agreement, amounted to \$349.5 million, representing an increase of \$80.9 million (or 30%) compared to September 30, 2021 and an increase of \$91.5 million (or 35%) compared to December 31, 2021. Total debt obligations amounted to \$448.0 million as of September 30, 2022. The increase in liquidity as of September 30, 2022 compared to December 31, 2021 is primarily attributable to higher available capacity on the Credit Agreement, which was amended during the third quarter of 2022 as further described in Note 8 to the Condensed Consolidated Financial Statements. For the remainder of 2022 and continuing into 2023, we expect to continue our commitment to fund our working capital requirements and capital expenditures, including our previously announced plans to add 20% more dry van manufacturing capacity beginning in 2023, which will be achieved by ramping down traditional refrigerated trailer capacity and converting the floor space to create additional dry van production. Along with the increased dry van manufacturing capacity, we will also maintain our assets to capitalize on any economic and/or industry upswings, while also responsibly returning capital to our shareholders. We will continue to move rapidly to adjust to the current environment to preserve the strength of our balance sheet, while prioritizing the safety of our employees and ensuring the liquidity and financial well-being of the Company.

Capital Expenditures

Capital spending amounted to approximately \$42.3 million for the first nine months of 2022, and we believe our capital expenditures for 2022 will be in the range of \$80 to \$90 million. In addition to the previously announced actions to retool our existing capacity to support expanded dry van production, capital spending for 2022 has been and is expected to be utilized to support maintenance and productivity improvement initiatives within our facilities.

Goodwill

As further described in our Annual Report on Form 10-K for the year ended December 31, 2021, beginning in September 2021 we realigned our operating and reportable segments. Based on these changes, we established two operating and reportable segments: TS and P&S. These operating segments have also been determined to be the applicable reporting units for purposes of goodwill assignment and evaluation. In accordance with the relevant accounting guidance, we performed a quantitative impairment assessment of goodwill immediately prior to and subsequently following the change in segments and reporting units. The quantitative analyses did not result in any impairment charges as the fair value of each reporting unit exceeded the carrying value. In addition, as part of the change in segment structure, we reassigned goodwill from the historical CTP, DPG, and FMP reporting units to the TS and P&S reporting units using a relative fair value allocation approach as required by the relevant accounting guidance.

As further described in our Annual Report on Form 10-K for the year ended December 31, 2021, during the second quarter of 2021 we sold our Extract Technology® (“Extract”) business that manufactured stainless steel isolators and downflow booths, as well as custom-fabricated equipment, including workstations and drum booths for the pharmaceutical, fine chemical, biotech, and nuclear end markets. Prior to the divestiture Extract was an operating unit within the historical DPG reporting unit. In accordance with the relevant accounting guidance, as part of the sale we allocated \$11.1 million of goodwill based upon the relative fair value of the Extract operating unit compared to the historical DPG reporting unit as a whole. This goodwill was included in the carrying value of the disposed assets and the resulting net gain recognized in connection with the sale. Prior to and subsequent to the divestiture, we performed an impairment assessment for the historical DPG reporting unit and concluded the fair value of the reporting unit continued to exceed the carrying value.

We considered whether there were any indicators of impairment during the three and nine months ended September 30, 2022 and concluded there were none.

Contractual Obligations and Commercial Commitments

A summary of payments of our contractual obligations and commercial commitments, both on and off balance sheet, as of September 30, 2022 are as follows (in thousands):

	2022	2023	2024	2025	2026	Thereafter	Total
Debt:							
Revolving Credit Agreement (due 2027)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 48,000	\$ 48,000
Senior Notes (due 2028)	—	—	—	—	—	400,000	400,000
Interest payments on Credit Agreement and Senior Notes due 2028 ¹	9,531	20,124	20,124	20,124	20,124	37,540	127,567
Total debt	9,531	20,124	20,124	20,124	20,124	485,540	575,567
Other:							
Operating Leases	1,918	7,046	5,934	4,872	4,338	3,104	27,212
Total other	1,918	7,046	5,934	4,872	4,338	3,104	27,212
Other commercial commitments:							
Letters of Credit	5,702	—	—	—	—	—	5,702
Raw Material Purchase Commitments	49,600	—	—	—	—	—	49,600
Chassis Agreements and Programs	17,538	—	—	—	—	—	17,538
Total other commercial commitments	72,840	—	—	—	—	—	72,840
Total obligations	\$ 84,289	\$ 27,170	\$ 26,058	\$ 24,996	\$ 24,462	\$ 488,644	\$ 675,619

¹ Future interest payments on variable rate long-term debt are estimated based on the rate in effect as of September 30, 2022.

Borrowings under the Credit Agreement bear interest at a variable rate based on the Secured Overnight Financing Rate (“SOFR”) or a base rate determined by the lender’s prime rate plus an applicable margin, as defined in the agreement. Any outstanding borrowings under the Credit Agreement bear interest at a rate, at our election, equal to (i) adjusted term SOFR plus a margin ranging from 1.25% to 1.75% or (ii) a base rate plus a margin ranging from 0.25% to 0.75%, in each case depending upon the monthly average excess availability under the Credit Agreement. We are required to pay a monthly unused line fee equal to 0.20% times the average daily unused availability along with other customary fees and expenses of our agent and lenders. During the three-month period ended September 30, 2022, we had net payments of principal of \$11.0 million under the Credit Agreement. As of September 30, 2022, there was \$48.0 million outstanding under the Credit Agreement.

The Senior Notes due 2028 bear interest at the rate of 4.5% per annum from the date of issuance, payable semi-annually on April 15 and October 15.

Operating leases represent the total future minimum lease payments that have commenced. As of September 30, 2022, obligations related to operating leases that we have executed but have not yet commenced totaled approximately \$0.2 million on a non-discounted basis, which we generally expect to be recognized over the next five years.

We have standby letters of credit totaling \$5.7 million issued in connection with workers compensation claims and surety bonds.

We have \$49.6 million in purchase commitments through December 2022 for various raw material commodities, including aluminum, steel, polyethylene and nickel as well as other raw material components which are within normal production requirements.

We obtain most vehicle chassis for our specialized vehicle products directly from the chassis manufacturers under converter pool agreements. Chassis are obtained from the manufacturers based on orders from customers, and to a lesser extent, for unallocated orders. Although each manufacturer’s agreement has different terms and conditions, the agreements generally state that the manufacturer will provide a supply of chassis to be maintained from time to time at our various facilities with the condition that we will store such chassis and will not move, sell, or otherwise dispose of such chassis except under the terms of the agreement. The manufacturer transfers the chassis to us on a “restricted basis,” retaining the sole authority to authorize commencement of work on the chassis and to make certain other decisions with respect to the chassis including the terms and pricing of sales of the chassis to the manufacturer’s dealers. The manufacturer also does not transfer the certificate of origin to us nor permit us to sell or transfer the chassis to anyone other than the manufacturer (for ultimate resale to a dealer). Although we are party to related finance agreements with manufacturers, we have not historically settled, nor expect to in the future settle, any related obligations in cash. Instead, the obligation is settled by the manufacturer upon reassignment of the chassis to an accepted dealer, and the dealer is invoiced for the chassis by the manufacturer. Accordingly, as of September 30, 2022 our outstanding chassis converter pool with the manufacturer totaled \$16.9 million and we have included this financing agreement on our Condensed Consolidated Balance Sheets within *Prepaid expenses and other* and *Other accrued liabilities*. All other chassis programs are handled as consigned inventory belonging to the manufacturer and totaled approximately \$0.6 million. Under these agreements, if the chassis is not delivered to a customer within a specified time frame, we are required to pay a finance or storage charge on the chassis. Additionally, we receive finance support funds from manufacturers when the chassis are assigned into our chassis pool. Typically, chassis are converted and delivered to customers within 90 days of our receipt of the chassis.

Backlog

Orders that have been confirmed by customers in writing, have defined delivery time frames, and can be produced during the next 18 months are included in our backlog. Orders that comprise our backlog may be subject to changes in quantities, delivery, specifications, terms, or cancellation. Our backlog of orders was approximately \$2,319 million at September 30, 2022, which is a 1% increase from approximately \$2,297 million at June 30, 2022 and a 20% increase from \$1,929 million at September 30, 2021. The increase from Q3 2021 is primarily related to increased demand and higher pricing for our products in 2022 and into 2023. We believe our backlog of orders is strong and shows the strength of our customers’ businesses from first to final mile. We expect to complete the majority of our backlog orders as of September 30, 2022 within approximately 15 months of this date.

Outlook

The trailer industry generally follows the transportation industry’s cycles. According to ACT Research Company (“ACT”), total United States trailer production in 2021 was approximately 267,000 trailers, a 30% increase from 2020’s softened demand that was worsened and magnified by the uncertainty and economic impact caused by the COVID-19 pandemic. While there remains some uncertainty in the industry, particularly around supply chain disruptions and labor shortages that are partially due to COVID-19 impacts, the outlook for the overall trailer market is strong, and we believe our backlog of orders provides a solid foundation for the remainder of 2022 and 2023. Current estimates from ACT and FTR Associations (“FTR”) for 2022 United States trailer production are 306,000 and 303,000, respectively, representing increases from 2021 of approximately 15% and 13%, respectively. These increases are generally in-line with our expectations due to strong 2022 demand throughout the industry.

ACT is forecasting annual new trailer production levels for 2023, 2024, 2025, 2026, and 2027 of approximately 302,000, 275,000, 309,000, 286,000, and 298,000, respectively. In addition, FTR is forecasting annual new trailer production levels of 325,000 and 310,000 for 2023 and 2024, respectively. While these estimates are more historically consistent production levels in the trailer industry, and in some cases higher, industry forecasters note that certain issues, such as continued supply chain disruptions and staffing challenges, could impact these estimates. We believe we are well positioned to capitalize on strong demand in 2023 and beyond, and that the production estimates above will remain above replacement demand over the next several years.

Other potential risks we face for the remainder of 2022 and entering into 2023 primarily relate to our ability to effectively manage our manufacturing operations, including ongoing labor shortages, disruption of our supply chain, and our overall business with the increase in production to meet demand. In addition, the cost of raw materials, commodities, and components are also potential risks. Significant increases in the cost of certain commodities, raw materials or components have had, and may continue to have, an adverse effect on our results of operations. As has been our practice, we will endeavor to pass raw material and component price increases to our customers in addition to continuing our cost management and hedging activities in an effort to minimize the risk that changes in material costs could have on our operating results. In addition, we rely on a limited number of suppliers for certain key components and raw materials in the manufacturing of our products, including tires, landing gear, axles, suspensions, aluminum extrusions, chassis and specialty steel coil. At the current and expected demand levels, there may be additional or increased shortages of supplies of raw materials or components which would have an adverse impact on our ability to meet demand for our products. Despite these risks, we believe we are well positioned to capitalize on strong overall demand levels while maintaining or growing margins through improvements in product pricing as well as productivity and other operational excellence initiatives.

For the remainder of 2022 and entering into 2023, we will continue to adjust to changes in the current environment, preserve the strength of our balance sheet, prioritize the safety of our employees, and ensure the liquidity and financial well-being of the Company. We believe we remain well-positioned for both near-term and long-term success in the trailer industry because: (1) our core customers are among the major participants in the trucking industry; (2) our technology and innovation provides value-added solutions for our customers by reducing trailer operating costs, improving revenue opportunities, and solving unique transportation problems; (3) our Wabash Management System (“WMS”) principles and processes and enterprise-wide lean efforts drive focus on the interconnected processes that are critical for success across our business; (4) our significant brand recognition, including our January 2022 rebranding as Wabash®, presence throughout North America, and the utilization of our extensive dealer network to market and sell our products; and (5) our One Wabash approach to create a consistent, superior experience for all customers who seek our solutions in the transportation, logistics, and distribution markets. By continuing to be the visionary leader in the transportation, logistics, and distribution industries we expect to leverage our existing assets and capabilities into higher margin products and markets by delivering value-added customer solutions.

Critical Accounting Policies and Estimates

We have included a summary of our Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to the summary provided in that report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In addition to the risks inherent in our operations, we have exposure to financial and market risk resulting from volatility in commodity prices, interest rates and foreign exchange rates. The following discussion provides additional detail regarding our exposure to these risks.

Commodity Prices

We are exposed to fluctuation in commodity prices through the purchase of various raw materials that are processed from commodities such as aluminum, steel, lumber, nickel, copper, and polyethylene. Given the historical volatility of certain commodity prices, this exposure can significantly impact product costs. We manage some of our commodity price changes by entering into fixed price contracts with our suppliers and through financial derivatives. To the extent that we are unable to offset the increased commodity costs in our product prices, our results would be materially and adversely affected. As of September 30, 2022, we had \$49.6 million in raw material purchase commitments through December 2022 for materials that will be used in the production process, as compared to \$129.6 million as of December 31, 2021. We typically do not set prices for our products more than 45-90 days in advance of our commodity purchases and can, subject to competitive market conditions, take into account the cost of the commodity in setting our prices for each order. As of September 30, 2022, a hypothetical ten percent change in commodity prices based on our raw material purchase commitments through December 2022 would result in a corresponding change in cost of goods sold of approximately \$5.0 million. This sensitivity analysis does not account for the change in the competitive environment indirectly related to the change in commodity prices and the potential managerial action taken in response to these changes.

Interest Rates

As of September 30, 2022, we had \$48.0 million of floating rate debt outstanding under our Credit Agreement. As further described in our Annual Report on Form 10-K for the year ended December 31, 2021, we repaid the outstanding balance in full under our New Term Loan Credit Agreement during the fourth quarter of 2021, which had a floating rate of interest. Based on the current borrowings under our Credit Agreement, a hypothetical 100 basis-point change in the floating interest rate would result in a corresponding change in interest expense over a one-year period of approximately \$0.5 million. This sensitivity analysis does not account for the change in the competitive environment indirectly related to the change in interest rates and the potential managerial action taken in response to these changes.

Foreign Exchange Rates

We are subject to fluctuations in the Mexican peso exchange rates that impact transactions with our foreign subsidiaries, as well as U.S. denominated transactions between these foreign subsidiaries and unrelated parties. A ten percent change in the Mexican peso exchange rates would have an immaterial impact on results of operations. We do not hold or issue derivative financial instruments for speculative purposes.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were effective as of September 30, 2022.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the third quarter of fiscal year 2022 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

See Item 3 of Part I of our Annual Report on Form 10-K for the year ended December 31, 2021. See also Note 13, "Commitments and Contingencies", to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report.

Item 1A. Risk Factors

You should carefully consider the risks described in our Annual Report on Form 10-K for the year ended December 31, 2021 including those under the heading "Risk Factors" appearing in Item 1A of Part I of the Form 10-K and other information contained in this Quarterly Report before investing in our securities. Realization of any of these risks could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Our Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Amount That May Yet Be Purchased Under the Plans or Programs (\$ in millions)
July 1 - 31, 2022	224,231	\$ 14.93	223,509	\$ 122.8
August 1 - 31, 2022	223,021	\$ 18.05	222,385	\$ 118.7
September 1 - 30, 2022	245,950	\$ 15.64	245,950	\$ 114.9
Total	693,202	\$ 16.19	691,844	\$ 114.9

In August 2021, the Company announced that the Board of Directors approved the repurchase of an additional \$150 million in shares of common stock over a three-year period. This authorization was an increase to the previous \$100 million repurchase programs approved in November 2018, February 2017, and February 2016. The repurchase program is set to expire in August 2024. For the quarter ended September 30, 2022, we repurchased 691,844 shares pursuant to our repurchase program. Additionally, during this period there were 1,358 shares repurchased to cover minimum employee tax withholding obligations upon the vesting of restricted stock awards.

Item 6. Exhibits

(a) Exhibits

<u>10.1</u>	<u>Third Amendment to Second Amended and Restated Credit Agreement dated as of September 23, 2022, among Wabash National Corporation, certain subsidiaries of Wabash National Corporation, the lenders from time to time party thereto and Wells Fargo Capital Finance, LLC as arranger and administrative agent (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Wabash National Corporation filed September 26, 2022 (File No. 1-10883)).</u>
<u>31.1</u>	<u>Certification of Principal Executive Officer</u>
<u>31.2</u>	<u>Certification of Principal Financial Officer</u>
<u>32.1</u>	<u>Written Statement of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)</u>
101	The following materials from Wabash National Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 are filed herewith, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at September 30, 2022 and December 31, 2021, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2022 and 2021, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2022 and 2021, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2022 and 2021, (v) the Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2022 and 2021, and (vi) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File (formatting as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WABASH NATIONAL CORPORATION

Date: October 26, 2022

By: /s/ Michael N. Pettit
Michael N. Pettit
Senior Vice President and Chief Financial Officer (Principal
Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brent L. Yeagy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wabash National Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2022

By: /s/ Brent L. Yeagy

Brent L. Yeagy
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael N. Pettit, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wabash National Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2022

By: /s/ Michael N. Pettit
Michael N. Pettit
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

**Written Statement of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**

The undersigned, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Wabash National Corporation (the “Company”), each hereby certifies that, to his knowledge, on October 26, 2022:

- (a) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2022, filed on October 26, 2022 with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brent L. Yeagy

Brent L. Yeagy

President and Chief Executive Officer

October 26, 2022

/s/ Michael N. Pettit

Michael N. Pettit

Senior Vice President and Chief Financial Officer

October 26, 2022

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Wabash National Corporation and will be retained by Wabash National Corporation and furnished to the Securities and Exchange Commission or its staff upon request.