

November 4, 2019



## UPDATE - Douglas Dynamics Reports Third Quarter 2019 Results

**Net Sales and Net Income up 14% and 25% respectively, year over year**

### Third Quarter Highlights:

- Produced record Net Sales of \$142 million, a 14% increase over Q3 2018
- Net Income and Adjusted EBITDA increased 25% and 22% respectively, compared to Q3 2018
- Ongoing positive demand trends for both segments coupled with DDMS initiatives yielding improved results
- Paid \$0.2725 per share cash dividend on September 30, 2019
- Reaffirming 2019 outlook

MILWAUKEE, Nov. 04, 2019 (GLOBE NEWSWIRE) -- Douglas Dynamics, Inc. (NYSE: PLOW), North America's premier manufacturer and upfitter of work truck attachments and equipment, today announced financial results for the third quarter ended September 30, 2019.

"We have sustained our positive momentum into the third quarter with our strong financial performance reflecting positive demand and strong execution in both segments," explained Bob McCormick, President and CEO. "We are pleased with the ongoing progress with DDMS in the Solutions segment, which bodes well for the future. We continue to leverage our core competencies in Work Truck Attachments to consistently execute effectively and position the segment for long-term profitable growth. As we head into the fourth quarter, we believe that we are well-positioned to continue to execute and deliver shareholder value."

### Consolidated Third Quarter 2019 Results

| \$ in millions<br>(except Margins & EPS) | Q3 2019 | Q3 2018 |
|------------------------------------------|---------|---------|
| Net Sales                                | \$141.9 | \$124.8 |
| Gross Profit Margin                      | 28.2%   | 28.0%   |
| Income from Operations                   | \$19.9  | \$15.5  |
| Net Income                               | \$12.4  | \$9.9   |
| Diluted EPS                              | \$0.53  | \$0.43  |
| Adjusted EBITDA                          | \$25.1  | \$20.5  |
| Adjusted EBITDA Margin                   | 17.7%   | 16.4%   |

|                      |        |        |
|----------------------|--------|--------|
| Adjusted Net Income  | \$12.8 | \$10.1 |
| Adjusted Diluted EPS | \$0.55 | \$0.44 |

- Record third quarter Net Sales were mainly attributable to ongoing favorable demand trends.
- Increased Adjusted EBITDA related to continued strength in the Work Truck Attachments segment and improved operational performance in the Work Truck Solutions segment, plus pricing increases in both segments.
- Gross Profit Margin was in-line with the prior year, while Adjusted EBITDA Margin increased 130 basis points.

### Work Truck Attachments Segment Third Quarter 2019 Results

| \$ in millions<br>(except Adjusted EBITDA Margin) | Q3 2019 | Q3 2018 |
|---------------------------------------------------|---------|---------|
| Net Sales                                         | \$75.6  | \$69.8  |
| Adjusted EBITDA                                   | \$18.7  | \$18.8  |
| Adjusted EBITDA Margin                            | 24.7%   | 26.9%   |

- Net Sales increased 8% over the prior year, mainly attributable to a strong conclusion to the pre-season shipment period.
- As expected, the Company experienced an approximate 60%-40% split of pre-season ordering between the second and third quarter of 2019, similar to trends in 2018.
- Adjusted EBITDA was in line with the prior year, while Adjusted EBITDA margins were slightly down due to the impacts of material cost inflation, changes in product mix, plus increased corporate costs related to ongoing investments in the business.

### Work Truck Solutions Segment Third Quarter 2019 Results

| \$ in millions<br>(except Adjusted EBITDA Margin) | Q3 2019 | Q3 2018 |
|---------------------------------------------------|---------|---------|
| Net Sales                                         | \$66.2  | \$55.0  |
| Adjusted EBITDA                                   | \$6.4   | \$1.7   |
| Adjusted EBITDA Margin                            | 9.7%    | 3.2%    |

- Record revenue and Adjusted EBITDA for the segment is mainly attributable to a combination of increased volumes, improved operational performance, price recovery on higher material costs, and greater predictability into Class 8 chassis supply.
- The improved Adjusted EBITDA Margin is primarily driven by global sourcing efforts, DDMS improvement initiatives and continued lower spending.

### Dividend & Liquidity

- Quarterly cash dividend of \$0.2725 per share of the Company's common stock was declared on September 5, 2019, and paid on September 30, 2019, to stockholders of record as of the close of business on September 20, 2019.
- Net Cash Used in Operating Activities for the first nine months of 2019 increased to \$21.2 million from \$17.9 million used during the first nine months of 2018, due to a higher receivable balance resulting from strong 2019 sales.
- Free Cash Flow for the first nine months of 2019 decreased to \$(29.0) million from \$(24.2) million for the first nine months of 2018 due to the timing of working capital invested in accounts receivable.

## **Outlook**

McCormick noted, “Based on our strong year-to-date performance and current visibility, we are reaffirming our overall 2019 outlook. While Class 8 chassis deliveries aren’t expected to improve materially until 2020, the Solutions team has done a tremendous job mitigating the impact of these short-term obstacles and making improvements that we expect will serve us well going forward. As usual, the Attachments team is poised and ready to execute at consistently high levels when the snow starts to fly. Despite potential macroeconomic challenges, we see significant long-term growth opportunities, and remain confident regarding our future prospects.”

The 2019 financial outlook remains unchanged:

- Net Sales are expected to be between \$520 million and \$560 million.
- Adjusted EBITDA is predicted to range from \$95 million to \$115 million.
- Adjusted Earnings Per Share are expected to be in the range of \$2.00 per share to \$2.40 per share.
- The effective tax rate is expected to be approximately 25%.
- The 2019 outlook assumes that the Company’s core markets will experience average snowfall levels.

## **Earnings Conference Call Information**

- The Company will host a conference call on Tuesday, November 5, 2019 at 10:00 a.m. Eastern Time (9:00 a.m. Central Time). To join the conference call, please dial (877) 369-6591 domestically, or (253) 237-1176 internationally.
- The call will also be available via the Investor Relations section of the Company’s website at [www.douglasdynamics.com](http://www.douglasdynamics.com). For those who cannot listen to the live broadcast, replays will be available for one week following the call.

## **About Douglas Dynamics**

Home to the most trusted brands in the industry, Douglas Dynamics is North America’s premier manufacturer and up-fitter of commercial work truck attachments and equipment. For more than 70 years, the Company has been innovating products that not only enable people to perform their jobs more efficiently and effectively, but also enable businesses to increase profitability. Through its proprietary Douglas Dynamics Management System (DDMS), the Company is committed to continuous improvement aimed at consistently producing the highest quality products, at industry-leading levels of service and delivery that ultimately drive shareholder value. The Douglas Dynamics portfolio of products and services is separated into two segments: First, the Work Truck Attachments segment, which includes commercial snow and ice control equipment sold under the FISHER®, SNOWEX® and WESTERN® brands. Second, the Work Truck Solutions segment, which includes the up-fit of market leading attachments and storage solutions under the HENDERSON® brand, and the DEJANA® brand and its related sub-brands.

## **Use of Non-GAAP Financial Measures**

This press release contains financial information calculated other than in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). The non-GAAP measures used in

this press release are Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings Per Share, and Free Cash Flow. The Company believes that these non-GAAP measures are useful to investors and other external users of its consolidated financial statements in evaluating the Company's operating performance as compared to that of other companies. Reconciliations of these non-GAAP measures to the nearest comparable GAAP measures can be found immediately following the Consolidated Statements of Cash Flows included in this press release.

Adjusted EBITDA represents net income before interest, taxes, depreciation, and amortization, as further adjusted for stock-based compensation, severance, litigation proceeds, non-cash purchase accounting adjustments and certain charges related to unrelated legal fees and consulting fees. The Company uses Adjusted EBITDA in evaluating the Company's operating performance because it provides the Company and its investors with additional tools to compare its operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect the Company's core operations. The Company's management also uses Adjusted EBITDA for planning purposes, including the preparation of its annual operating budget and financial projections, and to evaluate the Company's ability to make certain payments, including dividends, in compliance with its senior credit facilities, which is determined based on a calculation of "Consolidated Adjusted EBITDA" that is substantially similar to Adjusted EBITDA.

Adjusted Net Income and Adjusted Earnings Per Share (calculated on a diluted basis) represents net income and earnings per share (as defined by GAAP), excluding the impact of stock-based compensation, severance, litigation proceeds, non-cash purchase accounting adjustments, and certain charges related to unrelated legal fees and consulting fees, net of their income tax impact. Management believes that Adjusted Net Income and Adjusted Earnings Per Share are useful in assessing the Company's financial performance by eliminating expenses and income that are not reflective of the underlying business performance.

Free Cash Flow is a non-GAAP financial measure that we define as net cash provided by (used in) operating activities less capital expenditures. Free Cash Flow should be evaluated in addition to, and not considered a substitute for, other financial measures such as Net Income and Net Cash Provided by Operating Activities. We believe that free cash flow represents our ability to generate additional cash flow from our business operations.

With respect to the Company's 2019 guidance, the Company is not able to provide a reconciliation of the non-GAAP financial measures to GAAP because it does not provide specific guidance for the various extraordinary, nonrecurring, or unusual charges and other certain items. These items have not yet occurred, are out of the Company's control and/or cannot be reasonably predicted. As a result, reconciliation of the non-GAAP guidance measures to GAAP is not available without unreasonable effort and the Company is unable to address the probable significance of the unavailable information.

### **Forward Looking Statements**

This press release contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information relating to future events, future financial performance, strategies, expectations,

competitive environment, regulation, product demand, the payment of dividends, and availability of financial resources. These statements are often identified by use of words such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will" and similar expressions and include references to assumptions and relate to our future prospects, developments, and business strategies. Such statements involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, weather conditions, particularly lack of or reduced levels of snowfall and the timing of such snowfall, our inability to maintain good relationships with our distributors, our inability to maintain good relationships with the original equipment manufacturers with whom we currently do significant business, lack of available or favorable financing options for our end-users, distributors or customers, the potential that we may be required to recognize goodwill impairment attributable to our Work Truck Solutions segment, increases in the price of steel or other materials, including as a result of tariffs, necessary for the production of our products that cannot be passed on to our distributors, increases in the price of fuel or freight, a significant decline in economic conditions, the inability of our suppliers and original equipment manufacturer partners to meet our volume or quality requirements, inaccuracies in our estimates of future demand for our products, our inability to protect or continue to build our intellectual property portfolio, the effects of laws and regulations and their interpretations on our business and financial condition, our inability to develop new products or improve upon existing products in response to end-user needs, losses due to lawsuits arising out of personal injuries associated with our products, factors that could impact the future declaration and payment of dividends, our inability to compete effectively against competition, our inability to achieve the projected financial performance with the assets of Dejana Truck & Utility Equipment Company, Inc., which we acquired in 2016, and unexpected costs or liabilities related to such acquisitions, as well as those discussed in the section entitled "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2018. You should not place undue reliance on these forward-looking statements. In addition, the forward-looking statements in this release speak only as of the date hereof and we undertake no obligation, except as required by law, to update or release any revisions to any forward-looking statement, even if new information becomes available in the future.

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## Financial Statements

Douglas Dynamics, Inc.  
Consolidated Statements of Income  
(In thousands, except share and per share data)

| Three Month Period Ended |                    | Nine Month Period Ended |                    |
|--------------------------|--------------------|-------------------------|--------------------|
| September 30, 2019       | September 30, 2018 | September 30, 2019      | September 30, 2018 |
| (unaudited)              |                    | (unaudited)             |                    |

|                                                                                 |            |            |            |            |
|---------------------------------------------------------------------------------|------------|------------|------------|------------|
| Net sales                                                                       | \$141,869  | \$ 124,832 | \$ 411,412 | \$ 372,242 |
| Cost of sales                                                                   | 101,930    | 89,912     | 288,934    | 261,446    |
| Gross profit                                                                    | 39,939     | 34,920     | 122,478    | 110,796    |
| Selling, general, and administrative expense                                    | 17,269     | 16,592     | 52,680     | 53,281     |
| Intangibles amortization                                                        | 2,737      | 2,868      | 8,217      | 8,605      |
| Income from operations                                                          | 19,933     | 15,460     | 61,581     | 48,910     |
| Interest expense, net                                                           | (4,271 )   | (4,379 )   | (12,610 )  | (12,420 )  |
| Other expense, net                                                              | (120 )     | (12 )      | (416 )     | (479 )     |
| Income before taxes                                                             | 15,542     | 11,069     | 48,555     | 36,011     |
| Income tax expense                                                              | 3,113      | 1,148      | 10,949     | 6,802      |
| Net income                                                                      | \$12,429   | \$9,921    | \$37,606   | \$29,209   |
| Weighted average number of common shares outstanding:                           |            |            |            |            |
| Basic                                                                           | 22,795,412 | 22,700,991 | 22,773,546 | 22,675,450 |
| Diluted                                                                         | 22,832,170 | 22,726,517 | 22,808,722 | 22,697,259 |
| Earnings per share:                                                             |            |            |            |            |
| Basic earnings per common share attributable to common shareholders             | \$ 0.54    | \$ 0.43    | \$ 1.63    | \$ 1.27    |
| Earnings per common share assuming dilution attributable to common shareholders | \$ 0.53    | \$ 0.43    | \$ 1.61    | \$ 1.26    |
| Cash dividends declared and paid per share                                      | \$ 0.27    | \$ 0.27    | \$ 0.82    | \$ 0.80    |

**Douglas Dynamics, Inc.**  
**Consolidated Balance Sheets**  
(In thousands)

|                                                | September 30,<br>2019<br>(unaudited) | December 31,<br>2018<br>(unaudited) |
|------------------------------------------------|--------------------------------------|-------------------------------------|
| <b>Assets</b>                                  |                                      |                                     |
| Current assets:                                |                                      |                                     |
| Cash and cash equivalents                      | \$ 4,870                             | \$ 27,820                           |
| Accounts receivable, net                       | 153,231                              | 81,485                              |
| Inventories                                    | 90,406                               | 81,996                              |
| Inventories - truck chassis floor plan         | 19,709                               | 4,204                               |
| Refundable income taxes paid                   | 171                                  | -                                   |
| Prepaid and other current assets               | 4,163                                | 3,590                               |
| Total current assets                           | 272,550                              | 199,095                             |
| Property, plant, and equipment, net            | 56,764                               | 55,195                              |
| Goodwill                                       | 241,006                              | 241,006                             |
| Other intangible assets, net                   | 166,461                              | 174,678                             |
| Operating lease - right of use asset           | 22,203                               | -                                   |
| Other long-term assets                         | 7,925                                | 6,219                               |
| Total assets                                   | \$766,909                            | \$676,193                           |
| <b>Liabilities and stockholders' equity</b>    |                                      |                                     |
| Current liabilities:                           |                                      |                                     |
| Accounts payable                               | \$ 16,995                            | \$ 18,703                           |
| Accrued expenses and other current liabilities | 27,613                               | 23,306                              |

|                                            |           |           |
|--------------------------------------------|-----------|-----------|
| Floor plan obligations                     | 19,709    | 4,204     |
| Operating lease liability - current        | 3,626     | -         |
| Income taxes payable                       | -         | 106       |
| Short term borrowings                      | 57,000    | -         |
| Current portion of long-term debt          | 2,143     | 32,749    |
| Total current liabilities                  | 127,086   | 79,068    |
| Retiree health benefit obligation          | 6,531     | 6,240     |
| Pension obligation                         | 2,480     | 2,129     |
| Deferred income taxes                      | 48,640    | 48,198    |
| Long-term debt, less current portion       | 242,411   | 242,946   |
| Operating lease liability - noncurrent     | 18,813    | -         |
| Other long-term liabilities                | 20,944    | 14,856    |
| Total stockholders' equity                 | 300,004   | 282,756   |
| Total liabilities and stockholders' equity | \$766,909 | \$676,193 |

**Douglas Dynamics, Inc.**  
**Consolidated Statements of Cash Flows**  
(In thousands)

|                                                                               | <b>Nine Month Period Ended</b> |                           |
|-------------------------------------------------------------------------------|--------------------------------|---------------------------|
|                                                                               | <b>September 30, 2019</b>      | <b>September 30, 2018</b> |
|                                                                               | <i>(unaudited)</i>             |                           |
| <b>Operating activities</b>                                                   |                                |                           |
| Net income                                                                    | \$ 37,606                      | \$ 29,209                 |
| Adjustments to reconcile net income to net cash used in operating activities: |                                |                           |
| Depreciation and amortization                                                 | 14,335                         | 14,215                    |
| Loss on disposal of fixed assets                                              | -                              | 185                       |
| Amortization of deferred financing costs and debt discount                    | 910                            | 911                       |
| Stock-based compensation                                                      | 3,061                          | 4,180                     |
| Provision for losses on accounts receivable                                   | 988                            | 446                       |
| Deferred income taxes                                                         | 442                            | 7,178                     |
| Earnout liability                                                             | (217 )                         | -                         |
| Changes in operating assets and liabilities:                                  |                                |                           |
| Accounts receivable                                                           | (72,734 )                      | (47,105 )                 |
| Inventories                                                                   | (8,410 )                       | (19,795 )                 |
| Prepaid and other assets and refundable income taxes paid                     | (2,450 )                       | (4,093 )                  |
| Accounts payable                                                              | (1,594 )                       | (872 )                    |
| Accrued expenses and other current liabilities                                | 4,418                          | 4,360                     |
| Benefit obligations and other long-term assets and liabilities                | 2,476                          | (6,723 )                  |
| Net cash used in operating activities                                         | (21,169 )                      | (17,904 )                 |
| <b>Investing activities</b>                                                   |                                |                           |
| Capital expenditures                                                          | (7,801 )                       | (6,302 )                  |
| Net cash used in investing activities                                         | (7,801 )                       | (6,302 )                  |
| <b>Financing activities</b>                                                   |                                |                           |
| Shares withheld on restricted stock vesting paid for employees' taxes         | (50 )                          | (23 )                     |
| Dividends paid                                                                | (18,879 )                      | (18,291 )                 |
| Net revolver borrowings                                                       | 57,000                         | 38,000                    |
| Repayment of long-term debt                                                   | (32,051 )                      | (32,355 )                 |
| Net cash provided by (used in) financing activities                           | 6,020                          | (12,669 )                 |
| Change in cash and cash equivalents                                           | (22,950 )                      | (36,875 )                 |
| Cash and cash equivalents at beginning of year                                | 27,820                         | 36,875                    |
| Cash and cash equivalents at end of period                                    | \$4,870                        | \$ -                      |

**Non-cash operating and financing activities**

Truck chassis inventory acquired through floorplan obligations

|    |        |    |        |
|----|--------|----|--------|
| \$ | 40,974 | \$ | 30,034 |
|----|--------|----|--------|

**Douglas Dynamics, Inc.**  
**Segment Disclosures (unaudited)**  
(In thousands)

|                               | <b>Three Months<br/>Ended September<br/>30, 2019</b> | <b>Three Months<br/>Ended September<br/>30, 2018</b> | <b>Nine Months<br/>Ended September<br/>30, 2019</b> | <b>Nine Months<br/>Ended September<br/>30, 2018</b> |
|-------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| <b>Work Truck Attachments</b> |                                                      |                                                      |                                                     |                                                     |
| Net Sales                     | \$ 75,632                                            | \$ 69,806                                            | \$ 213,693                                          | \$ 197,931                                          |
| Adjusted EBITDA               | \$ 18,673                                            | \$ 18,780                                            | \$ 59,423                                           | \$ 60,226                                           |
| Adjusted EBITDA Margin        | 24.7 %                                               | 26.9 %                                               | 27.8 %                                              | 30.4 %                                              |
| <b>Work Truck Solutions</b>   |                                                      |                                                      |                                                     |                                                     |
| Net Sales                     | \$ 66,237                                            | \$ 55,026                                            | \$ 197,719                                          | \$ 174,311                                          |
| Adjusted EBITDA               | \$ 6,393                                             | \$ 1,738                                             | \$ 18,772                                           | \$ 7,448                                            |
| Adjusted EBITDA Margin        | 9.7 %                                                | 3.2 %                                                | 9.5 %                                               | 4.3 %                                               |

**Douglas Dynamics, Inc.**  
**Net Income to Adjusted EBITDA reconciliation (unaudited)**  
(In thousands)

|                                              | <b>Three month period ended September<br/>30,</b> |             | <b>Nine month period ended September<br/>30,</b> |             |
|----------------------------------------------|---------------------------------------------------|-------------|--------------------------------------------------|-------------|
|                                              | <b>2019</b>                                       | <b>2018</b> | <b>2019</b>                                      | <b>2018</b> |
| <b>Net income</b>                            | \$ 12,429                                         | \$ 9,921    | \$ 37,606                                        | \$ 29,209   |
| Interest expense - net                       | 4,271                                             | 4,379       | 12,610                                           | 12,420      |
| Income tax expense                           | 3,113                                             | 1,148       | 10,949                                           | 6,802       |
| Depreciation expense                         | 1,991                                             | 1,916       | 6,118                                            | 5,610       |
| Intangibles amortization                     | 2,737                                             | 2,868       | 8,217                                            | 8,605       |
| <b>EBITDA</b>                                | 24,541                                            | 20,232      | 75,500                                           | 62,646      |
| Stock-based compensation                     | 525                                               | 15          | 3,061                                            | 4,180       |
| Purchase accounting (1)                      | -                                                 | -           | (217 )                                           | -           |
| Other charges (2)                            | -                                                 | 271         | (149 )                                           | 848         |
| <b>Adjusted EBITDA</b>                       | \$ 25,066                                         | \$ 20,518   | \$ 78,195                                        | \$ 67,674   |
| Adjusted EBITDA as a percentage of Net sales | 17.7 %                                            | 16.4 %      | 19.0 %                                           | 18.2 %      |

(1) Reflects reversal of earn-out compensation acquired in conjunction with the acquisition of Henderson in the periods presented.

(2) Reflects one time, unrelated legal, severance and consulting fees for the periods presented.

**Douglas Dynamics, Inc.**  
**Reconciliation of Net Income to Adjusted Net Income (unaudited)**  
(In thousands, except share and per share data)

| <b>Three month period ended<br/>September 30,</b> |             | <b>Nine month period ended<br/>September 30,</b> |             |
|---------------------------------------------------|-------------|--------------------------------------------------|-------------|
| <b>2019</b>                                       | <b>2018</b> | <b>2019</b>                                      | <b>2018</b> |



|                                                              |                  |                  |                  |                  |
|--------------------------------------------------------------|------------------|------------------|------------------|------------------|
| <b>Net income</b>                                            | \$ 12,429        | \$ 9,921         | \$ 37,606        | \$ 29,209        |
| Adjustments:                                                 |                  |                  |                  |                  |
| Stock based compensation                                     | 525              | 15               | 3,061            | 4,180            |
| Purchase accounting (1)                                      | -                | -                | (217 )           | -                |
| Other charges (2)                                            | -                | 271              | (149 )           | 848              |
| Tax effect on adjustments                                    | (131 )           | (71 )            | (674 )           | (1,257 )         |
| <b>Adjusted net income</b>                                   | <u>\$ 12,823</u> | <u>\$ 10,136</u> | <u>\$ 39,627</u> | <u>\$ 32,980</u> |
| Weighted average common shares outstanding assuming dilution | 22,832,170       | 22,726,517       | 22,808,722       | 22,697,259       |
| Adjusted earnings per common share - dilutive                | \$ 0.55          | \$ 0.44          | \$ 1.70          | \$ 1.42          |
| <b>GAAP diluted income per share</b>                         | \$ 0.53          | \$ 0.43          | \$ 1.61          | \$ 1.26          |
| Adjustments net of income taxes:                             |                  |                  |                  |                  |
| Stock based compensation                                     | 0.02             | -                | 0.10             | 0.14             |
| Purchase accounting (1)                                      | -                | -                | (0.01 )          | -                |
| Other charges (2)                                            | -                | 0.01             | -                | 0.02             |
| <b>Adjusted diluted earnings per share</b>                   | <u>\$ 0.55</u>   | <u>\$ 0.44</u>   | <u>\$ 1.70</u>   | <u>\$ 1.42</u>   |

(1) Reflects reversal of earn-out compensation acquired in conjunction with the acquisition of Henderson in the periods presented.

(2) Reflects one time, unrelated legal, severance and consulting fees for the periods presented.

**Douglas Dynamics, Inc.**  
**Free Cash Flow reconciliation (unaudited)**  
(In thousands)

|                                       | <b>Three month period ended September 30,</b> |                     | <b>Nine month period ended September 30,</b> |                     |
|---------------------------------------|-----------------------------------------------|---------------------|----------------------------------------------|---------------------|
|                                       | <b>2019</b>                                   | <b>2018</b>         | <b>2019</b>                                  | <b>2018</b>         |
| Net cash used in operating activities | \$ (20,849 )                                  | \$ (28,895 )        | \$ (21,169 )                                 | \$ (17,904 )        |
| Acquisition of property and equipment | (2,350 )                                      | (2,223 )            | (7,801 )                                     | (6,302 )            |
| Free cash flow                        | <u>\$ (23,199 )</u>                           | <u>\$ (31,118 )</u> | <u>\$ (28,970 )</u>                          | <u>\$ (24,206 )</u> |



Source: Douglas Dynamics, Inc.