



BLUE BIRD[®]

**BLUE BIRD CORPORATION
(NASDAQ: BLBD)**

**Fiscal 2022 Third
Quarter Results**

Earnings Conference Call
August 10, 2022

Agenda

**Introductions &
Forward-Looking Statements**

Mark Benfield
Executive Director, Investor Relations

Results and Highlights

Matthew Stevenson
President & CEO

Financial Results

Razvan Radulescu
CFO

Outlook

Matthew Stevenson
President & CEO

Q&A

Group



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This presentation includes forward-looking statements, including statements regarding full-year guidance and seasonality, that are subject to risks that could cause actual results to be materially different. Those risks include, among others, matters we have noted in our latest earnings release and filings with the SEC. Blue Bird disclaims any obligation to update information in this presentation. Additional information regarding the use of non-GAAP financial measures is presented in the Appendix to this presentation.

Important Disclaimers

Forward Looking Statements

This presentation includes forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for our business. Specifically, forward-looking statements include statements regarding guidance, seasonality, product mix and gross profits and may include statements relating to:

- Inherent limitations of internal controls impacting financial statements
- Growth opportunities
- Future profitability
- Ability to expand market share
- Customer demand for certain products
- Economic conditions (including tariffs) that could affect fuel costs, commodity costs, industry size and financial conditions of our dealers and suppliers
- Labor or other constraints on the Company’s ability to maintain a competitive cost structure
- Volatility in the tax base and other funding sources that support the purchase of buses by our end customers
- Lower or higher than anticipated market acceptance for our products
- Other statements preceded by, followed by or that include the words “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “target” or similar expressions
- Future impacts from the novel coronavirus pandemic known as "COVID-19," and any other pandemics, public health crises, or epidemics, on capital markets, manufacturing and supply chain abilities, consumer and customer demand, school system operations, workplace conditions, and any other unexpected impacts

These forward-looking statements are based on information available as of the date of this presentation, and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. The factors described above, as well as risk factors described in reports filed with the SEC by Blue Bird Corporation (available at www.sec.gov), could cause our actual results to differ materially from estimates or expectations reflected in such forward-looking statements.

Forward-looking statements in this document also may include, but are not limited to, statements regarding the pricing of the share repurchase, the potential tender offer by Blue Bird for shares of its common stock, and the benefits and timing of any potential tender offer. Many risks, contingencies and uncertainties could cause actual results to differ materially from Blue Bird’s forward-looking statements. Among these factors are the risk that Blue Bird may decide not to commence the tender offer, and that if Blue Bird does commence a tender offer, that the offer may not be completed.



Important Disclaimers

Non-GAAP Financial Measures

This presentation may include the following non-GAAP financial measures: “Adjusted EBITDA,” “Adjusted EBITDA Margin,” “Adjusted Net Income,” “Adjusted Diluted Earnings per Share,” “Free Cash Flow” and “Adjusted Free Cash Flow.” Additional information on the calculation of some of these terms is included in the Appendix.

Adjusted EBITDA is defined as net income or loss prior to discontinued operations income or loss, interest income, interest expense including the component of lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our GAAP financial statements) that represents interest expense on lease liabilities, income taxes, depreciation and amortization including the component of lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our GAAP financial statements) that represents amortization charges on right-to-use lease assets, and disposals, as adjusted to add back certain charges that we may record each year, such as stock-compensation expense, as well as non-recurring charges such as (i) significant product design changes; (ii) transaction related costs; (iii) discrete expenses related to major cost cutting initiatives; or (iv) costs directly attributed to the COVID-19 pandemic (3). We believe these expenses are not considered an indicator of ongoing company performance. We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of net sales.

Adjusted Net Income is net income or loss as adjusted to add back certain costs as mentioned above. Adjusted Diluted Earnings per Share represents Adjusted Net Income or loss available to common stockholders divided by diluted weighted average common shares outstanding (as if we had GAAP net income during the respective period). Adjusted Net Income and Adjusted Diluted Earnings per Share are calculated net of taxes.

Free cash flow represents net cash provided by/used in operating activities minus cash paid for fixed assets, Adjusted Free Cash Flow represents Free Cash Flow minus cash paid for (i) significant product design changes; (ii) transaction related costs; or (iii) discrete expenses related to major cost cutting initiatives.

There are limitations to using non-GAAP measures. Although Blue Bird believes that such measures may enhance an evaluation of Blue Bird’s operating performance and cash flows, (i) other companies in Blue Bird’s industry may define such measures differently than Blue Bird does and, as a result, they may not be comparable to similarly titled measures used by other companies in Blue Bird’s industry and (ii) such measures may exclude certain financial information that some may consider important in evaluating Blue Bird’s performance and cash flows.





RESULTS AND HIGHLIGHTS

Matthew Stevenson
President & CEO

3QFY2022 Financial Results and Ongoing Business Highlights

FINANCIAL HIGHLIGHTS

Third Quarter FY2022

UNITS SOLD
1,726
(298) vs. '21

NET SALES
\$206M
\$9M vs. '21

Adjusted EBITDA
\$9M
\$(4)M vs. '21

Adjusted FCF
\$(40)M
\$(35)M vs. '21

BUSINESS HIGHLIGHTS



Record Backlog
6.3k Units¹
(~\$700M)




Pricing actions taking hold

Announced EV Repower Program




With Lightning eMotors for Gas and Propane Buses




Driving Alt. Power mix of 63% in backlog, up 11 pts.

Launched Blue Bird Energy Services



Blue Bird Approved Options for Hardware

- Option 1**
 - 400-1000 kWh AC Charger
 - High Capacity Charger (200kW)
 - 100kW AC/DC (217V) Converter
 - Smart charging software for fleet operation
- Option 2**
 - 400-1000 kWh AC Charger
 - Smart charging software for fleet operation
 - 100kW AC/DC (217V) Converter
 - Smart charging software for fleet operation
- Option 3**
 - 400-1000 kWh AC Charger
 - Smart charging software for fleet operation
 - 100kW AC/DC (217V) Converter
 - Smart charging software for fleet operation



380+ EV's in firm order Backlog¹

Phase 1 of EPA Funding Applications Active




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Key Takeaways for the Quarter



Strong Market Demand & Backlog



Aggressive Cost Mitigation Actions



Improving Pricing on Backlog & New Orders



Improving Parts Availability and Quality and Reducing Manuf. Costs



Continuing Leadership in EV & Alternative Fuels

Improving operating environment; however, concern persists around semiconductors

FY2022 3Q Overview

Market Demand is Strong

- Industry YTD order intake ~30% higher than prior year and ~14% higher than FY2019¹, Industry backlog at ~10 months of production
- Strong backlog of \$700M+ (6,300 units²) / 63% alternative fuel
- Over 380 EVs in the backlog, strong demand from 1st round of infrastructure funding not yet included
- Adjusting our operations to prepare for production increase when the supply chain stabilizes

Aggressive Cost Mitigation Actions

- Right-sized organization to the current production rate
- Implemented executive pay cuts and other aggressive measures to ensure profitability
- Delayed projects not critical to core growth initiatives
- Continuing programs to expand EV production and launch commercial EV chassis
- Reduced operating costs by over \$7m through CY22

Pricing for Economics

- Partnered with franchised dealers to partially recover pricing on the backlog
- Avg. SGM/unit in our backlog has doubled since the start of the fiscal year
- 25% price increase (since June '21) active on all new orders
- Implemented indexed pricing on longer-term deals
- Longer-term commodity outlook improving (impact FY23)

Strong demand, improved cost structure, and increasing margins



FY2022 3Q Overview (cont.)

Improving Parts Availability

- Focused leadership, new processes, and increased resources in the team starting to have an impact
- Re-engineered material flow to improve production availability
- Re-sourced, dual sourced, and sourcing for our supply base
- Missing parts per bus remained elevated at ~25 through Q3; has started to improve in July to ~15
- Now starting to see clean buses, all parts at set-up
- A few key problematic supplies remain

Improving Quality & Reducing Cost

- 3Q DPU's reduced by nearly 50% vs 1Q
- Continue to improve paint process and quality; new quality metrics and checkpoints established
- Lean initiatives already reduced 20+ hours out of standard YTD
- See clear path to 30% reduction in hours per bus (HPB) by 2025
- Implemented new shift pattern and labor model to be optimized around current production volume

Continuing Leadership in EV & Alternative Fuels

- Recently announced EV Repower program for Gas and Propane buses; expect orders in CY2023
- Expanded ecosystem with Blue Bird Energy Services, turn-key infrastructure solutions for customers
- EV commercial chassis interest is building – ongoing discussions with major customers
- Construction progressing on ~40,000 sq. ft. building for EV Chassis final assembly and commissioning
- Expanding production to 12 per day by end of 1H 2023, then to 20 per day by the end of CY2023

Improving parts availability and underlying operations while continuing to progress our leadership in EV





FINANCIAL RESULTS

Razvan Radulescu
CFO

Q3 Income Statement

(\$ Millions)	FY2022	FY2021	B/(W)
Unit Volume	1,726	2,024	(298)
Unit Backlog	6,297	3,946	2,351
Net Revenue	\$206.1	\$196.7	\$9.4
<i>Bus Rev./Unit (\$000's)</i>	<i>\$108.1</i>	<i>\$89.8</i>	<i>\$18.3</i>
Gross Margin	10.5%	13.3%	(280) bps
Adj. Net Income ¹	\$(2.9)	\$5.2	\$(8.1)
Adj. EBITDA ¹	\$8.8	\$13.2	\$(4.4)
Adj. EBITDA Margin ¹	4.3%	6.7%	(240) bps
Adj. Diluted EPS ¹	\$(0.09)	\$0.19	\$(0.28)

Good Adj. EBITDA result posted in Q3 despite 15% less volume and greater supply chain challenges

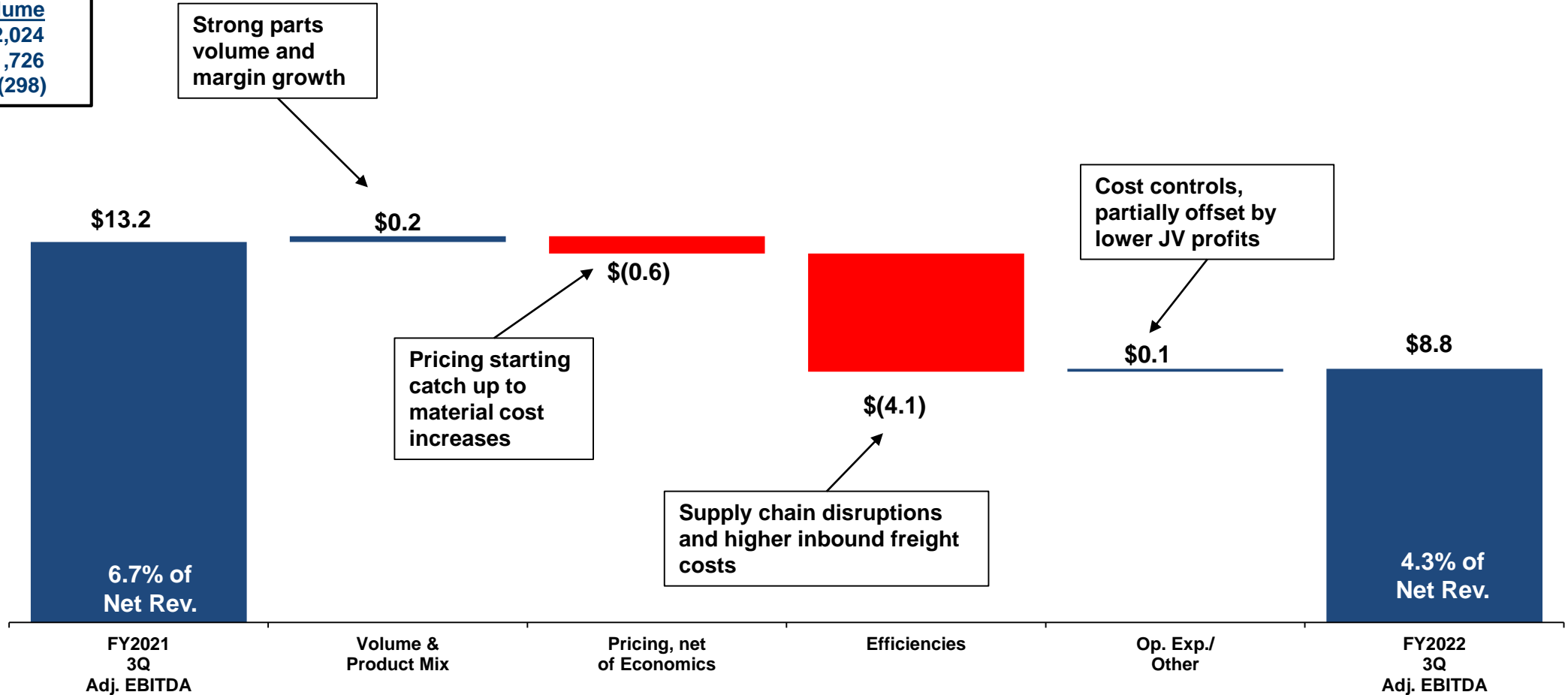


¹See appendix for additional detail regarding non-GAAP measures

FY2021 Q3 to FY2022 Q3 Actuals Adj. EBITDA Walk

(\$ Millions)

Q3 Unit Volume	
FY2021	2,024
FY2022	1,726
Variance	(298)



Pricing actions covered the economics; Disruptions still adversely impacted Q3 results

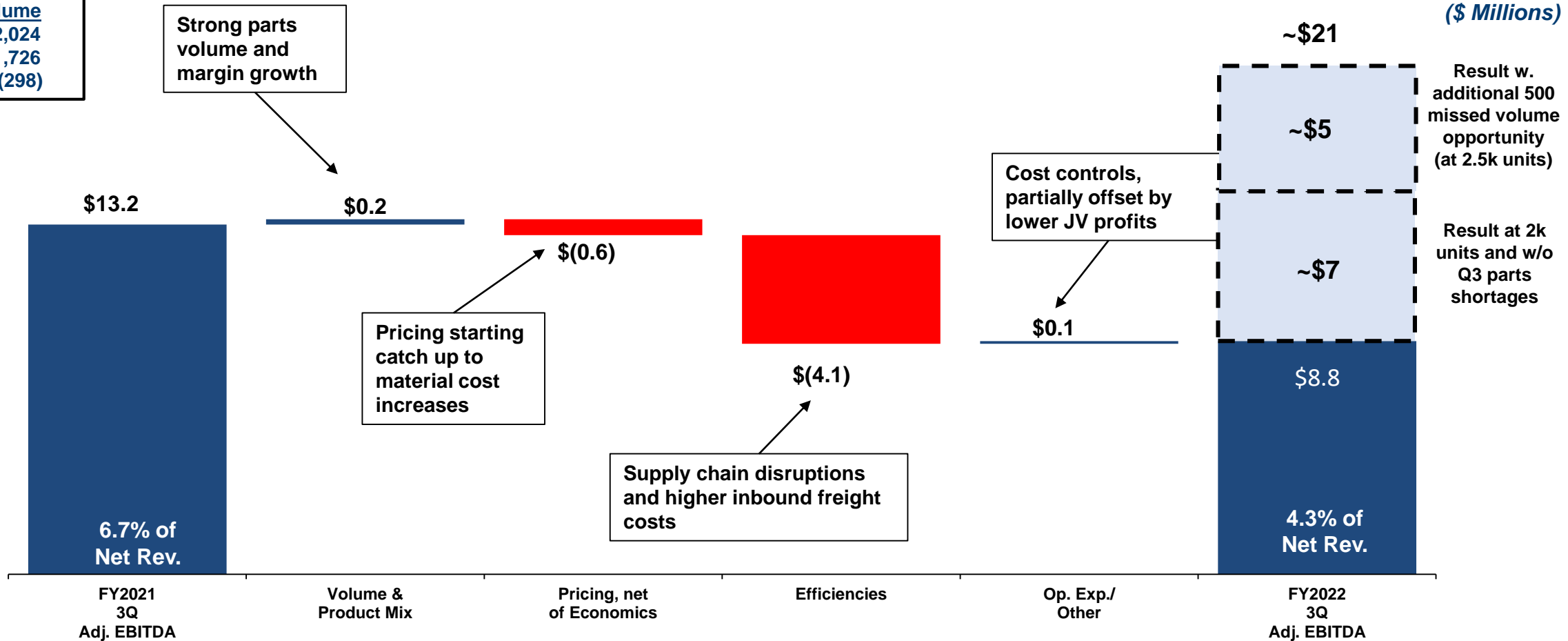


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See appendix for additional detail regarding non-GAAP measures

Normalized Q3 result w/o supply chain constraints at ~\$21M

Q3 Unit Volume	
FY2021	2,024
FY2022	1,726
Variance	(298)



Pricing actions covered the economics; Disruptions still adversely impacted Q3 results



FY22 Q3 vs Q2 Income Statement strong financials recovery

(\$ Millions)	FY2022 Q3	FY2022 Q2	B/(W)	
Unit Volume	1,726	1,931	(205)	↓
Unit Backlog	6,297	6,607	(310)	↓
Net Revenue	\$206.1	\$207.7	(1.6)	↓
<i>Bus Rev./Unit (\$000's)</i>	<i>\$108.1</i>	<i>\$97.6</i>	<i>\$10.5</i>	↑
Gross Margin	10.5%	1.5%	9.0%	↑
Adj. Net Income ¹	\$(2.9)	\$(10.1)	7.2	↑
Adj. EBITDA ¹	\$8.8	\$(10.7)	19.5	↑
Adj. EBITDA Margin ¹	4.3%	(5.1)%	9.4%	↑
Adj. Diluted EPS ¹	\$(0.09)	\$(0.31)	\$0.22	↑

Significant turnaround in Q3 vs Q2 on all metrics (except units), in-line-with with plan



¹See appendix for additional detail regarding non-GAAP measures

Balance Sheet and Liquidity

(\$ Millions)	As of July 2, 2022
Debt ¹	\$213.6
Cash ¹	26.5
Net Debt ¹	\$187.1
Net Debt / Adjusted EBITDA ¹	20.1x
Net Leverage Ratio ²	23.7x
TTM EBITDA ² versus a minimum required TTM EBITDA covenant of \$(6.8)M	\$8.7
Liquidity ^{2 3} versus a Q3 minimum required liquidity covenant level of \$15.0M	\$60.2

We met all the active covenants in Q3



¹ Represents a reported amount or calculation based upon reported amounts
² Represents an amount or calculation as defined in the Credit Agreement dated as of December 12, 2016 as amended
³ Liquidity is defined as cash and cash equivalents plus availability on our revolving line of credit

Balance Sheet and Cash Flow Summary

(\$ Millions)	3Q FY2022	3Q FY2021	B/(W)
Cash	\$26.5	\$11.2	\$15.3
Debt	\$213.6	\$166.6	\$(47.0)
Operating Cash Flow	\$(43.0)	\$(3.0)	\$(40.0)
Adj. Free Cash Flow ¹	\$(40.2)	\$(5.5)	\$(34.7)
Trade Working Capital*	\$(45.5)	\$(13.2)	\$(32.3)

Free Cash Flow decreased primarily due to higher inventories, including strategic pre-buys

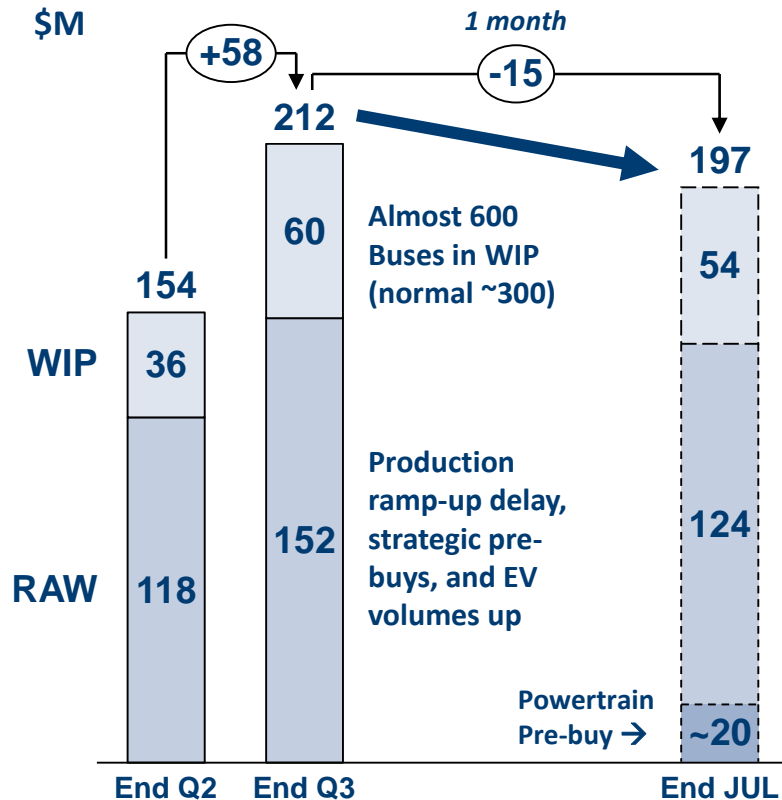


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* Inventories, accounts receivable and accounts payable

¹See appendix for additional detail regarding non-GAAP measures

Inventory increase due to supply chain constraining planned Q3 production ramp-up, and strategic pre-buys



Q3 Production ramp-up was constrained

- Production ramp-up initiated in February for Q3
- Ukraine war / China COVID lockdowns created new shortages
- Inbound Inventory accumulated throughout Q3
- Significant reduction already in process through July

Major components strategic pre-buy

- Strategic pre-buy of Ford/Roush engines for FY23
- Pre-buy of batteries and EV powertrain kits, high cost components
- Q4 EV chip shortage delays conversion to cash into FY23 Q1

Strong demand and backlog supported by high inventory levels and strategic pre-buys

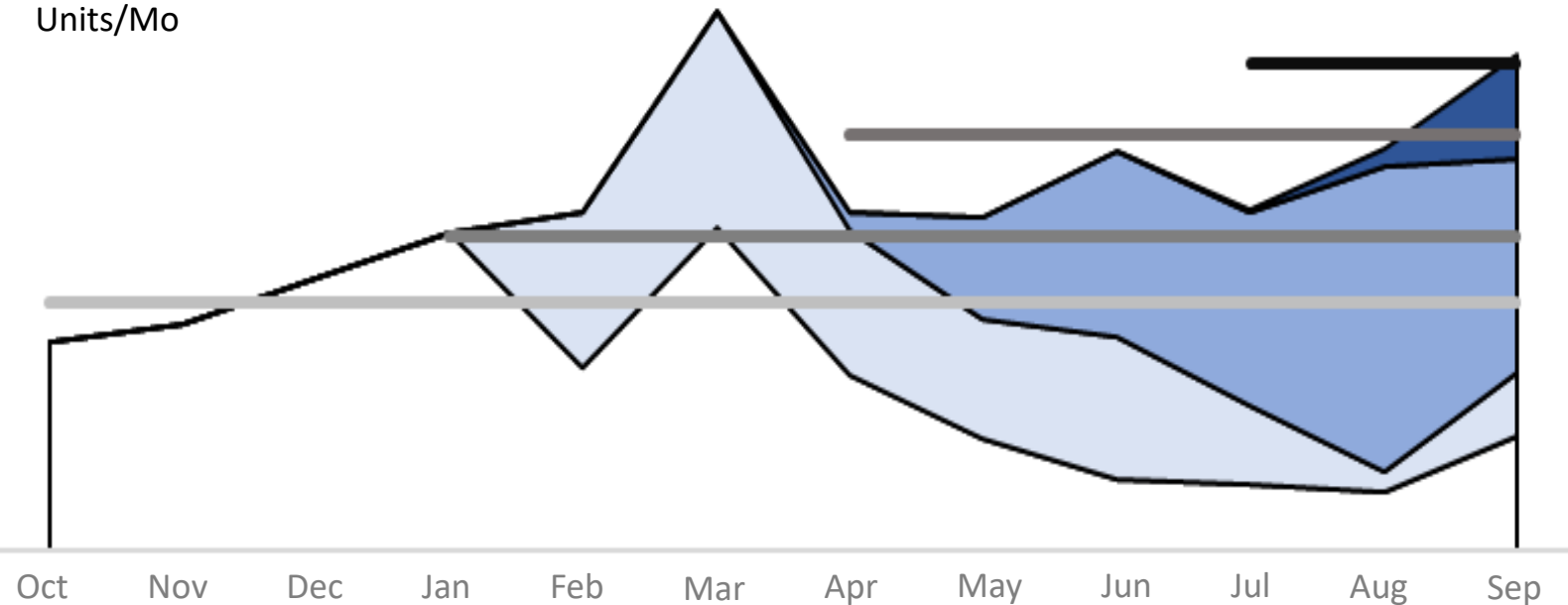


Almost half of the FY22 volumes comes from FY21 orders

Volume Structure

FY21 Order
 Q1FY22 Order
 Q2FY22 Order
 Q3FY22 Order
 FY21 Avg SGM
 Q1FY22 Avg SGM
 Q2FY22 Avg SGM
 Q3FY22 Avg SGM

Units/Mo



SGM/Unit

Q3FY22 Orders

Q2FY22 Orders

Q1FY22 Orders

FY21 Orders

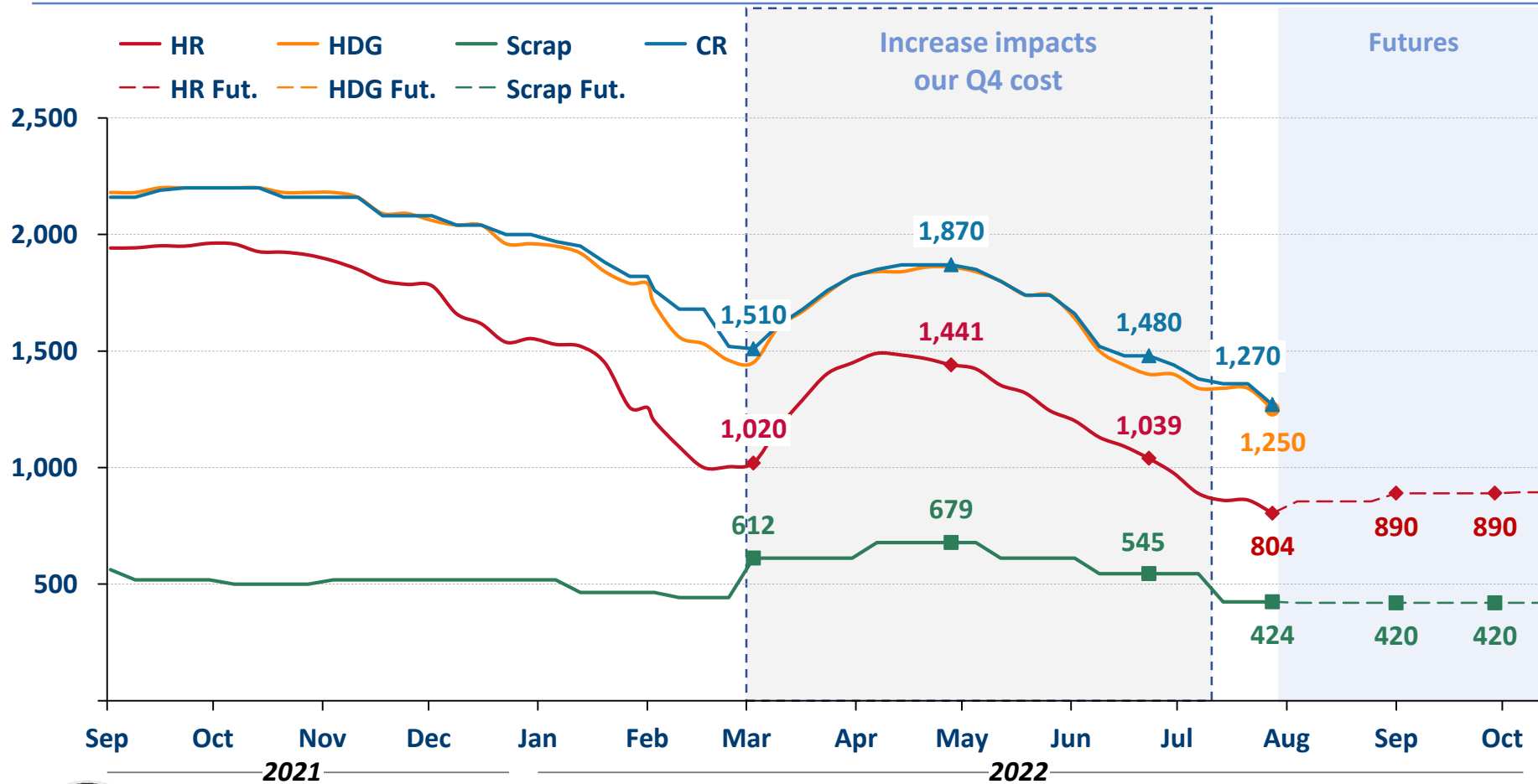
- SGM is improving every quarter, as planned, due to price increases taking hold as we are working through the old backlog
- Together with our Dealers, further pricing and backlog-mix measures were taken to combat increased costs
- Supply chain constraints reduced throughput and delayed the old backlog drawdown, as we managed Q3 production to higher margin orders
- Updated pricing method, incl. a raw material basket alternative and quarterly production slot allocation to be announced by the end of CY22, impacting H2-FY23



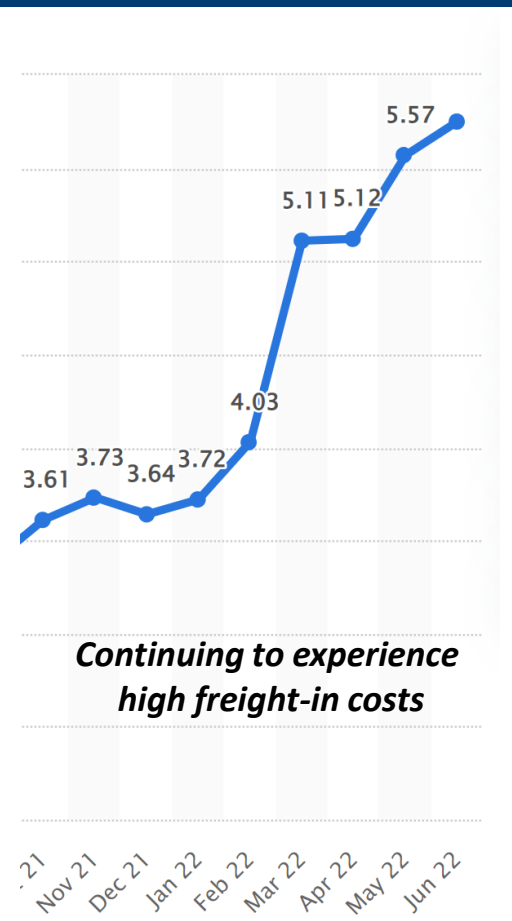
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Tailwind from Steel reductions for Q1-FY23. Diesel still high.

US Spot Steel Prices, USD/ST, Sep '21– Nov '22



US Diesel Prices (\$/gal)



FY2022 Guidance: Strong Q3, EV Chip shortage in Q4

<i>\$ Millions</i>	FY2021 Act.	Initial FY2022 Guidance	Q2 Revised FY2022 Guidance	Q3 Updated FY2022 Guidance	B/(W) Vs. Prior Year
Net Revenue	\$684	\$750 - \$850	\$800 - \$900	<i>\$750 - \$800</i>	\$66- \$116
Adj. EBITDA¹	\$34	\$30 - \$50	\$20 - \$30	<i>\$5 - \$15</i>	\$(29) - \$(19)
Adj. Free Cash Flow¹	\$(62)	\$35 - \$55	\$15 - \$25	<i>\$(45) - \$(35)</i>	\$17 - \$27

- 1H FY2022 was impacted supply chain disruptions limiting the units sold and creating inefficiencies; backlog margin compression due to old pricing
- Supplemental pricing actions are driving margin improvement through 2H, despite higher commodities pricing and supply chain challenges (incl. EV chips temporary shortage in Q4)



Significant improvement in Q3, with Q4 throughput remaining constrained and temporary EV chip shortage

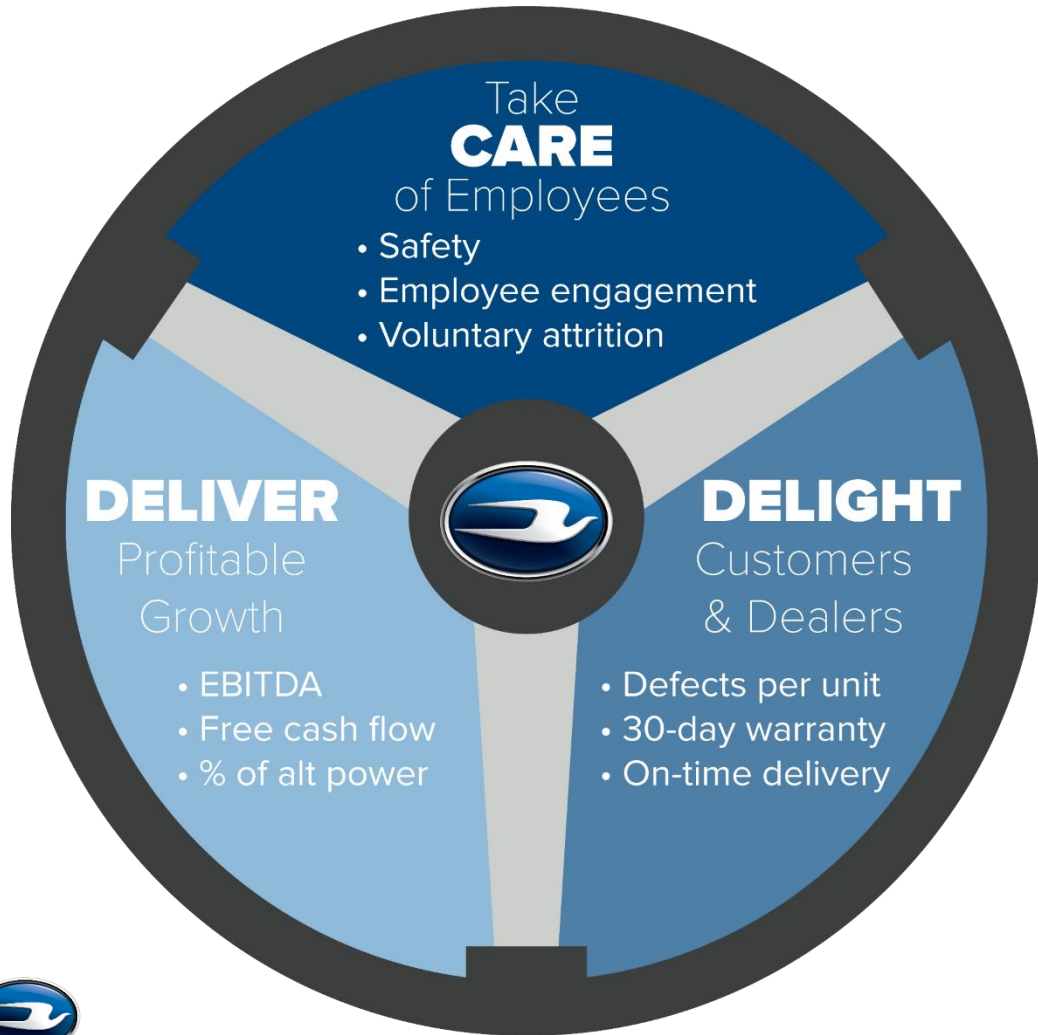
¹ See appendix for additional detail regarding non-GAAP measures



OUTLOOK

Matthew Stevenson
President & CEO

FY2022 Objectives & Focus Areas



Our People



Lean Transformation



Expanding Our TAM



Scaling EV



EPA 2022 Clean School Bus Rebate Program

\$500M of \$5B released in 2022

Expected Orders



Lottery Application Period
 May-August 19, 2022
 (Up to 25 buses/applicant)

Lottery Winners Notified
 October 2022

Payment to Winners
 October 2022 – April 2023

EV
 43%
 Share

- **Award amount for ZEV between \$250k (non-priority) and \$375k (priority) per unit, depending on status and vehicle class**
 - All electric units get and incremental \$15-20k per bus provided for Infrastructure funding
 - Expecting industry orders of 1,200-1,600 electric buses from Phase 1

Propane
 74 %
 Share

- **Propane received \$15-25k per bus**



Significant internal and external resources deployed to assist customers with application process

Positive Business Outlook

Fundamentals of our industry and demand for Blue Bird buses are strong

- Blue Bird's record backlog of 6,300 buses worth \$700m

Recovering economics through pricing

- Gross margin should continue to expand as fully-priced units in the backlog are built and sold
- Total price increases of ~ 25% effective on all new orders; recovery on backlog; pricing is catching up to costs
- Updated pricing model in place to ensure pricing aligns with the inflationary environment

Continuing to deliver operational improvements

- Supply chain disruptions will remain through the balance of the fiscal year, but showing signs of stabilizing
- Taking actions across the business to control costs and improve operationally
- Lean Transformation initiatives starting to show positive benefits

Leader in providing low-emission school buses

- Continuing to increase the mix of alt.-powered buses (non-diesel), 63% of backlog
- Nearly 400 EVs in the backlog!
- [\\$5B in US federal government funding for EV & cleaner emission buses](#)



\$500 Million is Now Available to Upgrade Your School Bus Fleet



Your school district is eligible for new school buses!

Thanks to the Environmental Protection Agency's (EPA) Clean School Bus Program, \$500 million is now available to public school districts to upgrade to zero-emission or low-emission school buses.

Claim your share of the program funds and elevate your bus fleet.



Positioned for market recovery – Leader in zero- and low-emission school buses with growing EV order backlog

Q&A

APPENDIX



Adj. EBITDA Reconciliation

Reconciliation of Net Income to Adjusted EBITDA

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net (loss) income	\$ (6,435)	\$ 4,332	\$ (22,664)	\$ 2,099
Adjustments:				
Interest expense, net (1)	3,976	2,887	9,696	7,321
Income tax expense (benefit)	2,860	1,892	(6,317)	888
Depreciation, amortization, and disposals (2)	3,642	2,851	10,787	10,118
Operational transformation initiatives	4,065	14	5,651	222
Share-based compensation	667	328	3,153	1,923
Product redesign initiatives	15	641	549	1,908
Restructuring and other charges	—	—	246	494
Costs directly attributed to the COVID-19 pandemic (3)	2	216	39	913
Loss on debt modification	—	—	561	598
Adjusted EBITDA	\$ 8,792	\$ 13,161	\$ 1,701	\$ 26,484
Adjusted EBITDA margin (percentage of net sales)	4.3 %	6.7 %	0.3 %	5.4 %

(1) Includes \$0.1 million for both three month fiscal periods, and \$0.2 million and \$0.3 million for the six month fiscal periods ended July 2, 2022 and July 3, 2021, respectively, representing interest expense on lease liabilities, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.

(2) Includes \$0.2 million for both three month fiscal periods and \$0.6 million for both six month fiscal periods, representing amortization charges on right-of-use lease assets, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.

(3) Primarily represents costs incurred for third party cleaning services and personal protective equipment for our employees in response to the COVID-19 pandemic.



Free Cash Flow Reconciliation

Reconciliation of Free Cash Flow to Adjusted Free Cash Flow

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net cash used in operating activities	\$ (43,041)	\$ (3,040)	\$ (54,451)	\$ (14,238)
Cash paid for fixed assets	(1,270)	(3,297)	(4,748)	(10,304)
Free cash flow	\$ (44,311)	\$ (6,337)	\$ (59,199)	\$ (24,542)
Cash paid for product redesign initiatives	15	641	549	1,908
Cash paid for operational transformation initiatives / Other	4,065	(887)	5,651	(679)
Cash paid for restructuring charges	—	—	246	494
Cash paid for costs directly attributed to COVID-19	2	216	39	913
Adjusted free cash flow	\$ (40,229)	\$ (6,367)	\$ (52,714)	\$ (21,906)

Adjusted EPS Reconciliation

Reconciliation of Net Income to Adjusted Net Income and of Diluted EPS to Adjusted Diluted EPS

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net (loss) income	\$ (6,435)	\$ 4,332	\$ (22,664)	\$ 2,099
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	3,049	11	4,238	167
Product redesign initiatives	11	481	412	1,431
Share-based compensation	500	246	2,365	1,442
Restructuring charges	—	—	185	371
Costs directly attributed to the COVID-19 pandemic (2)	2	162	29	685
Loss on debt modification	—	—	421	449
Adjusted net (loss) income, non-GAAP	\$ (2,873)	\$ 5,231	\$ (15,015)	\$ 6,643

(1) Amounts are net of estimated statutory tax rates of 25%.

(2) Primarily costs incurred for third party cleaning services and personal protective equipment for our employees in response to the COVID-19 pandemic.

	Three Months Ended		Nine Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Diluted earnings per share	\$ (0.20)	\$ 0.16	\$ (0.74)	\$ 0.08
One-time charge adjustments, net of tax benefit or expense	0.11	0.03	0.25	0.16
Adjusted diluted earnings (loss) per share, non-GAAP	\$ (0.09)	\$ 0.19	\$ (0.49)	\$ 0.24
Weighted average dilutive shares outstanding	32,303,649	27,428,877	30,955,646	27,337,360

