

Blue Bird Corporation

(Nasdaq: BLBD)

2015 Fiscal First Quarter Results

Earnings Conference Call

February 27, 2015

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Agenda

- **Introductions & Forward-Looking Statements**
  - Jeff Merten – Director, Investor Relations
- **Business Overview**
  - Phil Horlock – President & CEO
- **Financial Results**
  - Phil Tighe – CFO
- **Closing and Q&A**



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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 and risk factors are included at the end of this presentation.

Important Disclaimers

Forward Looking Statements

This presentation may include 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, including statements regarding guidance and seasonality, 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 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**
- **Ability to be successful in the Company's appeal of the delisting determination by the staff of the Listing Qualifications Department of the NASDAQ Stock Market and to meet NASDAQ's listing standards, including having the requisite number of stockholders**
- **Other statements preceded by, followed by or that include the words "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target" or similar expressions**

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 HCAC or 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.

Important Disclaimers

Non-GAAP Financial Measures

Adjusted EBITDA should not be considered as an alternative to net income (loss) as an indicator of Blue Bird's performance or as an alternative to any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted EBITDA. Although Blue Bird believes that Adjusted EBITDA may enhance an evaluation of Blue Bird's operating performance based on recent revenue generation and product/overhead cost control because they exclude the impact of prior decisions made about investment and financing, (i) other companies in Blue Bird's industry may define Adjusted EBITDA margin 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) Adjusted EBITDA may exclude certain financial information that some may consider important in evaluating Blue Bird's performance. See the appendix of this presentation for a reconciliation of Adjusted EBITDA to Net Income.

Free cash flow is used in addition to and in conjunction with results presented in accordance with GAAP and free cash flow should not be relied upon to the exclusion of GAAP financial measures. Free cash flow reflects an additional way of viewing our liquidity that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our cash flows. Free cash flow is defined as net cash provided in continuing operation less cash paid for fixed assets. We use free cash flow, and ratios based on it, to conduct and evaluate our business because, although it is similar to cash flow from operations, we believe it is a more conservative measure of cash flows since purchases of fixed assets are a necessary component of ongoing operations. In limited circumstances in which proceeds from sales of fixed assets exceed purchases, free cash flow would exceed cash flow from operations. However, since we do not anticipate being a net seller of fixed assets, we expect free cash flow to be less than operating cash flows.



Phil Horlock

President & CEO

BUSINESS OVERVIEW

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Business Combination Complete

HENNESSY CAPITAL

BLUE BIRD

Was

Ticker: HCAC

Now

Ticker: BLBD

BLBD replaced HCAC and started trading on NASDAQ on 2/25/15

Review of Product Offerings



Blue Bird Vision
Type C Bus
65% Net Sales
(2014)



Blue Bird All American
Type D Bus
22% Net Sales
(2014)



Blue Bird Sigma
Specialty Bus
7% Net Sales
(2014)

Parts Business
6% Net Sales
(2014)



Micro Bird T-Series
Type A Bus
(Unconsolidated)

We build school and activity buses

1Q 2015 Highlights

Bus Volume	Net Sales	Adj. EBITDA*
1,824 Units	$165.8 Million	$7.4 Million
⇧ Up 279 Units	⇧ Up $19.8 Million	⇩ Down $(2.2) Million

- Bus unit volume up 18%
- Total company net sales up 14%
- Strong Adjusted EBITDA of $7.4 million
  - Consistent with our plan and supplemental proxy statement
  - Second consecutive year of positive Adjusted EBITDA
- Reaffirming full-year sales and Adjusted EBITDA guidance



Note: See slide 27 for additional detail regarding Adjusted EBITDA reconciliations

Momentum Continues

- Undisputed Leader in Propane Sales
- Significant Diesel Bus Sales Increase
- Operational Improvements Achieved
- Parts Business Growth





Positive momentum across the business

All-New Micro Bird T-Series Launched

- First in market with all-new Ford chassis
- New diesel and gasoline engines
- Approximately 20% increase in fuel economy
- Lowest total cost of ownership



Micro Bird T-Series

First in market with innovative new product

Here's What's New







Products that delight our customers and differentiate Blue Bird



Phil Tighe

CFO

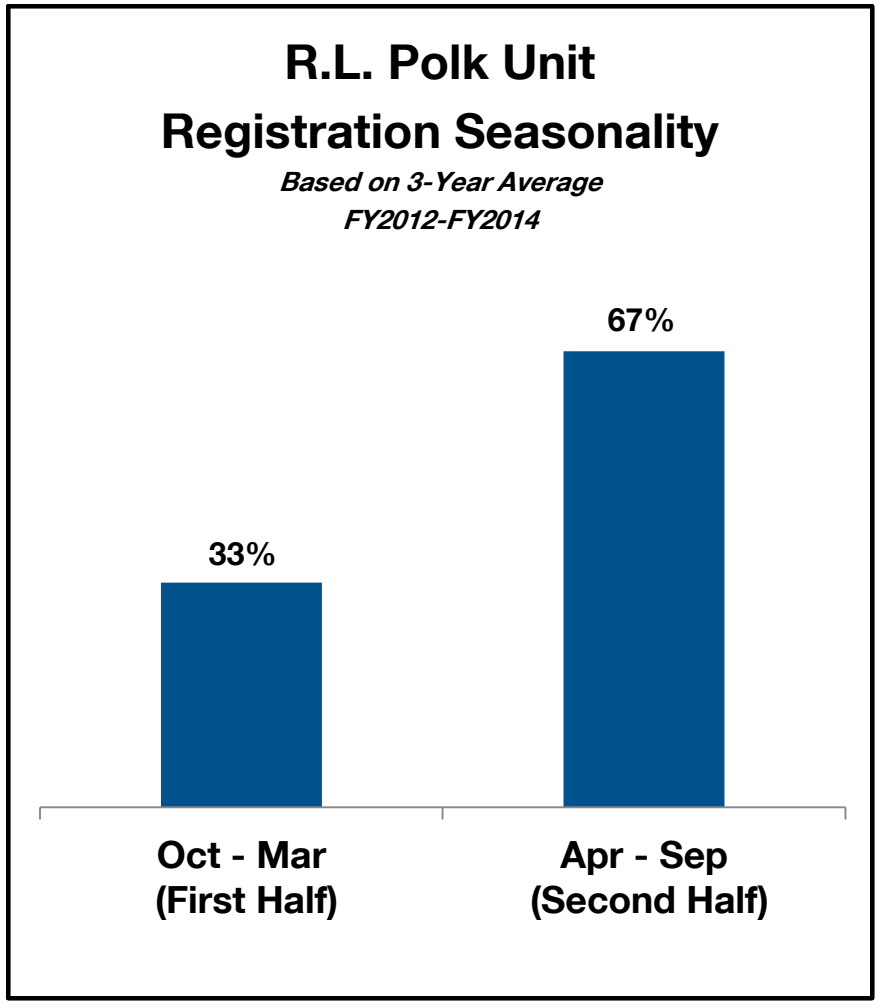
FINANCIAL RESULTS

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School Bus Business is Highly Seasonal

- Timing of sales influenced by school start
- First quarter is historically our lowest volume quarter and we take planned shutdowns during this period
- Company results follow sales pattern
- Working capital is typically a significant use of cash during first quarter



Seasonality drives higher sales and earnings in second half

1Q 2015 Sales Results

Bus Volume	Bus Sales	Parts Sales
1,824 Units	$152.0 Million	$13.8 Million
Up 18%	Up 13%	Up 15%

Total Company

- Net sales were $165.8 million, up 14% from $146.0 million in 2014

Bus Segment

- Revenue growth lower than volume growth due to product mix and conquest sales

Parts Segment

- Successful promotional activities drove higher demand

Strong double-digit sales growth in both segments

Note: Percentage gains reflect first fiscal quarter year-over-year performance. Numbers have been rounded.

1Q 2015 Gross Profit

Total Company	Bus	Parts
$19.5M	$14.3M	$5.2M
Down $1.0M	Down $1.7M	Up $0.7M

Bus Segment

- Gross profits were down due to a higher mix of new conquest accounts and other one-time factors
- Favorable mix of propane and efficiencies were a partial offset

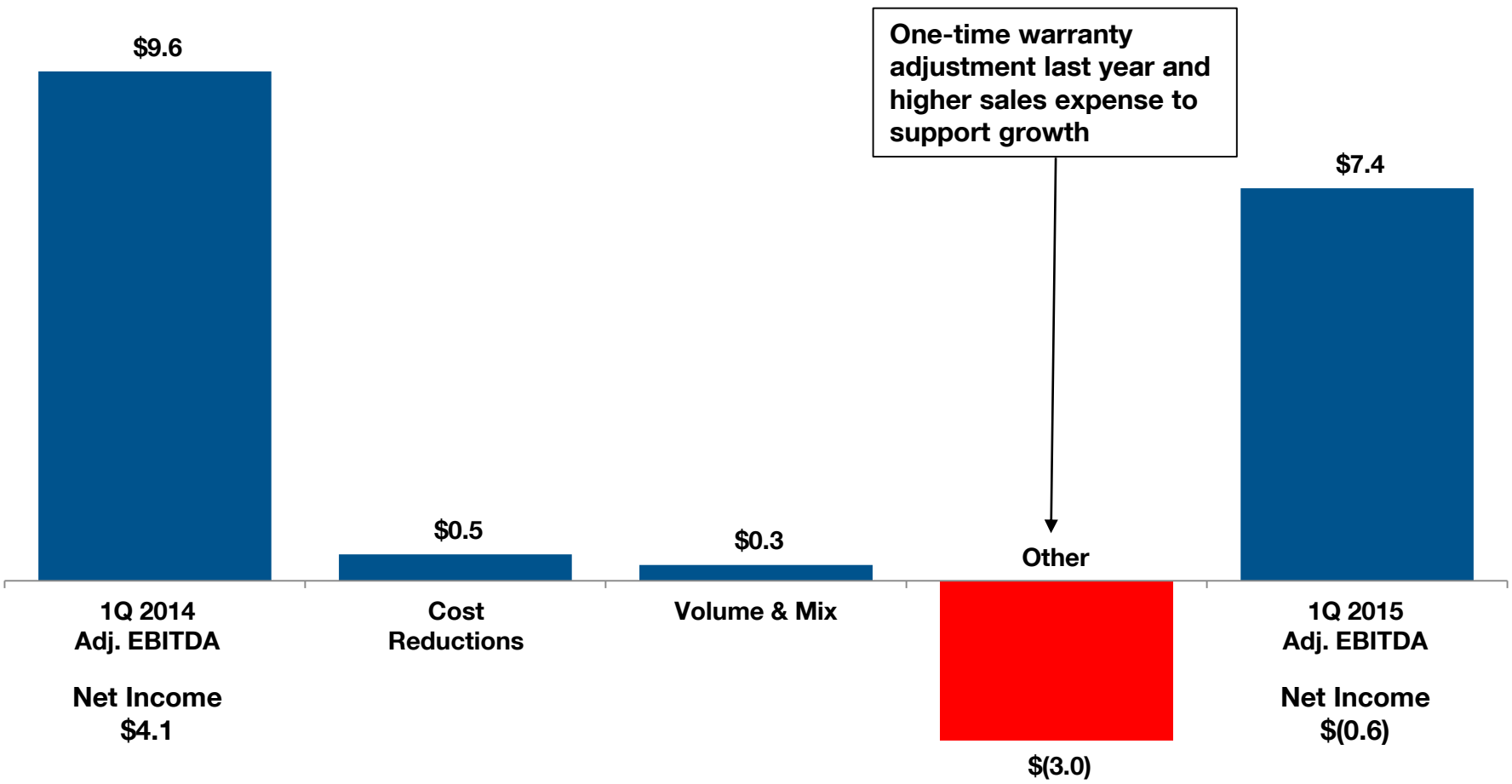
Parts Segment

- Gross profits up due to higher sales

First quarter profits consistent with full-year guidance

1Q 2014 to 2015 Adj. EBITDA Walk

($ millions)



Note: See slide 27 for additional detail regarding Adjusted EBITDA reconciliations

1Q 2015 Adjusted EBITDA met our expectations

1Q Adj. EBITDA to Free Cash Flow Walk

($ millions)	FY15	FY14
Adjusted EBITDA	$ 7.4	$ 9.6
Capital Expenditures	(0.8)	(0.6)
Cash Interest	(8.3)	(0.2)
Cash Taxes	(0.4)	0.0
Working Capital and Other	(29.7)	(28.9)
Free Cash Flow	$(31.8)	$(20.1)
Cash Flow from Operations	$(31.0)	$(19.5)

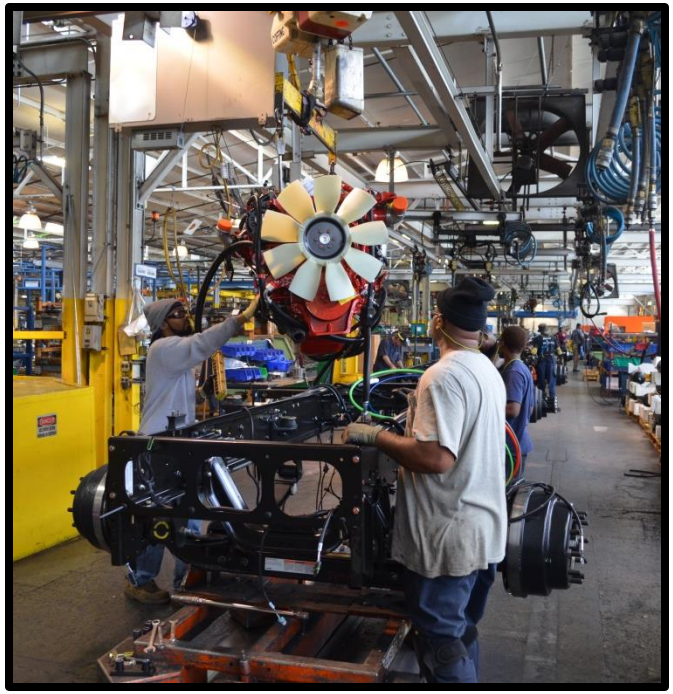
Note: See slide 28 for additional detail regarding Free Cash Flow reconciliations

Free Cash Flow is in line with seasonal expectations

1Q 2015 Net Debt, Leverage & Liquidity

($ millions)

		As of January 3, 2015
Cash	$	23.5
Gross Debt		220.6
Net Debt	$	197.1
Total Debt / Adj. EBITDA (LTM)		3.4x
Net Debt / Adj. EBITDA (LTM)		3.0x
Liquidity	$	78.2





Phil Horlock

President & CEO

CLOSING AND Q&A

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Reaffirming 2015 Full-Year Guidance

2015 Revenue

$918 - $940

Million

Up 7% - 10%

2015 Adj. EBITDA

$72 - $75

Million

Up 7% - 12%



On track to grow Adjusted EBITDA 7-12% in FY2015

First Quarter Wrap-Up

- Delivered strong bus and parts sales growth
- Achieved solid Adj. EBITDA in lowest volume quarter
- Conquested customers in new markets
- Introduced innovative new products and features
- Continued to drive productivity
- Penetrated more new accounts with propane buses

Reaffirming full-year guidance



Q&A

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Appendix

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Income Statement

(in thousands except for share data)	Three Months Ended January 3, 2015 (unaudited)	Increase/ Decrease $	Increase/ Decrease %	Three Months Ended December 28, 2013 (unaudited)
Net sales	$ 165,833	$ 19,840	13.6	$ 145,993
Cost of goods sold	146,355	20,822	16.6	125,533
Gross profit	19,478	(982)	(4.8)	20,460
Operating expenses				
Selling, general and administrative expenses	15,459	1,357	9.6	14,102
Operating profit (loss)	4,019	(2,339)	(36.8)	6,358
Interest expense	(5,135)	(4,860)	1,767.3	(275)
Interest income	32	7	28.0	25
Other income (expense), net	11	(10)	(47.6)	21
Income (loss) before income taxes	(1,073)	(7,202)	(117.5)	6,129
Income tax (expense) benefit	431	2,584	(120.0)	(2,153)
Equity in net income (loss) of non-consolidated affiliate, net of tax	18	(75)	(80.6)	93
Income (loss) from continued operations	(624)	(4,693)	(115.3)	4,069
Income (loss) from discontinued operations, net of tax	(4)	2	(33.3)	(6)
Net income (loss)	$ (628)	$ (4,691)	(115.5)	$ 4,063
Other financial data:				
Adjusted EBITDA	$ 7,402	(2,191)	(22.8)	$ 9,593
Adjusted EBITDA margin	4.5%	(2.1) pts.	(32.1)	6.6%

Balance Sheet

(in thousands except for share data)	As of January 3, 2015	As of September 27, 2014
Assets	(unaudited)	(unaudited)
Current assets		
Cash and cash equivalents	$ 23,485	$ 61,137
Accounts receivable, net	14,296	21,215
Inventories	68,916	71,300
Other current assets	3,682	4,353
Deferred tax asset	6,089	6,057
Total current assets	116,468	164,062
Property, plant, and equipment, net	28,305	29,949
Goodwill	18,825	18,825
Intangible assets, net	61,775	62,240
Equity investment in affiliate	9,899	9,871
Deferred tax asset	3,734	4,073
Other assets	2,757	2,912
Total assets	$ 241,763	$ 291,932
Liabilities and Stockholder's Deficit		
Current liabilities		
Accounts payable	$ 65,746	$ 94,294
Accrued warranty costs—current portion	6,547	6,594
Accrued expenses	23,615	37,319
Deferred warranty income—current portion	4,143	4,117
Other current liabilities	1,490	5,668
Current portion of senior term debt	11,750	11,750
Total current liabilities	113,291	159,742
Long-term liabilities		
Long-term term debt	208,842	211,118
Accrued warranty costs	8,679	8,965
Deferred warranty income	7,932	7,886
Other liabilities	12,314	12,136
Accrued pension liability	39,535	40,881
Total long-term liabilities	277,302	280,986
Commitments and contingencies		
Stockholder's deficit		
Common stock, $0.01 par value—100 shares authorized, issued and outstanding	1	1
Additional paid-in capital	-	-
Retained deficit	(102,857)	(102,229)
Accumulated other comprehensive loss	(45,974)	(46,568)
Total stockholder's deficit	(148,830)	(148,796)
Total liabilities and stockholder's deficit	$ 241,763	$ 291,932

Consolidated Statement of Cash Flows

(in thousands of dollars)	Three Months Ended January 3, 2015 (unaudited)	Three Months Ended December 28, 2013 (unaudited)
Cash flows from operating activities		
Net (loss) income	$ (628)	$ 4,063
Loss from discontinued operations, net of tax	4	6
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization	2,263	2,435
Amortization of debt costs	809	25
Equity in net income of affiliate	(18)	(94)
Loss on disposal of fixed assets	469	11
Deferred taxes	(21)	969
Provision for bad debt	(33)	(19)
Amortization of deferred actuarial pension losses	913	701
Changes in assets and liabilities		
Accounts receivable	6,952	3,894
Inventories	2,384	(9,559)
Other assets	684	497
Accounts payable	(25,452)	(8,943)
Accrued expenses, pension and other liabilities	(19,276)	(13,457)
Total adjustments	(30,326)	(23,540)
Net cash used in continuing operations	(30,950)	(19,471)
Net cash used in discontinued operations	(4)	(6)
Total cash used in operating activities	(30,954)	(19,477)
Cash flows from investing activities		
Change in net investment in discounted leases	-	83
Cash paid for fixed assets	(861)	(613)
Proceeds from sale of assets	-	23
Restricted cash	-	362
Total cash used in investing activities	(861)	(145)
Cash flows from financing activities		
Borrowings under the senior credit facility	-	837
Payments under the senior credit facility	-	(906)
Repayments under the subordinated term loans	(2,938)	(542)
Cash paid for capital leases	(27)	(224)
Cash paid for debt costs	(2,872)	-
Cash paid for dividends	-	-
Change in advances collateralized by discounted leases	-	(83)
Total cash used in financing activities	(5,837)	(918)
Change in cash and cash equivalents	(37,652)	(20,540)
Cash and cash equivalents at beginning of period	61,137	46,594
Cash and cash equivalents at end of period	$ 23,485	$ 26,054
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 8,313	$ 236
Cash received for interest	32	11
Cash paid for income taxes	359	37
Cash received for tax refund	-	48
Non-cash investing and financing activity		
Capital lease acquisitions	-	166
Change in accounts payable for capital additions to property, plant and equipment	224	94

Adjusted EBITDA Reconciliation

(in thousands of dollars)	Three Months Ended January 3, 2015 (unaudited)	Three Months Ended December 28, 2013 (unaudited)
Adjusted EBITDA	$ 7,402	$ 9,593
Loss on disposal of fixed assets	(469)	-
Business combination expenses	(611)	-
Tax expense, non-consolidated	(10)	(40)
Management incentive compensation	-	(631)
Depreciation and amortization	(2,264)	(2,450)
Income tax expense	431	(2,153)
Interest income	32	25
Interest expense	(5,135)	(275)
Income from continuing operations	(624)	4,069
Loss (income) from discontinued operations, net of tax	(4)	(6)
Net Income (loss)	$ (628)	$ 4,063
Memo:		
Revenue	$ 165,833	$ 145,993
Adjusted EBITDA Margin	4.5%	6.6%

Free Cash Flow Reconciliation

(In Thousands of Dollars)	Three Months Ended January 3, 2015	Three Months Ended December 28, 2013
Net cash used in continuing operations	$(30,950)	$(19,471)
Cash paid for fixed assets	(861)	(613)
Free cash flow	$(31,811)	$(20,084)