

Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2016 First Quarter Results

Earnings Conference Call

February 9, 2016

BLUE BIRD

A heritage of looking ahead.

Agenda

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



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 forward-looking statements and the use of non-GAAP financial measures is presented in the Appendix to this presentation.



Phil Horlock
President & CEO

BUSINESS OVERVIEW

BLUE BIRD
A heritage of looking ahead.

1Q Financial Overview

- Solid 1Q result in softest quarter of the year
- Net sales revenue of $131 million, down $35 million compared with prior year
  - Decline due largely to timing of sales to three large customers that delayed orders to later in the year
- Gross margins of 14.3% in the quarter were up 2.6 points versus prior year
  - Driven by favorable product and customer mix
- Adjusted EBITDA of $5 million was down $2 million compared with last year

Solid 1Q result supports full-year plan

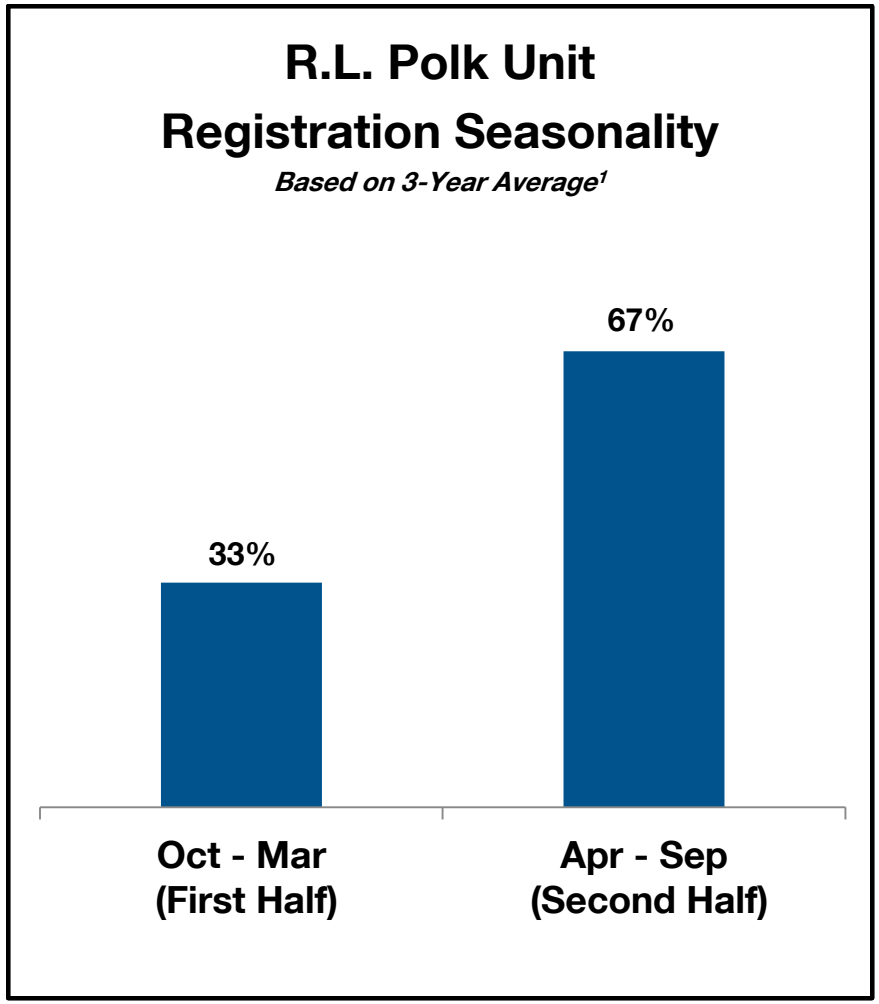
1Q Highlights

- **Production**
  - Set up 1,600 buses (based on firm orders), only 8% below last year despite five fewer production days
  - We launched our second shift in late January as planned and are proceeding with an orderly ramp up of daily production rates
  - Daily production capacity will be more than 50% higher than last year in the critical peak season from April through September
- **Sales**
  - Sold just over 1,400 buses in the quarter, down 23% from a year ago
  - Lower sales is in line with plan, reflecting known changes in customer order timing
- **Propane Momentum**
  - Unit volume 72% higher than last year and the number of new customers trying propane continues to grow
  - Strong propane mix at 27% of sales in 1Q compared with 12% of sales for the same period last year
- **Quotes & Conversions**
  - Quote activity up 86% over prior year for September through January
  - Quote to order conversions tracking higher than prior year
  - High quote volume reaffirms our view on full year sales outlook

Reaffirming full-year Guidance

School Bus Business is Highly Seasonal

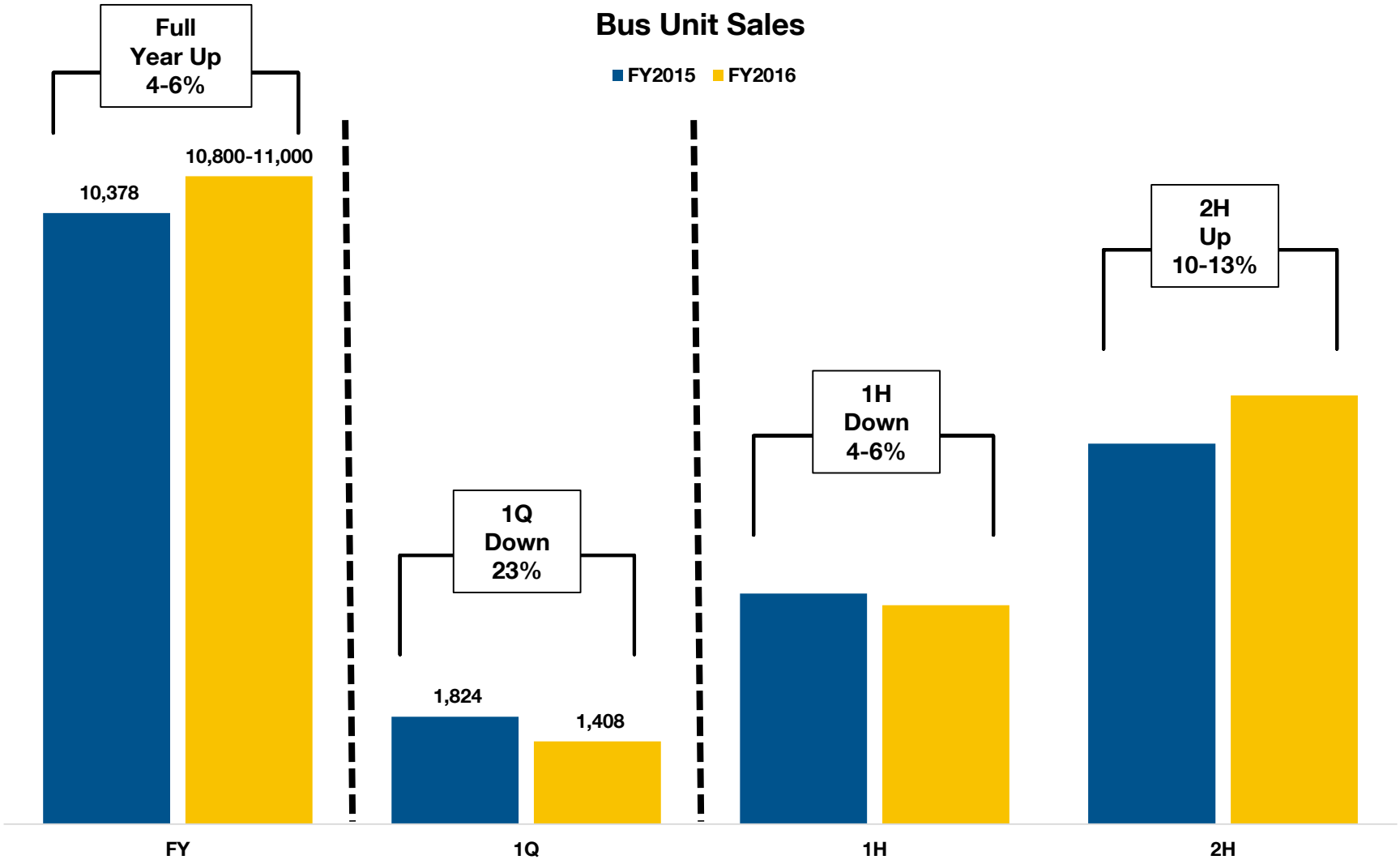
- Timing of sales influenced by timing of school starts and release of state budgets
- Registrations reflect the sales pattern
- Customer order timing and mix varies from quarter to quarter each year
- Important to look at the business over the longer term
- Most customers prefer taking delivery of buses in second half of fiscal year



Two-thirds of annual new school bus registrations in Second Half

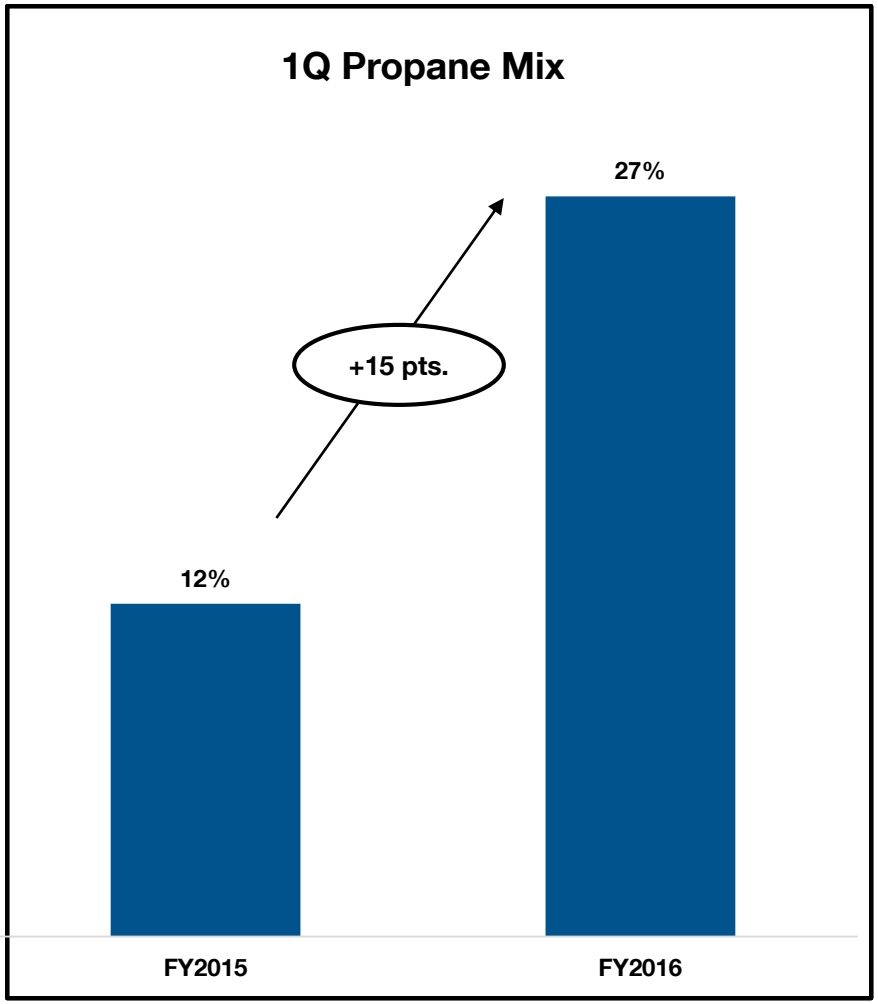
[1] Based on R.L. Polk FY2013-FY2015 registrations

Unit Sales Volume Shifts to Second Half



First Half down as expected; Second Half stronger with second shift capacity

Continued 1Q Propane Momentum



Propane Market Leadership

- 72% unit growth in 1Q over prior year
- Number of customers trying propane growing
- 6x more propane-powered buses registered than other manufacturers[1]
- Highest owner loyalty product in the market[1]

Propane Advantages

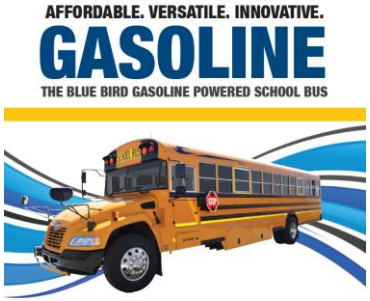
- Lowest total cost of ownership
- Proven durability & performance
- Environmentally friendly
- Domestically produced fuel
- Great cold weather starting performance
- Designed-in safety features

Propane growth is strong and market acceptance is growing

[1] Based on R.L. Polk data

New Powertrain Launches On Track

Gasoline Engine



BUILT Ford TOUGH™ ROUSH CLEANTECH

- Blue Bird is the only manufacturer to offer a Type C gasoline-powered school bus
- Lower acquisition cost than other fuel types
- Maintenance and service is simpler for technicians
- Strong cold-weather starting capability
- Utilizes Ford's modern 6.8L V10 gasoline engine
- Blue Bird exclusive

V8 Diesel Engine



Cummins®

- Blue Bird is the only manufacturer to offer the Cummins ISV 5.0L V8 diesel in a school bus
- Lower acquisition cost than other diesel offerings
- Improved fuel economy
- Quietest diesel engine on the road
- Better serviceability

CNG Engine



BUILT Ford TOUGH™ ROUSH CLEANTECH

- Lower acquisition cost than Type D CNG-powered school bus
- Lower fuel and maintenance cost than diesel
- Environmentally friendly
- Utilizes Ford's modern 6.8L V10 engine
- Blue Bird exclusive

Dual-Clutch 7- Speed Transmission

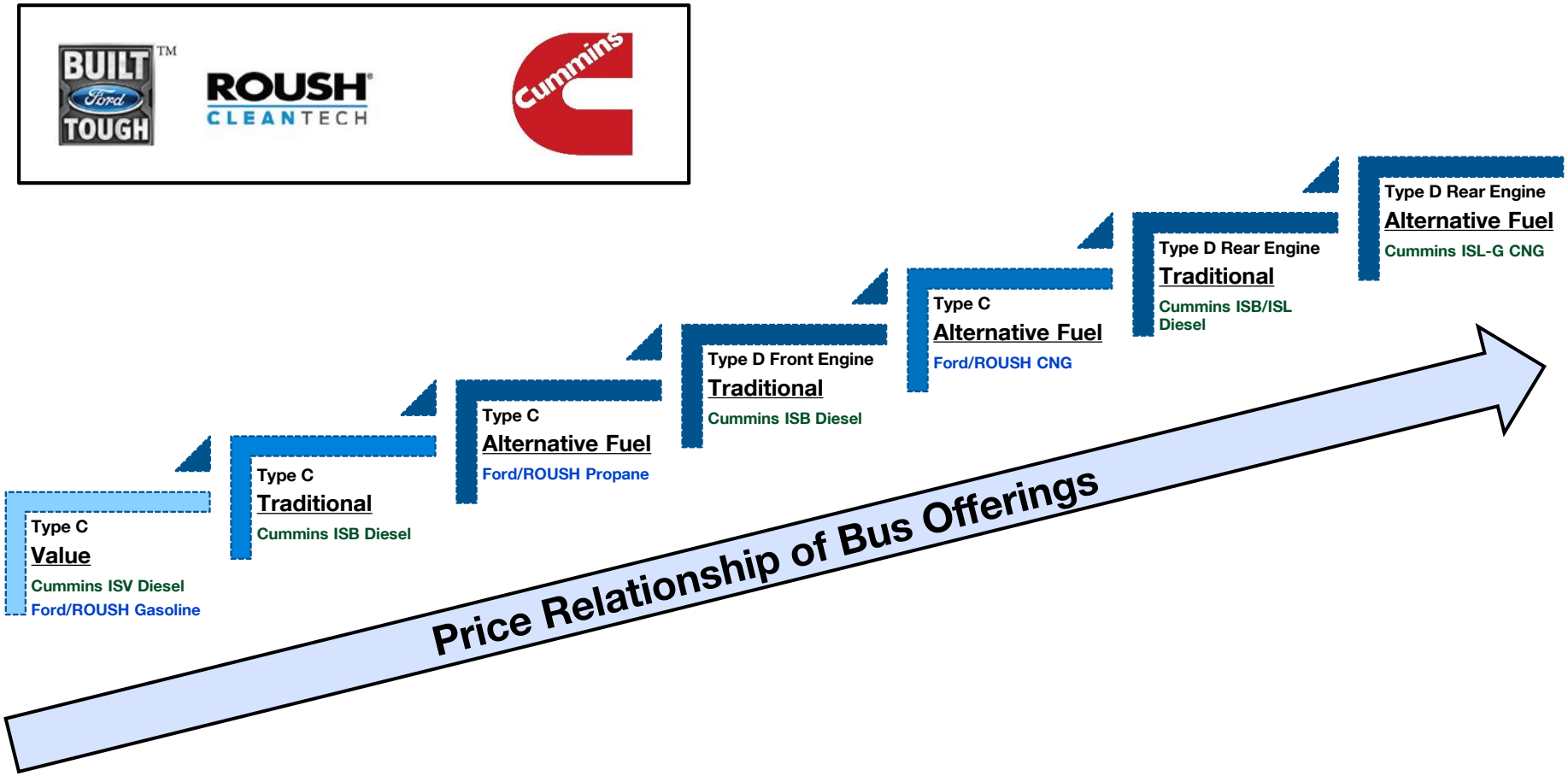


EATON

- First dual-clutch, seven-speed automatic transmission available for school buses in North America
- Electronic shifting provides optimal fuel efficiency and smooth, continuous delivery of torque
- Accelerates and optimizes shift points
- Adds features that make bus easier to drive

Industry leader in breadth of powertrain offerings

Broadest Range of Product Offerings



Already receiving orders for the new gasoline-engine bus



Phil Tighe
CFO

FINANCIAL RESULTS & OUTLOOK

BLUE BIRD
A heritage of looking ahead.

Financial Overview

1Q Bus Volume

1,408

Units

Down 416 Units

1Q Net Sales

$131.3

Million

Down $34.5 Million

1Q Gross Margin

14.3%

Up 2.6 pts.

1Q Bus Sales

$118.5

Million

Down $33.5 Million

1Q Parts Sales

$12.9

Million

Down $1.0 Million

1Q Adj. EBITDA

$5.2

Million

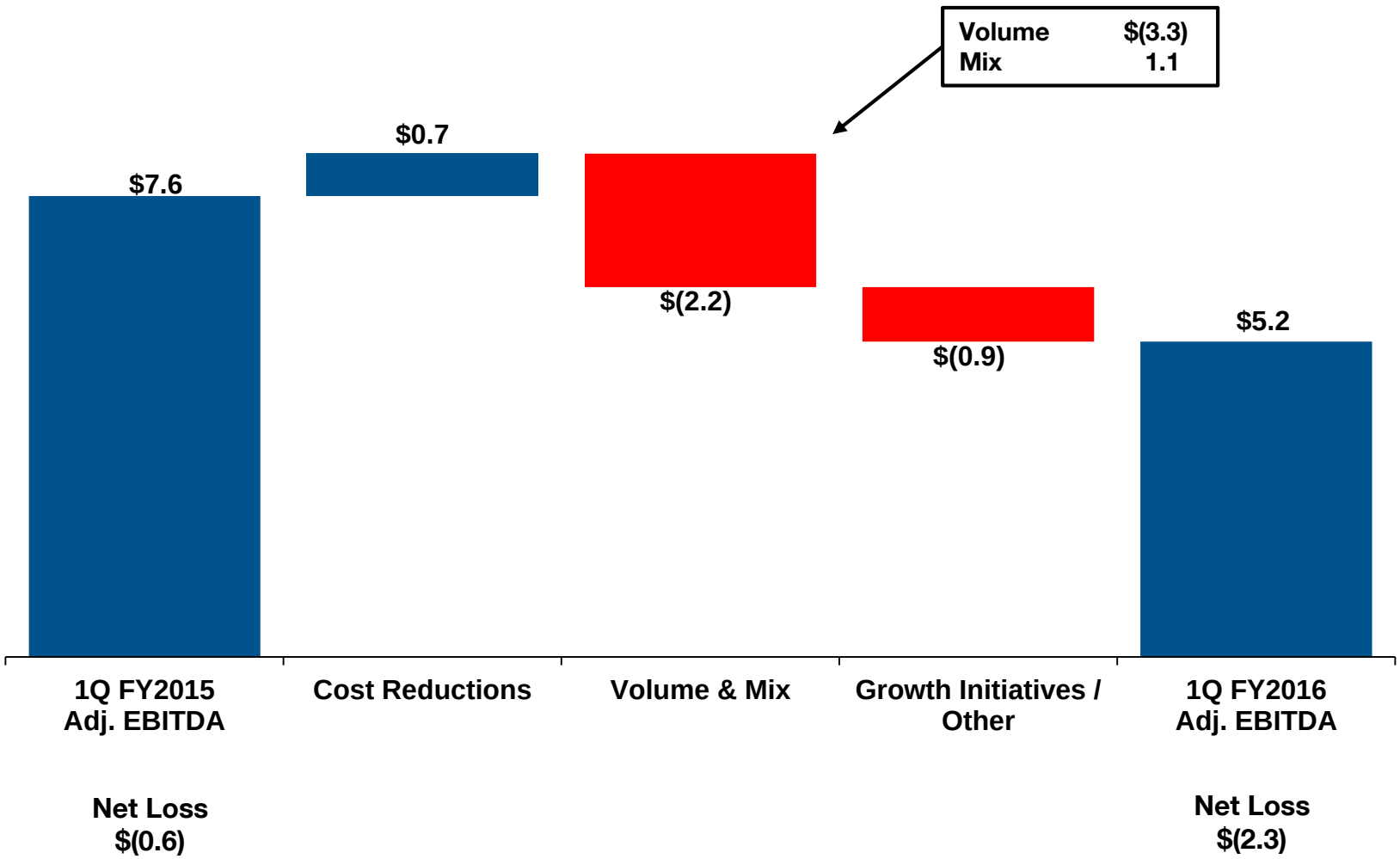
Down $2.3 Million

1Q down vs. prior year; recovery in Second Half

Note: See appendix for Adjusted EBITDA reconciliations

1Q 2015 to 2016 Adj. EBITDA Walk

($ millions)



Lower profits due primarily to a reduction of 416 units versus prior year

Note: See appendix for additional detail regarding Adjusted EBITDA reconciliations

FY2016 1Q Free Cash Flow

($ Millions)	1Q FY2016	1Q FY2015
Adjusted EBITDA	$ 5.2	$ 7.6
Cash Paid for Interest (Net)	(3.5)	(8.3)[1]
Trade Working Capital[2]	(33.3)	(16.1)
CAPEX	(1.7)	(0.9)
Cash Taxes	-	-
Other[3]	(9.9)	(13.5)
Adjusted Free Cash Flow	$ (43.2)	$ (31.2)
Cash Paid for Business Combination Expenses	-	(0.6)
Free Cash Flow[4]	$ (43.2)	$ (31.8)

[1] Interest expense includes cash payments for two quarters due to required timing of payments in FY2015
[2] Inventories, accounts receivable and accounts payable
[3] Bonus, accrued vacation, property taxes, GSA prepay, and other accrued expenses
[4] See appendix for free cash flow reconciliations

Seasonal negative cash flow generation in 1Q typically driven by reduced trade payables as the Company enters its December shutdown

Net Debt, Leverage & Liquidity

($ Millions)	As of January 2, 2016
Debt	$ 194.9
Cash	16.6
Net Debt	$ 178.3
Net Debt / Adjusted EBITDA (LTM)	2.6x
Net Leverage Ratio (compared with minimum bank Net Leverage Ratio covenant of 4.5x)	2.5x
Liquidity[1]	$ 61.5

[1] Liquidity is defined as cash and cash equivalents plus availability on revolving line of credit

Exceeding debt covenant; liquidity strong



Phil Horlock
President & CEO

CLOSING AND Q&A

BLUE BIRD
A heritage of looking ahead.

Financial Guidance

($ millions)

Guidance	FY2016 Guidance
Net Sales	$960-985
Adjusted EBITDA	$72-75
Free Cash Flow	$30-35

Reaffirming FY2016 full-year Guidance

Wrap-Up

- Solid 1Q result supports full-year plan
- More volume shifts to Second Half supported by our new second shift
- Gross margin percentage up
- Strong propane bus momentum with sales up 72% in the quarter and more new customers trying propane
- Exciting new powertrains on track to launch this year
- Very strong quote activity supports our positive outlook for the year
- Reaffirming FY2016 Guidance for net sales, Adjusted EBITDA and free cash flow





Q&A

BLUE BIRD®

A heritage of looking ahead.

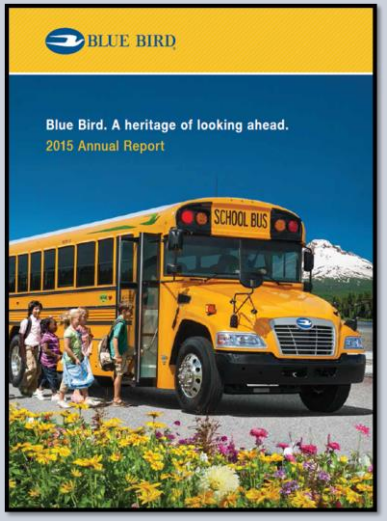


Appendix

BLUE BIRD®

A heritage of looking ahead.

Investor Information

Annual Meeting of Shareholders	Annual Report Available for Order
March 10, 2016 Annual Meeting of Shareholders Marriott Gateway at Atlanta Airport 2020 Convention Center Concourse Atlanta, GA 30337 11:00 AM EST Shareholders planning to attend should RSVP with proxy card	 Investors interested in ordering an annual report should email Mark Benfield at: mark.benfield@blue-bird.com Also available in PDF form on Blue Bird's Investor Relations website

Dates		Investor Conferences	Location
February 9-10		STIFEL Transportation & Logistics Conference	Key Biscayne, FL
March 1		Evercore ISI Annual Industrials Conference	New York, NY
March 7		Seaport Global Securities Industrials and Shipping Conference	San Francisco, CA
March 13-16		Roth Investor Conference	Dana Point, CA

Balance Sheet

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands except for share data)	As of January 2, 2016 (unaudited)	As of October 3, 2015 (unaudited)
Assets		
Current assets		
Cash and cash equivalents	$ 16,632	$ 52,861
Accounts receivable, net	12,406	13,746
Inventories	71,488	49,180
Other current assets	3,683	3,960
Deferred tax asset	9,315	9,150
Total current assets	$ 113,524	$ 128,897
Property, plant and equipment, net	28,471	28,933
Goodwill	18,825	18,825
Intangible assets, net	59,911	60,378
Equity investment in affiliate	12,926	12,505
Deferred tax asset	14,970	15,466
Other assets	2,342	1,721
Total assets	$ 250,969	$ 266,725
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 66,406	$ 79,333
Accrued warranty costs	6,799	7,418
Accrued expenses	15,017	22,980
Deferred warranty income	4,899	4,862
Other current liabilities	7,113	7,072
Current portion of senior term debt	11,750	11,750
Total current liabilities	$ 111,984	$ 133,415
Long-term liabilities		
Revolving senior credit facility	$ 10,000	$ —
Long-term debt	173,150	175,418
Accrued warranty costs	9,784	10,243
Deferred warranty income	9,183	9,283
Other liabilities	13,324	13,169
Pension liability	45,074	46,427
Total long-term liabilities	$ 260,515	$ 254,540
Guarantees, commitments and contingencies (Note 5)		
Stockholders' deficit		
Series A preferred stock , $0.0001 par value, 10,000,000 shares authorized, 500,000 issued and outstanding at January 2, 2016 and October 3, 2015; liquidation preference of $50,000	$ 50,000	$ 50,000
Common stock, $0.0001 par value, 100,000,000 shares authorized, 20,983,777 and 20,874,882 issued and outstanding at January 2, 2016 and October 3, 2015, respectively	2	2
Additional paid-in capital	17,146	15,887
Accumulated deficit	(137,682)	(135,345)
Accumulated other comprehensive loss	(50,996)	(51,774)
Total stockholders' deficit	$ (121,530)	$ (121,230)
Total liabilities and stockholders' deficit	$ 250,969	$ 266,725

Income Statement

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in thousands except for share data)	Three Months Ended January 2, 2016 (unaudited)	Three Months Ended January 3, 2015 (unaudited)
Net sales	$ 131,333	$ 165,833
Cost of goods sold	112,580	146,355
Gross profit	$ 18,753	$ 19,478
Operating expenses		
Selling, general and administrative expenses	17,079	15,459
Operating income	$ 1,674	$ 4,019
Interest expense	(4,243)	(5,135)
Interest income	22	32
Other income, net	16	11
Loss before income taxes	$ (2,531)	$ (1,073)
Income tax (expense) benefit	(209)	421
Equity in net income of non-consolidated affiliate	421	28
Loss from continuing operations	$ (2,319)	$ (624)
Loss from discontinued operations, net of tax	(18)	(4)
Net loss	$ (2,337)	$ (628)
Defined benefit pension plan, net of tax of $419 and $319, respectively	778	594
Comprehensive loss	$ (1,559)	$ (34)
Net loss (from above)	$ (2,337)	$ (628)
Preferred stock dividend	$ 998	$ —
Net loss available to common stockholders	$ (3,335)	$ (628)
Earnings per share:		
Basic and diluted weighted average shares outstanding	20,897,789	22,000,000
Basic and diluted loss per share	$ (0.16)	$ (0.03)

Consolidated Statement of Cash Flows

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)	Three Months Ended January 2, 2016 (unaudited)	Three Months Ended January 3, 2015 (unaudited)
Cash flows from operating activities		
Net loss	$ (2,337)	$ (628)
Loss from discontinued operations, net of tax	18	4
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,994	2,263
Amortization of debt costs	719	809
Share-based compensation	1,120	—
Equity in net income of affiliate	(421)	(28)
Loss on disposal of fixed assets	—	469
Deferred taxes	(88)	(11)
Provision for bad debt	(5)	(33)
Amortization of deferred actuarial pension losses	1,197	913
Changes in assets and liabilities		
Accounts receivable	1,345	6,952
Inventories	(22,308)	2,384
Other assets	(392)	684
Accounts payable	(12,322)	(25,452)
Accrued expenses, pension and other liabilities	(10,068)	(19,276)
Total adjustments	$ (39,229)	$ (30,326)
Net cash used in continuing operations	$ (41,548)	$ (30,950)
Net cash used in discontinued operations	(18)	(4)
Total cash used in operating activities	$ (41,566)	$ (30,954)
Cash flows from investing activities		
Cash paid for fixed assets	(1,671)	(861)
Total cash used in investing activities	$ (1,671)	$ (861)
Cash flows from financing activities		
Net borrowings under the senior credit facility	$ 10,000	$ —
Repayments under the senior term loan	(2,938)	(2,938)
Cash paid for capital leases	(54)	(27)
Cash paid for debt costs	—	(2,872)
Total cash provided by/(used in) financing activities	$ 7,008	$ (5,837)
Change in cash and cash equivalents	(36,229)	(37,652)
Cash and cash equivalents at beginning of period	52,861	61,137
Cash and cash equivalents at end of period	$ 16,632	$ 23,485
Non-cash investing and financing activity		
Change in accounts payable for capital additions to property, plant and equipment	618	224
Common stock dividend on Series A preferred stock (market value of common shares)	998	—

Free Cash Flow Reconciliations

The following table sets forth the reconciliation of Free Cash Flow for 1Q of fiscal years 2016 and 2015:

(in thousands of dollars)	Three Months Ended January 2, 2016	Three Months Ended January 3, 2015
Net cash used in continuing operations	$ (41,548)	$ (30,950)
Cash paid for fixed assets	(1,671)	(861)
Free cash flow	$ (43,219)	$ (31,811)

Adjusted EBITDA Reconciliation

The following table sets forth a reconciliation of net loss to Adjusted EBITDA for the first quarter of fiscal 2016 and the first quarter of fiscal 2015:

(in thousands of dollars)	Three Months Ended January 2, 2016	Three Months Ended January 3, 2015
Net loss	$ (2,337)	$ (628)
Loss from discontinued operations, net of tax	(18)	(4)
Loss from continuing operations	$ (2,319)	$ (624)
Interest expense, net	4,221	5,103
Income tax expense	209	(421)
Depreciation and amortization	1,994	2,263
Business combination expenses	—	609
Share based compensation	1,138	—
Public company expenses		188
Loss on disposal of fixed assets		469
Adjusted EBITDA	$ 5,243	$ 7,587
Adjusted EBITDA margin (percentage of net sales)	4.0%	4.6%

Segment Revenue and Gross Profit

Net sales

(in thousands of dollars)	Three Months Ended January 2, 2016	Three Months Ended January 3, 2015
Bus	$ 118,479	$ 151,984
Parts	12,854	13,849
Segment net sales	$ 131,333	$ 165,833

Gross profit

(in thousands of dollars)	Three Months Ended January 2, 2016	Three Months Ended January 3, 2015
Bus	$ 13,746	$ 14,302
Parts	5,007	5,176
Segment gross profit	$ 18,753	$ 19,478

The following table is a reconciliation of segment gross profit to consolidated loss before income taxes for the three months ended January 2, 2016 and January 3, 2015:

(in thousands of dollars)	Three Months Ended January 2, 2016	Three Months Ended January 3, 2015
Segment gross profit	$ 18,753	$ 19,478
Adjustments:		
Selling, general and administrative expenses	(17,079)	(15,459)
Interest expense	(4,243)	(5,135)
Interest income	22	32
Other income, net	16	11
Operating loss before income taxes	$ (2,531)	$ (1,073)

Sales are attributable to geographic areas based on customer location and were as follows for the three months ended January 2, 2016 and January 3, 2015:

(in thousands of dollars)	Three Months Ended January 2, 2016	Three Months Ended January 3, 2015
United States	$ 126,802	$ 155,951
Canada	3,088	9,159
Rest of world	1,443	723
Total net sales	$ 131,333	$ 165,833

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 in this press release 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 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**

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 Hennessy Capital Acquisition Corp. 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

This presentation may include the following non-GAAP financial measures: "Adjusted EBITDA," "Adjusted Net Income," "Adjusted Diluted Earnings per Share," "Free Cash Flow" and "Adjusted Free Cash Flow." Adjusted EBITDA is defined as net income prior to interest income, interest expense and other expense, net and income taxes, and depreciation and amortization, as adjusted to add back certain charges recorded each year, such as stock-compensation expense and transaction costs, as these expenses are not considered an indicator of ongoing company performance. Adjusted Net Income is defined as Net Income, as adjusted to add back certain transaction costs not considered an indicator of ongoing company performance. Adjusted Diluted Earnings per Share represents adjusted income (loss) from continuing operations divided by diluted weighted average common shares outstanding. Adjusted Net Income from continuing operations and Adjusted Diluted Earnings per Share are calculated net of taxes. Free cash flow represents net cash provided by continuing operations minus cash paid for fixed assets. Adjusted Free Cash Flow represents Free Cash Flow excluding cash paid for special compensation and other business combination expenses.

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.



END

BLUE BIRD

A heritage of looking ahead.