

Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2016 Third Quarter Results

Earnings Conference Call

August 4, 2016

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Agenda

- **Introductions & Forward-Looking Statements**
  - Mark Benfield – Manager, Investor Relations
- **Business Overview**
  - Phil Horlock – President & CEO
- **Financial Results**
  - 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

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Strong 3Q Results

- Sold 3,768 buses, 26% above prior year, with net sales up 23%
- Achieved peak daily production of 70 buses on two shifts
- Attained propane-bus mix of 24%, 8 points above last year; YTD sales up 70%
- Commenced ordering for all-new V8 Diesel and Gasoline-powered buses
- Reported Adjusted EBITDA[1] of $32.5M, up $9.1M from last year
- Accumulated cash of $42.7M at June 30, more than 50% higher than last year
- Paid down $25M of debt in June, three months earlier than last year's voluntary payment
- American Securities acquired Cerberus' equity and became major shareholder of Blue Bird with approximately 57% ownership

Significant progress in driving growth

[1] See appendix for additional detail regarding Adjusted EBITDA reconciliations [2] See slide 13 for additional detail regarding Adjusted Free Cash Flow

Significant 3Q Operating Achievements



Trained almost 200 customer and dealer technicians



Expanding dealer service capabilities; e.g. Canyon State Bus Sales



Quote volume remains up 38% YoY

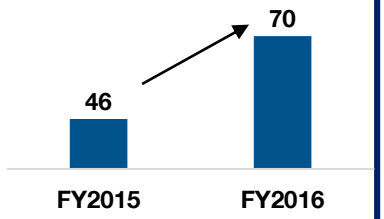
- Ford/Roush Propane
- Cummins V8
- Eaton Procision

Launched new GEN IV Propane, V8 Diesel and Eaton Transmission

BLUE BIRD VANTAGE™

Rolled out all-new company to customer online portal

Peak 3Q Production
(Units per Day)



Increased daily production capacity by more than 50%

APTA AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

Successful showing at public-transit bus show



Launched Sigma Bus in El Salvador Market

Successfully executed plans to drive sales and service growth

3Q Financial Results Up from Prior Year

3Q Net Sales	YTD Net Sales
$323.1 Million	$645.6 Million
Up $60.4 Million	Up $34.1 Million

3Q Bus Sales	YTD Bus Sales
$309.5 Million	$604.8 Million
Up $60.9 Million	Up $35.1 Million

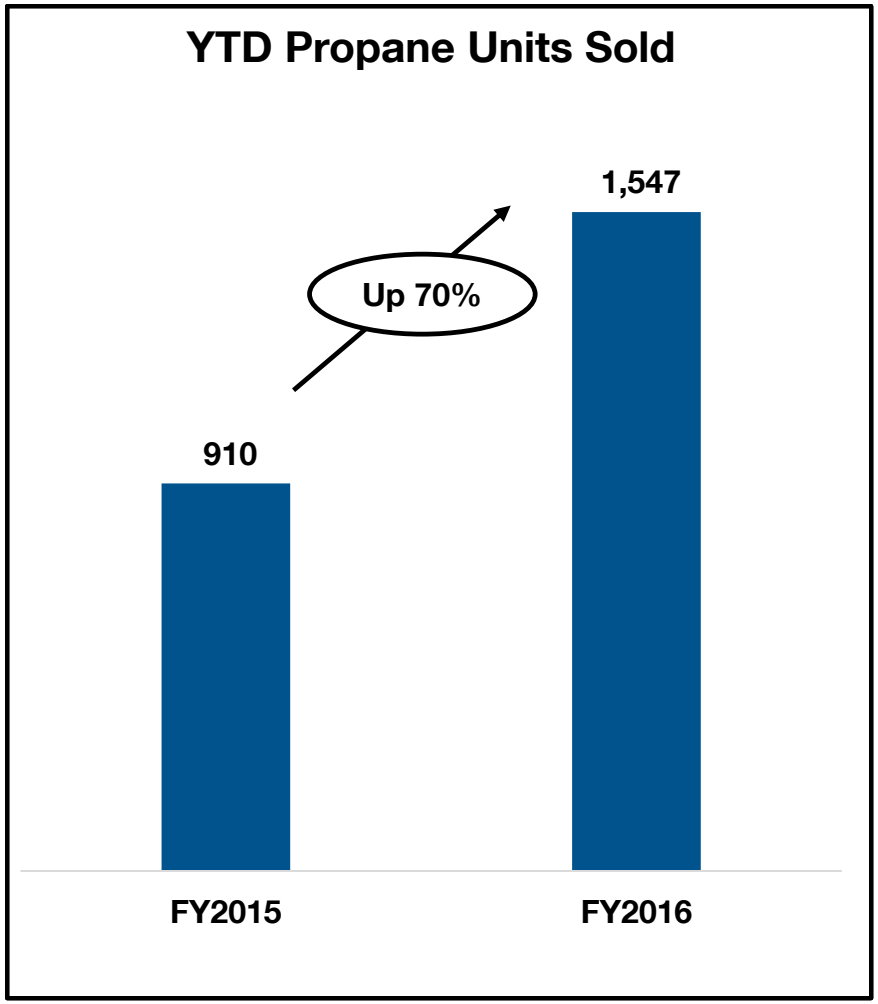
3Q Parts Sales	YTD Parts Sales
$13.6 Million	$40.8 Million
Down $0.5 Million	Down $1.0 Million

3Q Adj. EBITDA	YTD Adj. EBITDA
$32.5 Million	$47.8 Million
Up $9.1 Million	Up $7.0 Million

Substantial growth in 3Q and YTD profit and revenue

Note: See appendix for Adjusted EBITDA reconciliations

Continued Propane Momentum



Propane Market Leadership

- 26% growth in new customers YTD compared with last year
- 10x more propane-powered buses registered than other manufacturers[1]
- Blue Bird propane-powered Vision has the highest owner loyalty of any school bus in the market[1]
- Industry-leading Ford/ROUSH offering is exclusive to Blue Bird

Propane Advantages

- Lowest total cost of ownership
- Proven durability & performance
- Environmentally friendly
- Domestically produced fuel
- Great cold weather starting performance
- U.S. government incentives

On track to sell over 2,000 propane units in FY2016

[1] Based on R.L. Polk data



Phil Tighe
CFO

FINANCIAL RESULTS & OUTLOOK

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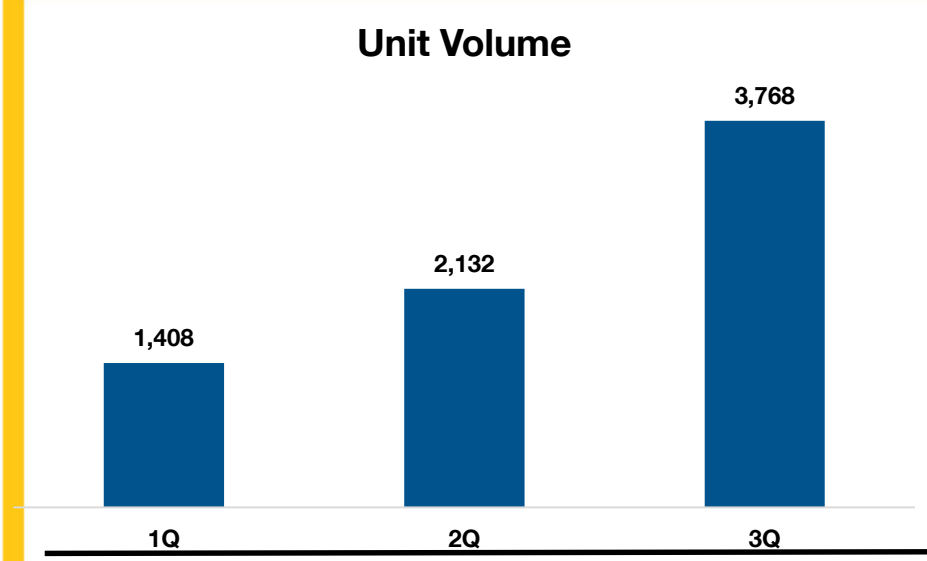
3Q Results Exceed Prior Year

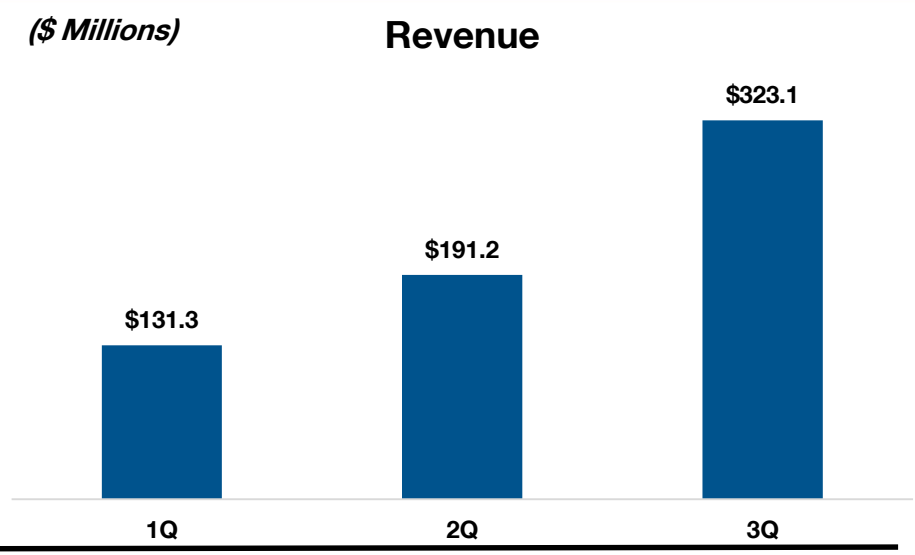
($ Millions except EPS and Volume)	3Q 2016	3Q 2015	B/(W)
Unit Volume	3,768	2,993	775 units
Revenue	$323.1	$262.7	$60.4
Gross Margin	14.5%	14.0%	0.5 pts.
Adj. EBITDA[1]	$32.5	$23.4	$9.1
EBITDA Margin	10.1%	8.9%	1.2 pts.
Net Income (Loss)	$(1.8)	$10.7	$(12.5)
Adj. Net Income[1]	$16.2	$11.7	$4.5
Diluted EPS	$(0.13)	$0.42	$(0.55)
Adj. Diluted EPS[1]	$0.64	$0.46	$0.18
Cash	$42.7	$27.8	$14.9
Debt	$154.3	$215.9	$61.6

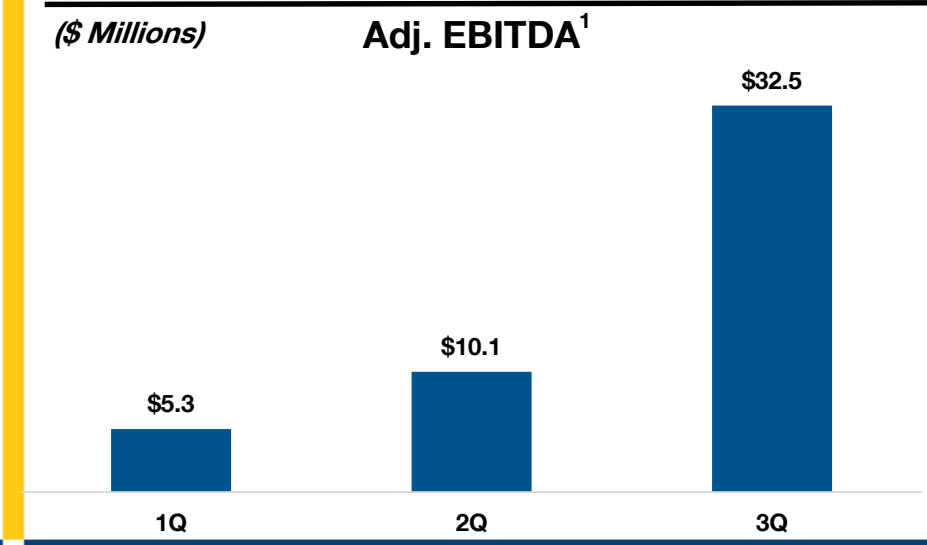
[1] See appendix for additional detail regarding Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS reconciliations

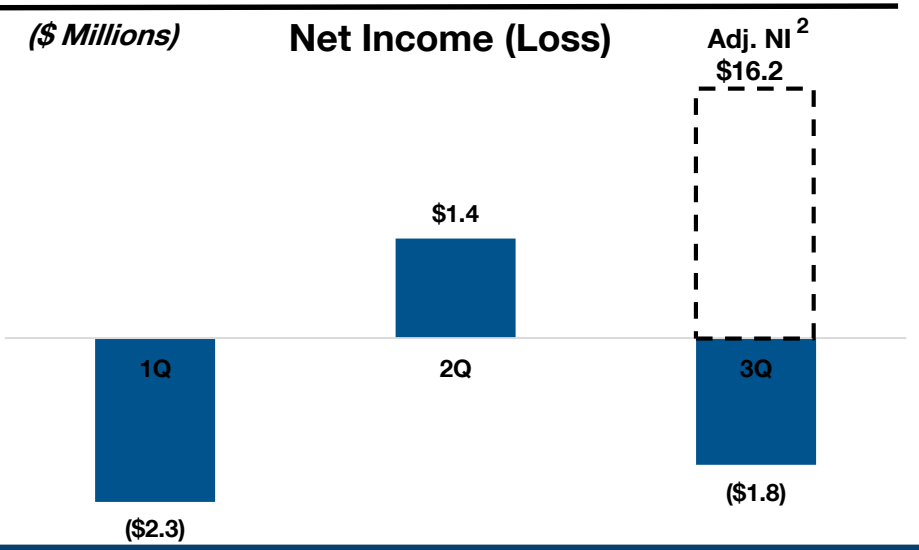
Significant improvement across the business

FY2016 Key Trends







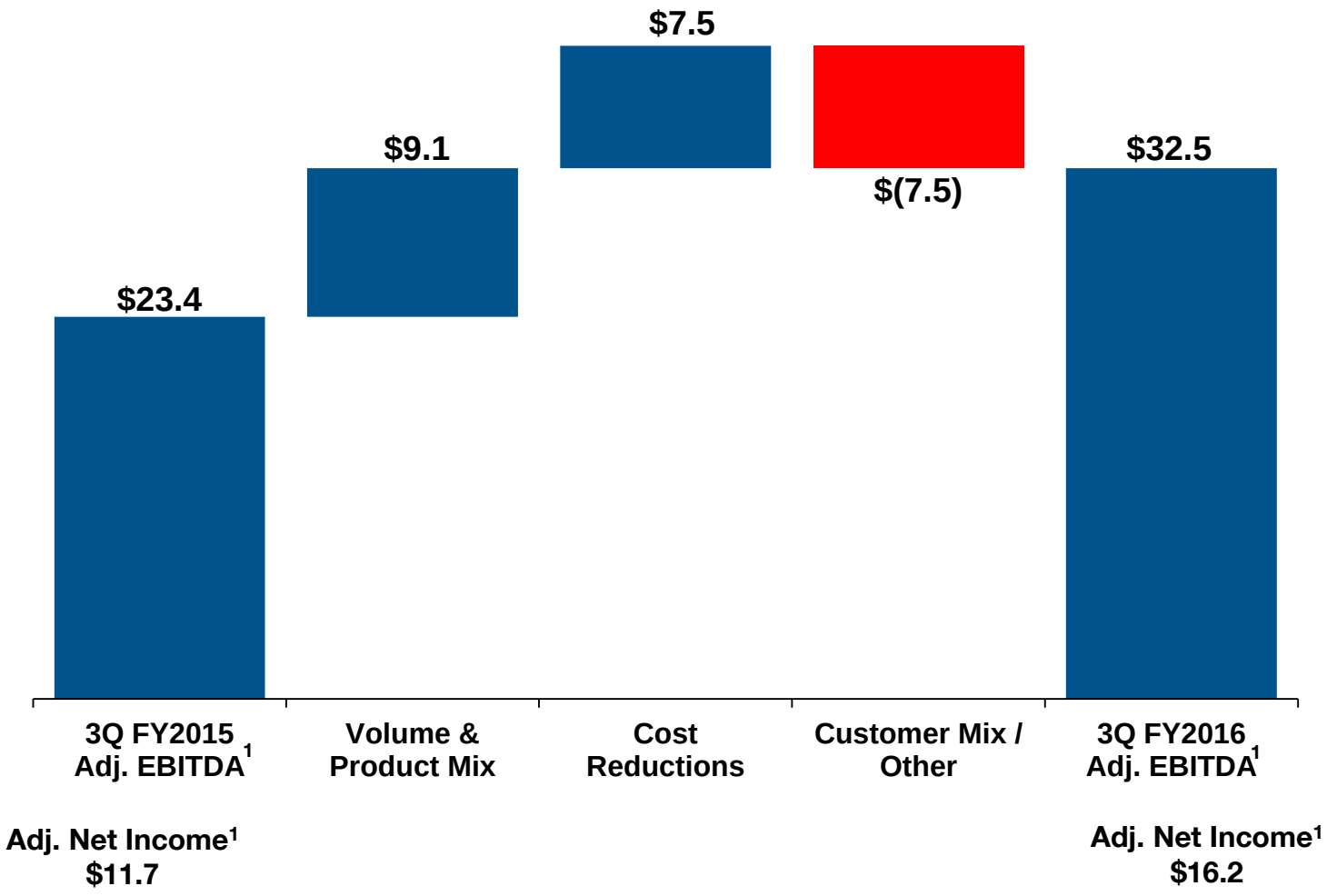


Strong 3Q demonstrates seasonality of our business

[1] See appendix for additional detail regarding Adjusted EBITDA reconciliations [2] See appendix for additional detail regarding Adjusted Net Income

3Q 2015 to 2016 Adj. EBITDA Walk

($ Millions)



Strong volume and cost reduction activity more than offset mix pressures

[1]See appendix for additional detail regarding Adjusted EBITDA and Adjusted Net Income reconciliations

Strong Free Cash Flow

($ Millions)	3Q		3Q YTD	
	FY2016	FY2015	FY2016	FY2015
Adjusted EBITDA[1]	$ 32.5	$ 23.4	$ 47.8	$ 40.9
Cash Paid for Interest (Net)	(2.4)	(3.9)	(9.5)	(16.3)
Trade Working Capital[2]	9.4	(15.1)	(7.9)	(23.9)
CAPEX	(2.6)	(1.6)	(6.5)	(3.4)
Cash Taxes	(0.3)	(0.0)	(1.1)	(0.4)
Other[3]	11.4	5.4	8.0	(5.7)
Adjusted Free Cash Flow	$ 48.1	$ 8.2	$ 30.8	$ (8.8)
Cash Paid for Special Comp. Payment[4]	(15.8)	-	(15.8)	(13.8)
Cash Paid for Business Comb. Expenses	(0.2)	-	(0.2)	(12.5)
Free Cash Flow[5]	$ 32.1	$ 8.2	$ 14.8	$ (35.1)

[1] See appendix for additional detail regarding Adjusted EBITDA reconciliations

[2] Inventories, accounts receivable and accounts payable

[3] Bonus, accrued vacation, property taxes, GSA prepay, and other accrued expenses

[4] Primarily funded by a former majority stockholder

[5] See appendix for free cash flow reconciliation

Free Cash Flow significantly improved over prior year

Improving Net Debt, Leverage & Liquidity

($ Millions)	As of July 2, 2016
Debt	**$ 154.3**
Cash	**42.7**
Net Debt	**$111.6**
Net Debt / Adjusted EBITDA (LTM)	**2.0x**
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 4.5x**	**1.7x**
Liquidity[1]	**$ 97.6**

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

Significantly below Net Leverage Ratio covenant; liquidity strong



Phil Horlock
President & CEO

CLOSING AND Q&A

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Slightly Lower Full Year Volume Outlook

- Later-than-expected certification by CARB/EPA of gasoline bus
- Shipping likely in September rather than July has impacted planned orders, although we are still waiting on CARB/EPA certification
- Strong gasoline engine interest and significant orders for September delivery
- Full Year unit sales in 10,600 to 10,800 range, 200-400 units lower than previously forecast

Lower shipments of gasoline bus with 3 month delay in certification

Financial Guidance

Metric ($ Millions)	Present FY2016 Guidance	Revised FY2016 Guidance
Net Sales	$960-$985	$930-$950
Adj. EBITDA	$72-$75	$70-$72
Free Cash Flow	$30-35	$30-35



Delay in gasoline engine certification drives minor revision to guidance

Wrap-Up

- Strong Third Quarter financial results and operating achievements
- Successfully shifted volume to Second Half supported by new second shift
- Strong propane momentum; Full Year growth should be over 25%
- Great interest in new gasoline-powered Vision bus and strong orders, but impacted by later-than-expected engine certification
- Slightly lower guidance for Net Sales and Adjusted EBITDA and maintaining Adjusted Free Cash Flow





Q&A

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Appendix

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3Q Adjusted EBITDA Reconciliation

The following table sets forth a reconciliation of net income (loss) to adjusted EBITDA for periods presented:

(in thousands of dollars)	Three Months Ended July 2, 2016	Three Months Ended July 4, 2015
Net income (loss)	$ (1,777)	$ 10,683
Loss from discontinued operations, net of tax	(13)	—
Income (loss) from continuing operations	$ (1,764)	$ 10,683
Interest expense	4,040	4,577
Interest income	(7)	(5)
Income tax expense	1,085	4,513
Depreciation and amortization	2,017	2,081
Special compensation payment (1)	15,757	—
Public company expenses, non-recurring	—	812
Business combination expenses	185	218
One-time post-retirement benefit adjustment	896	—
Share-based compensation	10,270	471
Adjusted EBITDA	$ 32,479	$ 23,350
Adjusted EBITDA margin (percentage of net sales)	10.1%	8.9%

(1) The special compensation payment was primarily funded by a contribution from our former majority shareholder concurrent with the change in control.

3QYTD Adjusted EBITDA Reconciliation

The following table sets forth a reconciliation of net income (loss) to adjusted EBITDA for the periods presented:

(in thousands of dollars)	Nine Months Ended July 2, 2016	Nine Months Ended July 4, 2015
Net income (loss)	$ (2,720)	$ (1,040)
Loss from discontinued operations, net of tax	(46)	(4)
Loss from continuing operations	$ (2,674)	$ (1,036)
Interest expense	12,736	14,473
Interest income	(118)	(39)
Income tax expense	2,267	8
Depreciation and amortization	6,025	6,646
Special compensation payment (1)	15,757	13,788
Public company expenses, non-recurring	—	2,654
Business combination expenses	239	3,364
Loss on disposal of fixed assets	—	469
One-time post-retirement benefit adjustment	896	—
Share-based compensation	12,717	526
Adjusted EBITDA	$ 47,845	$ 40,853
Adjusted EBITDA margin (percentage of net sales)	7.4%	6.7%

(1) The special compensation payments for fiscal 2016 and 2015 were primarily funded by a contribution from our former majority stockholder concurrent with the June 2016 change in control and 2015 Business Combination, respectively.

Free Cash Flow Reconciliations

(in thousands of dollars)	Nine Months Ended July 2, 2016	Nine Months Ended July 4, 2015
Net cash used in continuing operations	$ 21,307	$ (31,633)
Cash paid for fixed assets	(6,511)	(3,427)
Free cash flow	$ 14,796	$ (35,060)

Reconciliation of Adjusted EBITDA to Free Cash Flow
(Unaudited)

(in thousands of dollars)	Three Months Ended July 2, 2016	Three Months Ended July 4, 2015	Nine Months Ended July 2, 2016	Nine Months Ended July 4, 2015
Adjusted EBITDA	$ 32,479	$ 23,350	$ 47,845	$ 40,853
Cash paid for interest, net	(2,370)	(3,877)	(9,542)	(16,281)
Trade working capital	9,430	(15,075)	(7,903)	(23,905)
Capital expenditures (CAPEX)	(2,574)	(1,595)	(6,511)	(3,427)
Cash paid for taxes, net	(278)	(2)	(1,074)	(361)
Other	11,326	5,377	7,977	(5,651)
Adjusted free cash flow	$ 48,013	$ 8,178	$ 30,792	$ (8,772)
Cash paid for special compensation payment	(15,757)	—	(15,757)	(13,788)
Cash paid for business combination expenses	(185)	—	(239)	(12,500)
Free cash flow	$ 32,071	$ 8,178	$ 14,796	$ (35,060)

Adjusted Net Income Reconciliation

Reconciliation of Net Income (Loss) to Adjusted Net Income
(Unaudited)

(in thousands)	Three Months Ended		Nine Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net income (loss), GAAP	$ (1,777)	$ 10,683	$ (2,720)	$ (1,040)
Add: loss from discontinued operations, net of tax, GAAP	13	—	46	4
Income (loss) from continuing operations, GAAP	(1,764)	10,683	(2,674)	(1,036)
One-time charge adjustments, net of tax benefit (1)				
Special compensation payment	10,242	—	10,242	8,962
Public company expenses, non-recurring	—	528	—	1,725
Business combination expenses	120	142	155	2,187
Loss on disposal of fixed assets	—	—	—	305
One-time post-retirement benefit adjustment	582	—	582	—
Share-based compensation (2)	7,029	306	8,619	342
Adjusted income from continuing operations, non-GAAP	16,209	11,659	16,924	12,485
Less: preferred stock dividend	964	1,027	2,915	1,440
Adjusted income from continuing operations available to common stockholders, non-GAAP	$ 15,245	$ 10,632	$ 14,009	$ 11,045

(1) Amounts are net of federal statutory tax rate of 35%.
(2) Also includes tax shortfall expense.

Adjusted Diluted EPS Reconciliation

Reconciliation of GAAP Diluted EPS to Non-GAAP Diluted EPS
(Unaudited)

(in thousands)	Three Months Ended		Nine Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Diluted earnings (loss) per share, GAAP	$ (0.13)	$ 0.42	$ (0.27)	$ (0.12)
One-time charge adjustments, net of tax benefit and inclusion of dilutive securities	0.77	0.04	0.94	0.61
Adjusted diluted earnings per share from continuing operations, non-GAAP (1)	$ 0.64	$ 0.46	$ 0.67	$ 0.49
Weighted average dilutive shares outstanding, non-GAAP (2)	25,502,019	25,385,884	21,031,705	25,620,182

(1) Numerator is adjusted income from continuing operations for the three months ended July 2, 2016 and the three and nine months ended July 4, 2015. Numerator is adjusted income from continuing operations available to common stockholders for the nine months ended July 2, 2016.

(2) With adjusted income from continuing operations, potentially dilutive shares excluded under GAAP for periods with GAAP net loss were included for the adjusted diluted earnings per share calculation, except for convertible preferred shares outstanding for the nine months ended July 2, 2016 since the if-converted impact would be anti-dilutive. Potentially dilutive shares included with basic shares outstanding were 4,417,141 and 41,968 for the three and nine months ended July 2, 2016, respectively, and 4,314,064 for the nine months ended July 4, 2015.

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 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 income from continuing operations prior to interest income, interest expense, income taxes, and depreciation and amortization, as adjusted to add back certain charges that we may record 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 (as if we had GAAP net income during the respective period). 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

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