

Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2017

Fourth Quarter & Full Year Results

Earnings Conference Call

December 6, 2017

BLUE BIRD®

BUILT TO TAKE ON TOMORROW.

Agenda

- **Introductions & Forward-Looking Statements**
  - **Mark Benfield – Director, Investor Relations**
- **Business Overview**
  - **Phil Horlock – President & CEO**
- **Financial Results**
  - **Phil Tighe – CFO**
- **FY2018 Outlook and Guidance**
  - **Phil Horlock – President & CEO**
- **Q&A**



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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Overview

- Achieved strong 4Q results
  - 3,608 buses sold, 9% above last year; total net sales of $313M, up 9%
  - Adjusted EBITDA of $25.1M, up $0.8 million from last year
  - Net income of $14.5M, $3.8M above last year
- FY2017 results were equal to or better than guidance, with Net Sales of $991M, Adjusted EBITDA of $68.9M and Adjusted Free Cash Flow of $43.7M
- FY2017 net income of $28.8M and adjusted diluted EPS of $1.27 were above last year
- Business fundamentals are favorable
  - Preliminary FY2017 school bus industry was 35,000 units, the second highest level since 1985
  - Sold 11,317 units in FY2017, a 7% increase over FY2016; the sixth consecutive year of growth
  - Alternative-fuel powered buses represented 34% of total sales, up from 26% mix last year
  - Developing Type A, C and D electric buses, with customer deliveries beginning in 2018
- Major initiatives commenced in FY2018 to drive profitable growth
  - Substantial facility upgrade to increase efficiency, quality and capacity
  - Significant focused program to reduce total product costs
  - Major product upgrade to provide significant advantages for our customers

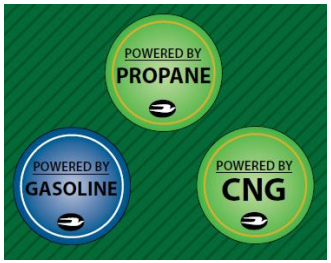
FY2017 was a strong year; focused on improving the business

Significant Operating Achievements

Sold 11,317 buses



Highest sales volume since 2002; 73% above FY2011 industry trough



Alternative fuel-powered bus sales up 41% versus last year

+ 504

504 customers made their first purchase of a specific alternative fuel

Achieved propane CARB Certification for 0.05g/bhp-hr NOx

4x cleaner than competitors' CARB certification



Type A, C & D electric buses unveiled; launching in 2018



Record Micro Bird[1] sales of over 3,100 buses;
#1 in Type A school buses

BLUE BIRD 90 YEARS

Dealers investing in the Blue Bird brand

Appointed new dealers in South Carolina and Virginia

4 pt. rate reduction

$34M of shares repurchased

Re-financed debt and initiated share buy-back

[1] unconsolidated joint venture

Advancing on multiple fronts

FY2017 Sales & Financial Results

Net Sales	4Q Net Sales
$990.6 Million	$312.7 Million
Up $58.6 Million	Up $26.3

Bus Sales	4Q Bus Sales
$930.7 Million	$297.2 Million
Up $54.7 Million	Up $26M

Parts Sales	4Q Parts Sales
$59.9 Million	$15.4 Million
Up $3.9 Million	Up $0.3M

Adj. EBITDA[1]	4Q Adj. EBITDA
$68.9 Million	$25.1 Million
Down $3.3 Million	Up $0.8M

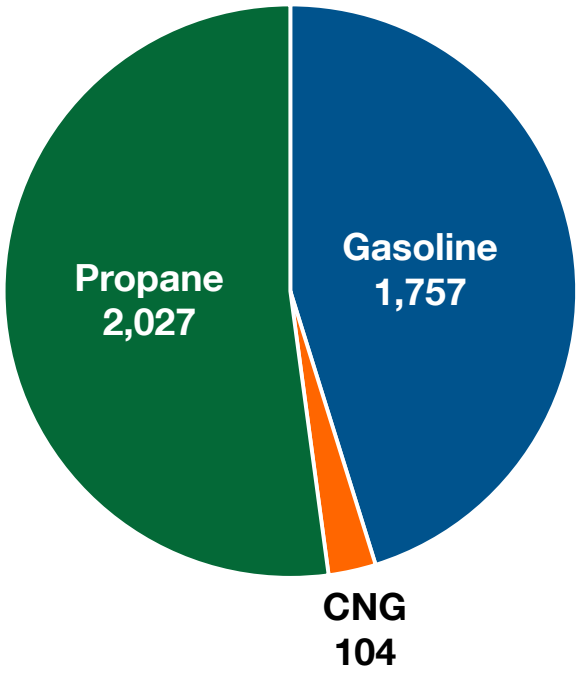
Continued sales growth for bus and parts

Full Year Adj. EBITDA down, consistent with guidance

[1] See appendix for additional detail regarding non-GAAP measures

Alternative-Fuel Leadership

FY2017 Alternative-Fuel Bus Sales



41% Increase over FY2016

FY2017 Highlights

- Sold 3,888 alternative fuel buses; 34% mix
- Ford/Roush partnership provides three distinct fuel types from the same engine/transmission combination
- Blue Bird propane-powered Vision has the highest owner loyalty of any school bus in the market[1]
- Launched lowest NOx level propane bus
- Gasoline buses quickly gained market acceptance in first full year of sales
- Launched new Type C CNG-powered bus in FY2017, providing a lower cost alternative to the traditional rear-engine CNG bus
- Conquested 238 new customers with alternative-fuel powered buses

Outstanding growth potential; majority of school districts have not tried alternative-fuel powered buses

[1] Based on R.L. Polk data



Phil Tighe

CFO

FINANCIAL RESULTS & OUTLOOK

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4Q Results – Summary

(Millions except Volume, EPS & Margin)	4Q FY2017	4Q FY2016	B/(W)
Unit Volume	3,608	3,308	300 units
Net Revenue	$312.7	$286.4	$26.3
Gross Margin	12.6%	13.5%	(0.9) pts.
Net Income	$14.5	$10.8	$3.8
Adj. EBITDA[1]	$25.1	$24.3	$0.8
Adj. EBITDA Margin	8.0%	8.5%	(0.5) pts.
Diluted EPS	$0.28	$0.39	$(0.11)
Adj. Diluted EPS[1]	$0.51	$0.42	$0.09
Cash	$62.6	$52.3	$10.3
Debt	$151.2	$152.1	$0.9

Favorable revenue, net income and cash; gross margin lower

[1] See appendix for additional detail regarding non-GAAP measures

Full Year Results – Summary

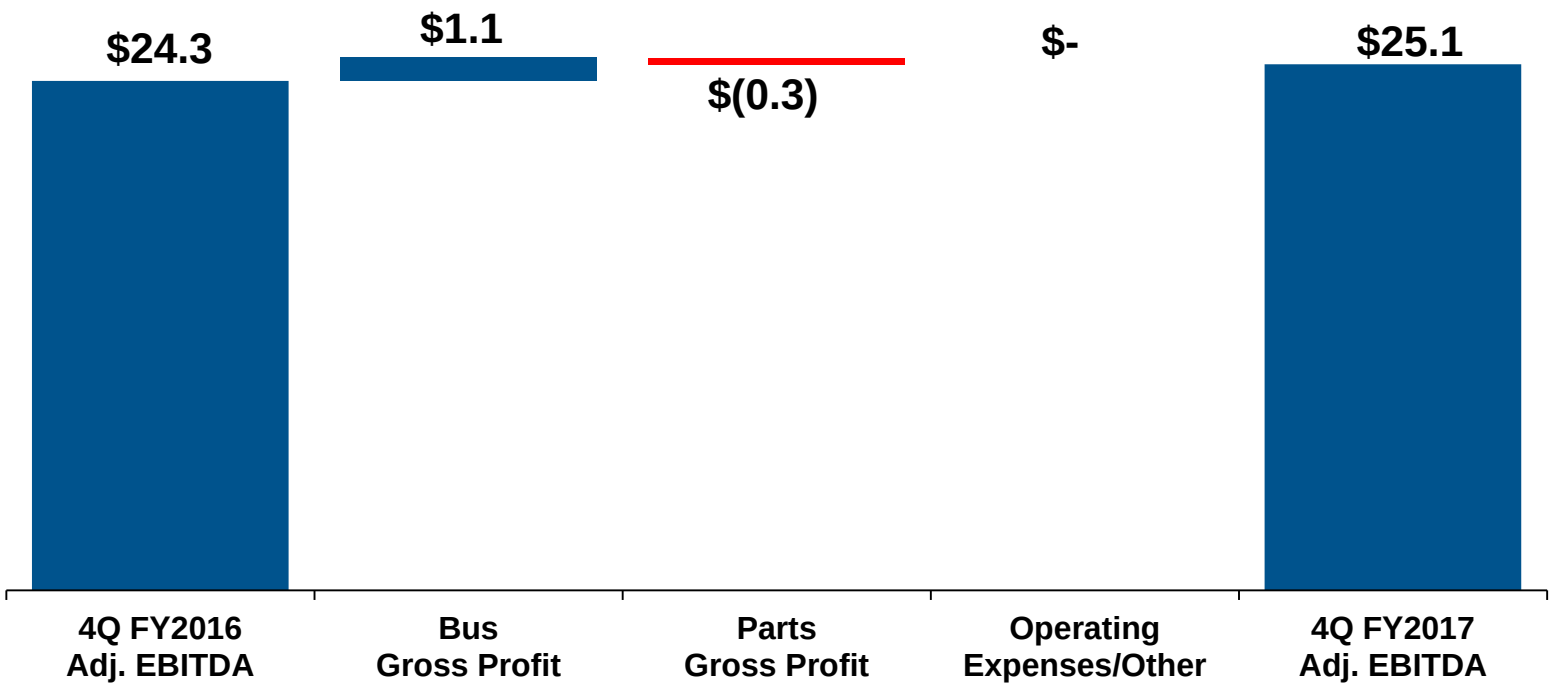
(Millions except Volume, EPS & Margin)	FY2017	FY2016	B/(W)
Unit Volume	11,317	10,616	701 units
Net Revenue	$990.6	$932.0	$58.6
Gross Margin	12.9%	13.9%	(1.0) pts.
Net Income	$28.8	$6.9	$21.9
Adj. EBITDA[1]	$68.9	$72.2	$(3.3)
Adj. EBITDA Margin	7.0%	7.7%	(0.7) pts.
Diluted EPS	$0.74	$0.14	$0.60
Adj. Diluted EPS[1]	$1.27	$1.14	$0.13
Cash	$62.6	$52.3	$10.3
Debt	$151.2	$152.1	$0.9

Favorable revenue, net income and cash; gross margin lower

[1] See appendix for additional detail regarding non-GAAP measures

4Q FY2016 to FY2017 Adj. EBITDA Walk

($ Millions)

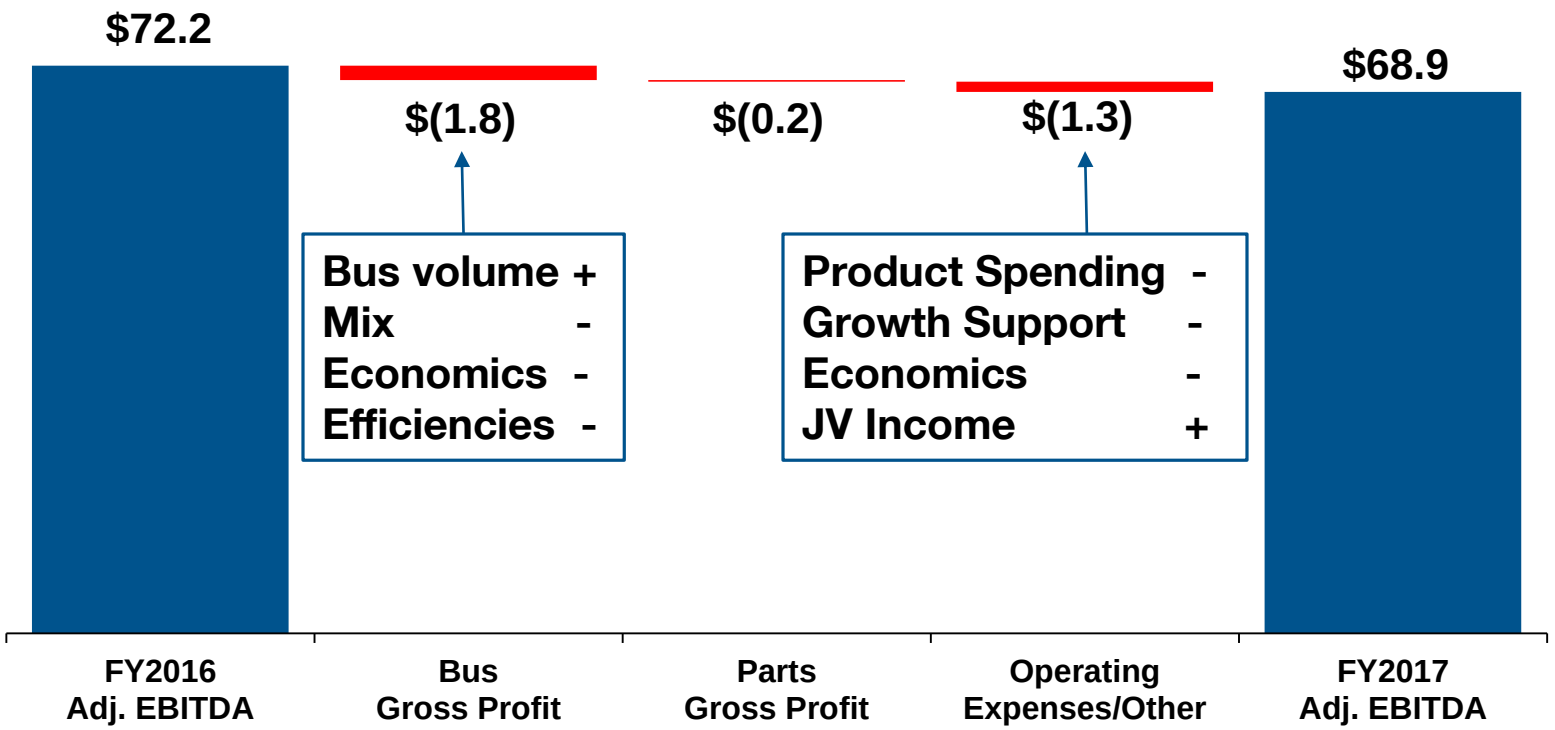


Higher volumes drove 4Q profits

Note: See appendix for additional detail regarding non-GAAP measures

FY2016 to FY2017 Adj. EBITDA Walk

($ Millions)



Reduction in gross profit and increase in operating expenses drove lower profits of $3.3M

Note: See appendix for additional detail regarding non-GAAP measures

Free Cash Flow

	4Q		Full Year	
($ Millions)	FY2017	FY2016	FY2017	FY2016
Adjusted EBITDA	$25.1	$24.3	$ 68.9	$ 72.2
Cash Paid for Interest (Net)	(1.3)	(3.9)	(6.1)	(13.3)
Trade Working Capital[1]	26.0	(4.1)	(3.8)	(12.0)
CAPEX	(2.1)	(3.1)	(9.3)	(9.6)
Cash Taxes	(7.1)	0.9	(8.4)	(0.2)
Other[2]	0.1	(11.6)	2.4	(3.8)
Adjusted Free Cash Flow	$ 40.7	$ 2.5	$ 43.7	$ 33.3
Cash Paid for Business Combo/Other[3]	(0.9)	(0.3)	(5.1)	(0.5)
Special Compensation	-	(1.3)	-	(17.1)
Free Cash Flow	$ 39.8	$ 0.9	$ 38.6	$ 15.7

[1] Inventories, accounts receivable and accounts payable

[2] Bonus, Accrued Vacation, Property Taxes, GSA Prepay, and other accrued expenses

[3] FY17 Includes $3.3M for Business Combination expenses, $1.8M for major product redesign; FY16 Includes $0.5M for Business Combination Expense

Higher free cash flow as lower interest cost, trade working capital improvements and other costs more than offset higher cash taxes and lower profits

Improving Net Debt, Leverage & Liquidity

($ Millions except for ratios)	As of Sept 30, 2017
Debt	**$ 151.2**
Cash	**62.6**
Net Debt	**$ 88.6**
Net Debt / Adjusted EBITDA TTM	**1.3x**
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 4.0x**	**1.6X**
Liquidity[1]	**$ 130.6**

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

Low leverage, strong liquidity

Share Repurchase Program – Update

- **The Board approved a share repurchase program of up to $50M**
- **The Company paid $34.3 million in FY2017 to repurchase capital stock:**
  - **868,952 common shares - $16.1 million**
  - **512,000 warrants - $1.8 million**
  - **100,000 preferred shares - $16.4 million**
- **Expect to complete program in FY2018**

On path to achieve share buy back of $50M



Phil Horlock
President & CEO

FY2018 Outlook & Guidance

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Margin Growth Targeted for FY2018

- **Projecting school bus industry at about the same level as FY2017 or slightly higher**
- **Blue Bird is forecasting modest sales growth of 1-2% in FY2018; focus is on transforming our business structure to drive margin improvement**

- **Implementing significant investment in production facilities to support future growth, greater efficiencies and industry-leading quality**
- **Partnering with industry leaders to drive down costs in all areas of our business; initial results will be seen in FY2018 margins**
- **Working on substantial new product upgrades, providing enhanced customer satisfaction and industry-leading attributes**



FY2018 Guidance

$ Millions	FY2017 Results	FY2018 Guidance	2018G B/(W) 2017
Net Sales	$991	$1,000-1,030 Midpoint: $1,015	$9-39
Adj. EBITDA	$69	$78-82 Midpoint: $80	$9-13
Adj. Free Cash Flow[1]	$44	$36-40 Midpoint: $38	$(8)-(4)

[1] Excludes business combination expenses and product redesign initiatives

Strong profit growth in FY2018 from focused efficiency initiatives

Adj. Free Cash Flow remains strong, despite facility upgrade investment



Q&A

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Appendix

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Adj. EBITDA Reconciliation

Reconciliation of Net Income to Adjusted EBITDA
(Unaudited)

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income	$ 14,544	$ 10,777	$ 28,801	$ 6,900
Income (loss) from discontinued operations, net of tax	183	(282)	41	(328)
Income from continuing operations	$ 14,361	$ 11,059	$ 28,760	$ 7,228
Interest expense, net	1,373	3,661	7,111	16,279
Income tax expense	6,026	3,920	11,832	5,989
Depreciation, amortization, and disposals	2,099	2,064	8,205	8,118
Loss on debt extinguishment	—	—	10,142	—
Special compensation payment	—	16	—	17,128
Business combination expenses	—	3,559	(174)	3,798
One-time post-retirement benefit adjustment	—	—	—	896
Share-based compensation	366	—	1,270	12,717
Product redesign initiatives	828	—	1,758	—
Adjusted EBITDA	$ 25,053	$ 24,279	$ 68,904	$ 72,153
Adjusted EBITDA margin (percentage of net sales)	8.0%	8.5%	7.0%	7.7%

Free Cash Flow Reconciliation

Reconciliation of Free Cash Flow to Adjusted Free Cash Flow
(Unaudited)

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net cash provided by continuing operations	$ 41,903	$ 3,990	$ 47,875	$ 25,297
Cash paid for fixed assets	(2,059)	(3,072)	(9,252)	(9,583)
Free cash flow	$ 39,844	$ 918	$ 38,623	$ 15,714
Cash paid for special compensation payment	—	(1,371)	—	(17,128)
Cash paid for business combination expenses	—	(261)	(3,313)	(500)
Cash paid for product redesign initiatives	(828)	—	(1,758)	—
Adjusted free cash flow	40,672	2,550	43,694	33,342

Adj. Income from Cont. Ops. Reconciliation

Reconciliation of Net Income to Adjusted Income from Continuing Operations
(Unaudited)

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Net income	$ 14,544	$ 10,777	$ 28,801	$ 6,900
Add: (income) loss from discontinued operations, net of tax	(183)	282	(41)	328
Income from continuing operations	14,361	11,059	28,760	7,228
One-time charge adjustments, net of tax benefit or expense (1)				
Special compensation payment	—	10	—	10,962
Loss on debt extinguishment	—	—	6,491	—
Business combination expenses	—	2,278	(111)	2,431
Post-retirement benefit adjustment	—	—	—	573
Share-based compensation	234	—	813	8,139
Product redesign initiatives	530	—	1,125	—
Adjusted income from continuing operations, non-GAAP	$ 15,125	$ 13,347	37,077	29,333

(1) Amounts are net of estimated statutory tax rates of 36%.

Adj. Diluted EPS Reconciliation

Reconciliation of Diluted EPS to Adjusted Diluted EPS
(Unaudited)

	Three Months Ended		Fiscal Year Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Diluted earnings per share - Cont. Ops.	$ 0.27	$ 0.40	$ 0.74	$ 0.16
One-time charge adjustments, net of tax benefit or expense	0.24	0.02	0.53	0.98
Adjusted diluted earnings per share, non-GAAP (1)	$ 0.51	$ 0.42	$ 1.27	$ 1.14
Weighted average dilutive shares outstanding (2)	29,732,978	31,868,742	29,175,562	25,629,683

(1) Numerator is adjusted income from continuing operations, non-GAAP.
(2) With adjusted income, potentially dilutive shares of convertible preferred stock excluded under GAAP were included for the adjusted diluted earnings per share calculation for all periods. Potentially dilutive shares included with basic shares outstanding were 4,266,657 and 4,302,212 for the three months and fiscal year ended September 30, 2017, respectively and 4,314,064 for both the three months and fiscal year ended October 1, 2016.

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 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 Income from Continuing Operations," "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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