

Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2017

Second Quarter Results

Earnings Conference Call

May 11, 2017

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Agenda

- **Introductions & Forward-Looking Statements**
  - **Mark Benfield – Director, Investor Relations**
- **Business Overview**
  - **Phil Horlock – President & CEO**
- **Financial Results**
  - **Phil Tighe – CFO**
- **FY2017 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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2Q Sales & Financial Overview

- **Strong 2Q unit sales with 2,367 buses sold, 11% above prior year; total net sales of $208.7M, up 9%**
- **Alternative-fuel powered bus sales represented 22% of our total bus sales, up from 13% mix last year; significant growth in year-to-date[1] orders**
- **Adjusted EBITDA[2] of $8.1M, down $2.0M from last year**
  - **Decline largely reflected customer mix changes from last year and higher operating expenses to drive future growth**
- **Significant improvement in both cash and debt positions; net debt improvement of $37.6M from last year**
- **Increased daily production to 65 buses per day on two shifts in 2Q and will achieve 70 per day in 3Q**
- **Industry R.L. Polk new registrations and ACT Research net orders are trending up vs. prior year – in line with expectations; strong quote volume**

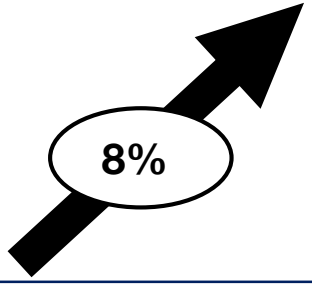
2Q in line with plan; reaffirming full-year guidance

[1] Through 5/8 [2]See appendix for additional detail regarding non-GAAP measures

Significant Operating Achievements



YTD quote activity is up 20+% from last year



YTD bookings and order backlog up 8%[1]

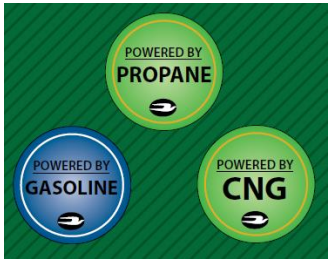
Pending Gen 4 Propane Emissions Certification for 0.05g/bhp-hr NOx

Will be 4x cleaner than competitors' CARB certification

Senior Appointments to Accelerate Change in:

- Quality
- Dealer Development
- Customer Service
- Commercial Bus
- International

Recognizing the need to accelerate change



YTD alternative fuel-powered bus bookings and backlog up 43%[1]

+ 275

275 new alternative-fuel customers added



Seven product events
650 customers & over 170 dealer personnel

Net Sales: $980-1,010M

Adj. EBITDA: $72-76M

Free Cash Flow: $38-42M

Reaffirming full-year guidance

Continuing to make advances in multiple areas; focused on growth

[1] Through 5/8

2Q Financial Results

2Q Net Sales	YTD Net Sales
$208.7 Million Up $17.4 Million	$345.3 Million Up $22.8 Million

2Q Bus Sales	YTD Bus Sales
$193.8 Million Up $16.8 Million	$316.2 Million Up $20.8 Million

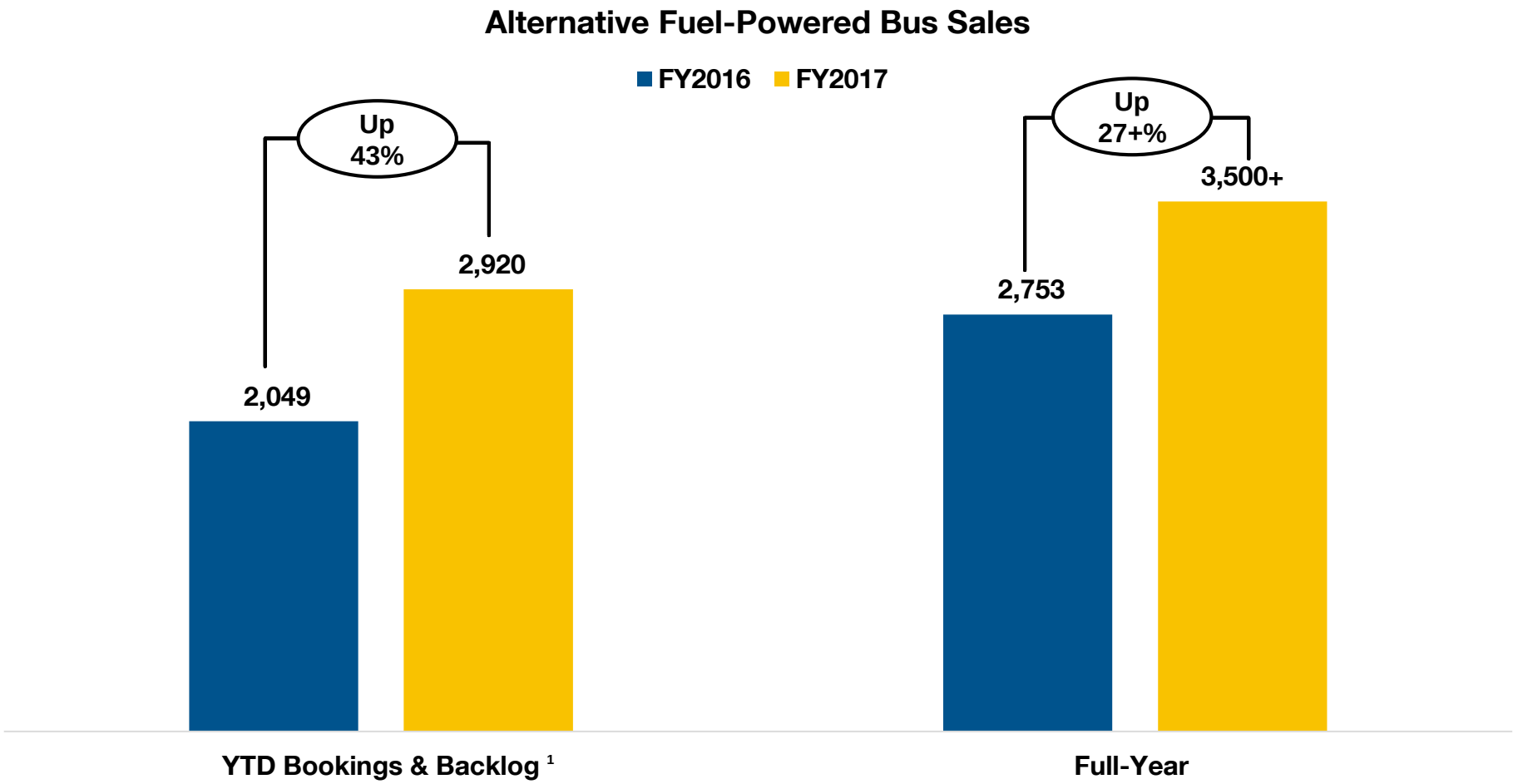
2Q Parts Sales	YTD Parts Sales
$14.9 Million Up $0.6 Million	$29.1 Million Up $2.0 Million

2Q Adj. EBITDA[1]	YTD Adj. EBITDA
$8.1 Million Down $2.0 Million	$10.7 Million Down $4.7 Million

Sales up versus prior year; on plan to achieve full-year guidance

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

Alternative Fuel Leadership



On track to deliver over 3,500 alternative-fuel vehicles for the full year

[1] Through 5/8



Phil Tighe

CFO

FINANCIAL RESULTS & OUTLOOK

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2Q Results – Summary

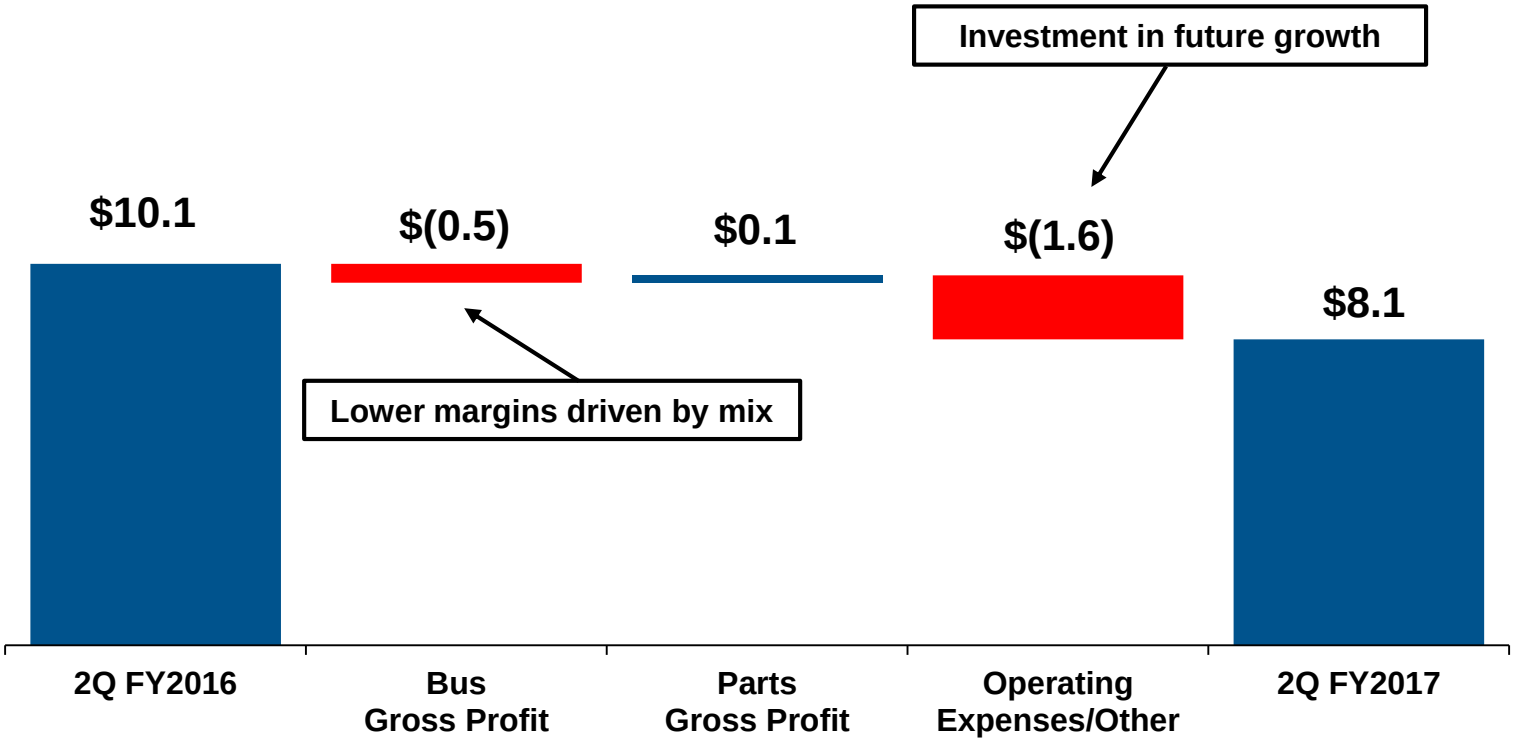
($ Millions except Volume and EPS)	2Q FY2017	2Q FY2016	B/(W)
Unit Volume	2,367	2,132	235 units
Net Revenue	$208.7	$191.2	$17.4
Gross Margin	11.8%	13.1%	(130) bps.
Net Income	$2.7	$1.4	$1.3
Adj. EBITDA[1]	$8.1	$10.1	$(2.0)
Adj. EBITDA Margin	3.9%	5.3%	(140) bps.
Diluted EPS	$0.07	$0.2	$0.05
Cash	$38.4	$28.6	$9.8
Debt	$154.9	$182.7	$27.8

Blue Bird is on target to achieve guidance

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

2Q FY2016 to FY2017 Adj. EBITDA Walk

($ Millions)



2Q profits on Plan – lower margins and operating expenses result in decline versus prior year

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

2Q FY2017 Free Cash Flow

($ Millions)	FY2017	FY2016
Adjusted EBITDA[1]	$ 8.1	$ 10.1
Cash Paid for Interest (Net)	(1.4)	(3.6)
Trade Working Capital[2]	15.3	15.9
CapEx	(2.2)	(2.2)
Cash Taxes	(0.7)	(0.6)
Other [3]	4.6	6.3
Adjusted Free Cash Flow	$23.7	$25.9
One-Time Investment Banking Fee	(3.0)	-
Free Cash Flow	$ 20.7	$ 25.9

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

[2] Inventories, accounts receivable and accounts payable

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

Free Cash Flow performance in line with prior year levels

Improving Net Debt, Leverage & Liquidity

($ Millions)	As of April 1, 2017
Debt	**$ 154.9**
Cash	**38.4**
Net Debt	**$ 116.5**
Net Debt / Adjusted EBITDA TTM	**1.7x**
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 4.0x**	**1.71X**
Liquidity[1]	**$ 108.4**

[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

FY2017 Outlook & Guidance

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Continued Growth in FY2017

- **Projecting full-year industry above FY2016 levels**
- **Blue Bird unit sales are on track to grow 6-8%, supported by:**
  - **Continued industry growth**
  - **Conquest of major accounts**
  - **High demand for alternative-fuel powered buses**
  - **Value-oriented product introductions:**
    - **Gasoline-powered Vision**
    - **Type C CNG**
  - **Growth in Commercial and Export bus sales**
- **YTD[1] bookings and backlog are up 8% compared with FY2016 and represent approximately 75% of full year sales target**
- **Financial outlook is for modest growth, with volume gains partially offset by potentially higher commodity prices and continued investment in future products**



[1] Though 5/8

FY2017 Guidance

($ Millions)	FY2017G	2017G B/(W) 2016		FY2017 1H Results	FY2017 2H Expectation
Net Sales	**$980-1,010**	**$48-78**		**$345**	**$635-665**
Adj. EBITDA[1]	**$72-76**	**$0-4**		**$11**	**$61-65**
Adj. Free Cash Flow[1]	**$38-42**	**$5-9**		**$(14)**	**$52-56**

Strong 2H expected; reaffirming full-year guidance

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



Q&A

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Appendix

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Adj. EBITDA Reconciliation

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Net income (loss)	$ 2,748	$ 1,394	$ (5,775)	$ (943)
Loss from discontinued operations, net of tax	(39)	(15)	(120)	(33)
Income (loss) from continuing operations	$ 2,787	$ 1,409	$ (5,655)	$ (910)
Interest expense	1,715	4,453	4,403	8,696
Interest income	(6)	(89)	(13)	(111)
Income tax expense	1,130	973	(2,496)	1,182
Depreciation, amortization, and disposals	2,032	2,038	4,055	4,032
Loss on debt extinguishment	—	—	10,142	—
Business combination expenses	—	—	(174)	54
Share-based compensation	410	1,309	410	2,447
Adjusted EBITDA	$ 8,068	$ 10,093	$ 10,672	$ 15,390
Adjusted EBITDA margin (percentage of net sales)	3.9%	5.3%	3.1%	4.8%

Free Cash Flow Reconciliation

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Net cash used in continuing operations	$ 22,942	$ 28,210	$ (9,137)	$ (13,338)
Cash paid for fixed assets	(2,203)	(2,266)	(5,159)	(3,937)
Free cash flow	$ 20,739	$ 25,944	$ (14,296)	$ (17,275)
Cash paid for business combination expenses	(3,000)	—	(3,313)	(54)
Adjusted free cash flow	23,739	25,944	(10,983)	(17,221)

Adj. Income from Cont. Ops. Reconciliation

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Net income (loss)	$ 2,748	$ 1,394	$ (5,775)	$ (943)
Add: loss from discontinued operations, net of tax	39	15	120	33
Income (loss) from continuing operations	2,787	1,409	(5,655)	(910)
One-time charge adjustments, net of tax benefit or expense (1)				
Loss on debt extinguishment	—	—	6,491	—
Business combination expenses	—	—	(111)	35
Share-based compensation	262	838	262	1,566
Adjusted income from continuing operations, non-GAAP	$ 3,049	$ 2,247	987	691
Less: preferred stock dividends	1,017	953	1,970	1,951
Adjusted income (loss) from continuing operations available to common stockholders, non-GAAP	$ 2,032	$ 1,294	$ (983)	$ (1,260)

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

Adj. Diluted EPS Reconciliation

	Three Months Ended		Six Months Ended	
	April 1, 2017	April 2, 2016	April 1, 2017	April 2, 2016
Diluted earnings (loss) per share	$ 0.07	$ 0.02	$ (0.33)	$ (0.04)
One-time charge adjustments, net of tax benefit or expense	0.01	0.04	0.29	(0.02)
Adjusted diluted earnings (loss) per share, non-GAAP (1)	$ 0.08	$ 0.06	$ (0.04)	$ (0.06)
Weighted average dilutive shares outstanding	24,590,905	21,011,129	22,822,416	20,942,538

(1) Numerator is adjusted income (loss) from continuing operations available to common stockholders, non-GAAP.

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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