

Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2017

Third Quarter Results

Earnings Conference Call

August 3, 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**
- **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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3Q Sales & Financial Overview

- **Strong 3Q unit sales with 3,849 buses sold, 2% above prior year; total net sales of $332.6M, up 3%**
- **Alternative-fuel powered bus sales represented 41% of our total bus sales mix, up from 25% last year; substantial growth in year-to-date[1] orders**
- **Net income of $20.0M and diluted earnings-per-share of 68 cents significantly above last year's results**
- **Adjusted EBITDA[2] of $32.2M, down $0.3M from last year**
- **Significant improvement in both cash and debt positions; net debt of $102.7M, 8% below last year**
- **Increased daily production to 70 buses per day on two shifts**
- **R.L. Polk new bus industry registrations and ACT Research net orders and retail sales are up vs. prior year – in line with expectations**

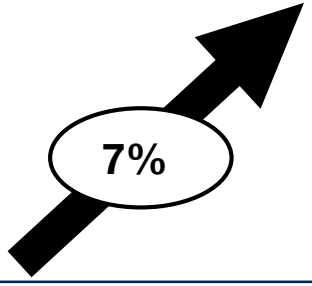
3Q results in line with plan with notable year-to-year gains

[1] As of 7/31 [2]See appendix for additional detail regarding non-GAAP measures

Significant Operating Achievements



YTD quote activity is up 7% from last year



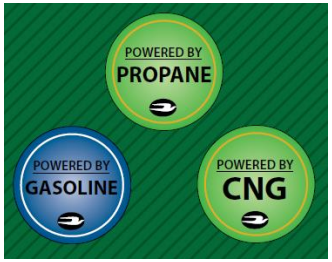
YTD bookings and order backlog up 7%[1]

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

4x cleaner than competitors' CARB certification

3Q sales of 3,849 new buses was a 10-year record

2% above last year (previous record)



YTD alternative fuel-powered bus bookings and order backlog up 37%[1]

+ 279

279 new alternative-fuel customers added



Revealed industry's first Type D electric school bus chassis; launching 2018

Net Sales: $980-1,000M

Adj. EBITDA: $68-70M

Free Cash Flow: $33-37M

Moderately lower guidance as specific customers take delivery next quarter

Continuing to make advances in multiple areas; focused on growth

[1] As of 7/31

3Q Financial Results

3Q Net Sales	YTD Net Sales
$332.6 Million	$677.9 Million
Up $9.5 Million	Up $32.3 Million

3Q Bus Sales	YTD Bus Sales
$317.3 Million	$633.5 Million
Up $7.9 Million	Up $28.7 Million

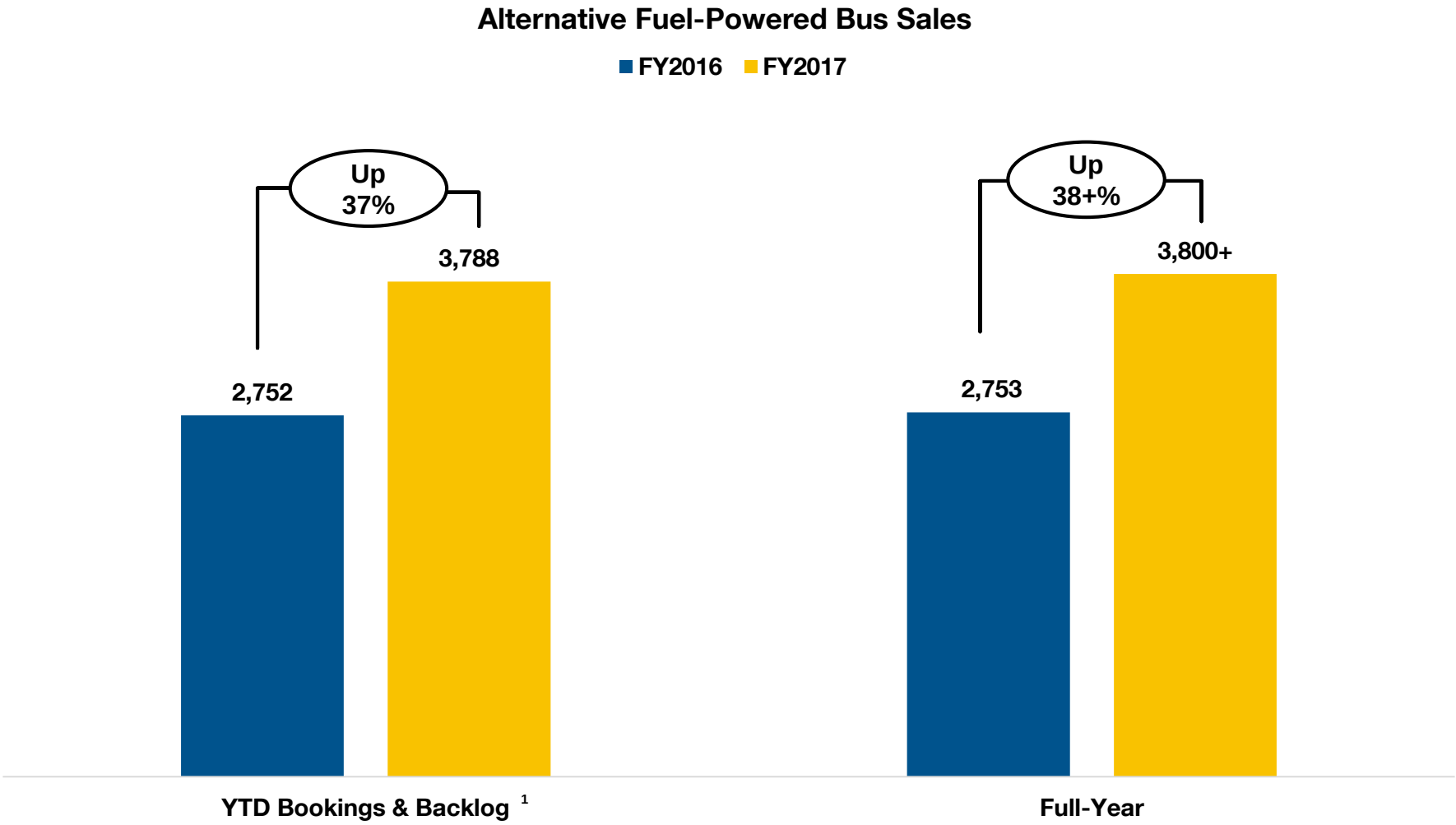
3Q Parts Sales	YTD Parts Sales
$15.3 Million	$44.4 Million
Up $1.6 Million	Up $3.7 Million

3Q Adj. EBITDA[1]	YTD Adj. EBITDA
$32.2 Million	$42.9 Million
Down $0.3 Million	Down $5.0 Million

Continued sales growth; 3Q Adj. EBITDA essentially flat ~10% margin

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

Alternative Fuel Leadership



On track to deliver another record year for alternative fuel sales

[1] As of 7/31



Phil Tighe

CFO

FINANCIAL RESULTS & OUTLOOK

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3Q Results – Summary

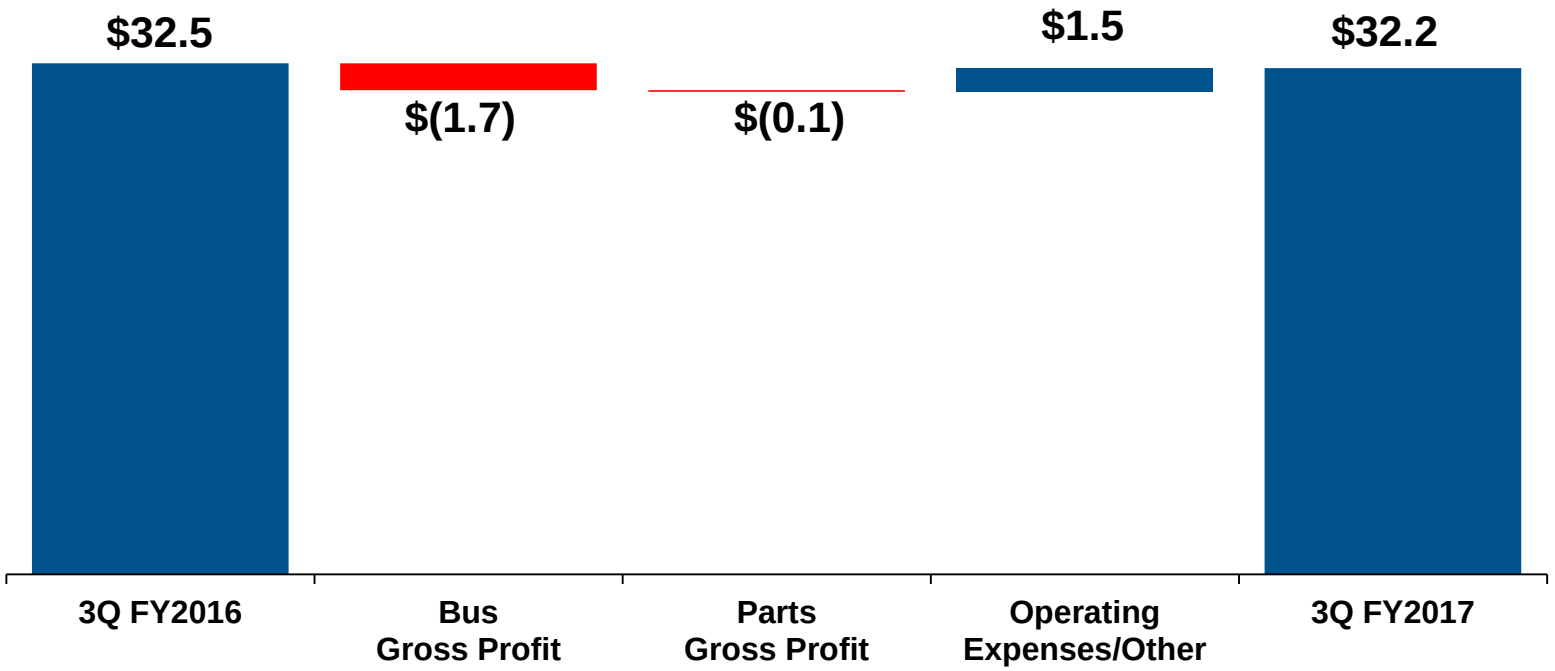
($ Millions except Volume and EPS)	3Q FY2017	3Q FY2016	B/(W)
Unit Volume	3,849	3,768	81 units
Net Revenue	$332.6	$323.1	$9.5
Gross Margin	13.5%	14.5%	(1) pt.
Net Income	$20.0	$(2.9)	$22.9
Adj. EBITDA[1]	$32.2	$32.5	$(0.3)
Adj. EBITDA Margin	9.7%	10.1%	(0.4) pts.
Diluted EPS	$0.68	$(0.18)	$0.86
Cash	$50.3	$42.7	$7.6
Debt	$153.0	$154.3	$1.3

Strong results for net income, diluted EPS and cash; gross margin was down

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

3Q FY2016 to FY2017 Adj. EBITDA Walk

($ Millions)



3Q results in line with internal plan; higher production costs that drove lower bus gross profits are being addressed

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

3Q FY2017 Free Cash Flow

($ Millions)	FY2017	FY2016
Adjusted EBITDA[1]	$ 32.2	$ 32.5
Cash Paid for Interest (Net)	(1.5)	(2.3)
Trade Working Capital[2]	(17.6)	9.4
CapEx	(2.0)	(2.6)
Cash Taxes	(0.1)	(0.3)
Other[3]	2.1	11.4
Adjusted Free Cash Flow	$13.1	$48.1
Cash paid for special compensation/business combination	-	(16.0)
Free Cash Flow	$ 13.1	$ 32.1

[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

FY2017 3Q Working Capital largely the result of increased finished goods inventory; units were delivered in July

Improving Net Debt, Leverage & Liquidity

($ Millions except for ratios)	As of July 1, 2017
Debt	**$ 153.0**
Cash	**50.3**
Net Debt	**$ 102.7**
Net Debt / Adjusted EBITDA TTM	**1.5x**
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 4.0x**	**1.67X**
Liquidity[1]	**$ 120.2**

[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**
  - **High demand for alternative-fuel powered buses**
  - **Conquest of major accounts**
  - **Growth in Commercial and Export bus sales**
- **YTD[1] bookings and backlog are up 7% compared with FY2016 and represent approximately 95% of full year sales target**
- **4Q unit sales expected to be higher than last year with 4Q Adj. EBITDA flat as we continue to invest in future products and customer support**



[1] Through 7/31

FY2017 Guidance

($ Millions)	Revised FY2017G	Previous FY2017G		FY2017 YTD Results	FY2017 4Q Expectation
Net Sales	**$980-1,000**	**$980-1,010**		**$678**	**$302-322**
Memo: FY2016	***$932***				
Adj. EBITDA[1]	**$68-70**	**$72-76**		**$43**	**$24-27**
Memo: FY2016	***$72***				
Adj. Free Cash Flow[1]	**$33-37**	**$38-42**		**$2.1**	**$31-35**
Memo: FY2016	***$33***				

Adjusting guidance based on specific customer deliveries shifting from 4Q to next quarter; 4Q Adj. EBITDA outlook same as last year

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

Announcing Stock Repurchase Program

- We have been exploring alternative uses of free cash that will be generated over the next few years
- Board of Directors approved capital stock repurchase program to buy back up to $50M over the next 24 months
- Strong free cash flow generation affords us the flexibility to drive incremental shareholder returns through share-repurchase activity without detracting from our ability to invest in the growth of our businesses

Committed to driving shareholder value



Q&A

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Appendix

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Adj. EBITDA Reconciliation

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

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net income (loss)	$ 20,032	$ (2,934)	$ 14,257	$ (3,877)
Loss from discontinued operations, net of tax	(22)	(13)	(142)	(46)
Income (loss) from continuing operations	$ 20,054	$ (2,921)	$ 14,399	$ (3,831)
Interest expense	1,398	4,040	5,801	12,736
Interest income	(50)	(7)	(63)	(118)
Income tax expense	8,302	887	5,806	2,069
Depreciation, amortization, and disposals	2,008	2,022	6,063	6,054
Loss on debt extinguishment	—	—	10,142	—
Special compensation payment	—	17,112	—	17,112
Business combination expenses	—	185	(174)	239
One-time post-retirement benefit adjustment	—	896	—	896
Share-based compensation	494	10,270	904	12,717
Adjusted EBITDA	$ 32,206	$ 32,484	$ 42,878	$ 47,874
Adjusted EBITDA margin (percentage of net sales)	9.7%	10.1%	6.3%	7.4%

Free Cash Flow Reconciliation

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

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net cash provided by continuing operations	$ 15,109	$ 34,645	$ 5,972	$ 21,307
Cash paid for fixed assets	(2,034)	(2,574)	(7,193)	(6,511)
Free cash flow	$ 13,075	$ 32,071	$ (1,221)	$ 14,796
Cash paid for special compensation payment	—	(15,757)	—	(15,757)
Cash paid for business combination expenses	—	(185)	(3,313)	(239)
Adjusted free cash flow	13,075	48,013	2,092	30,792

Adj. Income from Cont. Ops. Reconciliation

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

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net income (loss)	$ 20,032	$ (2,934)	$ 14,257	$ (3,877)
Add: loss from discontinued operations, net of tax	22	13	142	46
Income (loss) from continuing operations	20,054	(2,921)	14,399	(3,831)
One-time charge adjustments, net of tax benefit or expense (1)				
Special compensation payment	—	10,952	—	10,952
Loss on debt extinguishment	—	—	6,491	—
Business combination expenses	—	118	(111)	153
One-time post-retirement benefit adjustment	—	573	—	573
Share-based compensation	316	6,573	579	8,139
Adjusted income from continuing operations, non-GAAP	$ 20,370	$ 15,295	21,358	15,986
Less: preferred stock dividends	974	964	2,944	2,915
Adjusted income from continuing operations available to common stockholders, non-GAAP	$ 19,396	$ 14,331	$ 18,414	$ 13,071

(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		Nine Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Diluted earnings (loss) per share	$ 0.68	$ (0.18)	$ 0.46	$ (0.32)
One-time charge adjustments, net of tax benefit or expense and inclusion of dilutive securities	0.01	0.78	0.28	0.94
Adjusted diluted earnings per share, non-GAAP (1)	$ 0.69	$ 0.60	$ 0.74	$ 0.62
Weighted average dilutive shares outstanding (2)	29,527,612	25,502,019	28,968,222	21,031,705

(1) Numerator is adjusted income from continuing operations, non-GAAP for the three and nine months ended July 1, 2017 and the three months ended July 2, 2016. Numerator is adjusted income from continuing operations available to common stockholders, non-GAAP for the nine months ended July 2, 2016.
(2) With adjusted income, potentially dilutive shares excluded under GAAP were included for the adjusted diluted earnings per share calculation for the nine months ended July 1, 2017 and the three and nine months ended July 2, 2016. Potentially dilutive shares included with basic shares outstanding were 4,314,064 for the nine months ended July 1, 2017 and 4,417,141 and 41,968 for the three and nine months ended July 2, 2016, respectively.

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.



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