Blue Bird Corporation
CJS Securities Conference

January 9, 2019

New York, NY



BLUE BIRD®

BUILT TO TAKE ON TOMORROW.

Private & Confidential

Agenda

- School Bus Industry Overview
- Blue Bird Highlights
- Financial Overview





School Bus Industry Overview

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Industry Highlights

School buses are America's largest mass transit system

590,000

school buses in operation in the U.S. and Canada transporting

26 MILLION KIDS

to school on a daily basis



Attractive Industry Attributes

High barriers to entry

- *Highly specialized product*
- *Dealer and service network*
- *Complex state and customer requirements*
- *Customer relationship driven business*

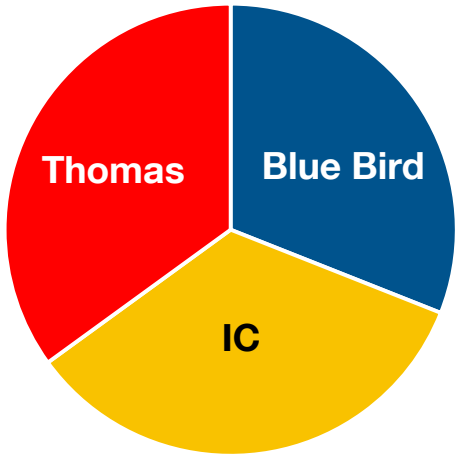
Demand Drivers

- *Population of school age children increasing*
- *Increasing average age of existing fleet*

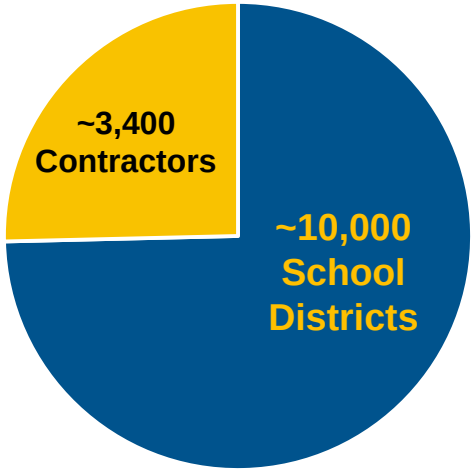
Relatively Clear Funding Sources

- *Property taxes are primary source of funding; volume tracks housing prices*

OEMs

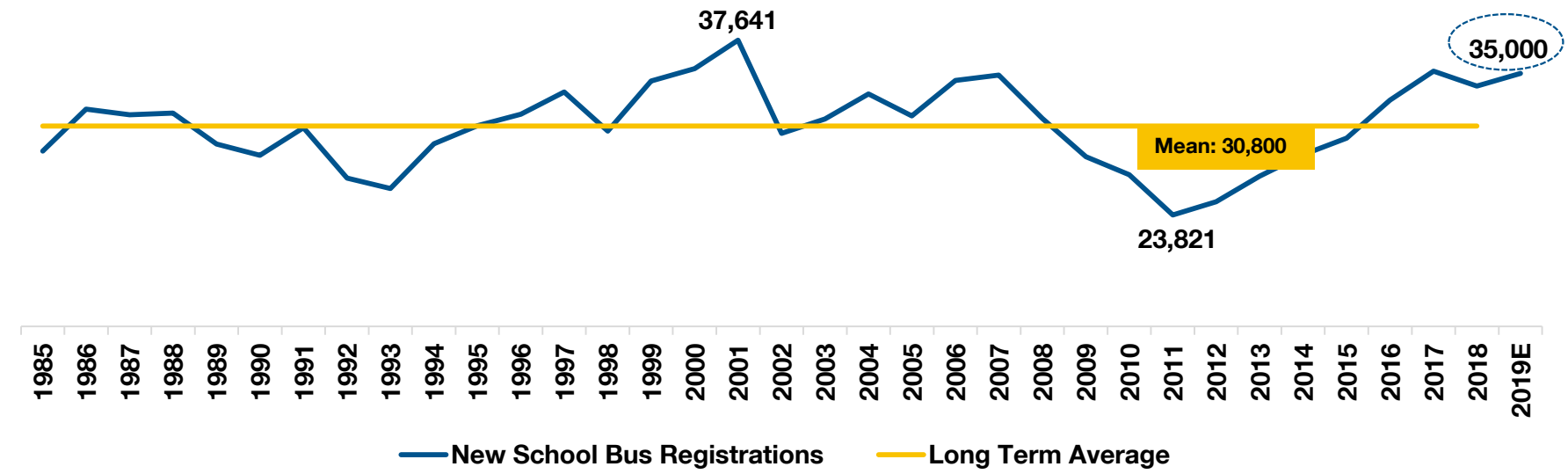


School Bus Customers



Safe and reliable transportation for over 26 million students each day

Type C & D School Bus Industry



Source: R.L. Polk New Registrations, based on Type C/D school buses registered during BB fiscal year

- **Industry average size is 30,800 new units annually based on RL Polk registrations**
- **Total fleet of school buses is ~590,000 units and average age is about 11 years**
- **Industry size is driven by:**
  1. ***Number of school age children***
  2. ***Age of existing fleet – most states set 15 years as a replacement target***
  3. ***Average ridership per bus***
  4. ***Funding – primarily from property tax***

FY2018 industry of ~34,000 was slightly below FY2017, however is expected to return to to ~35,000 units in FY2019

School Bus Industry Products



Type C Buses
(Conventional)
Seating Capacity: 36-83
Fuel Types: Diesel, Propane, CNG, Gasoline, Electric (2018)



Type D FE Buses
(Front Engine, Transit-Style)
Seating Capacity: 54-90
Fuel Type: Diesel



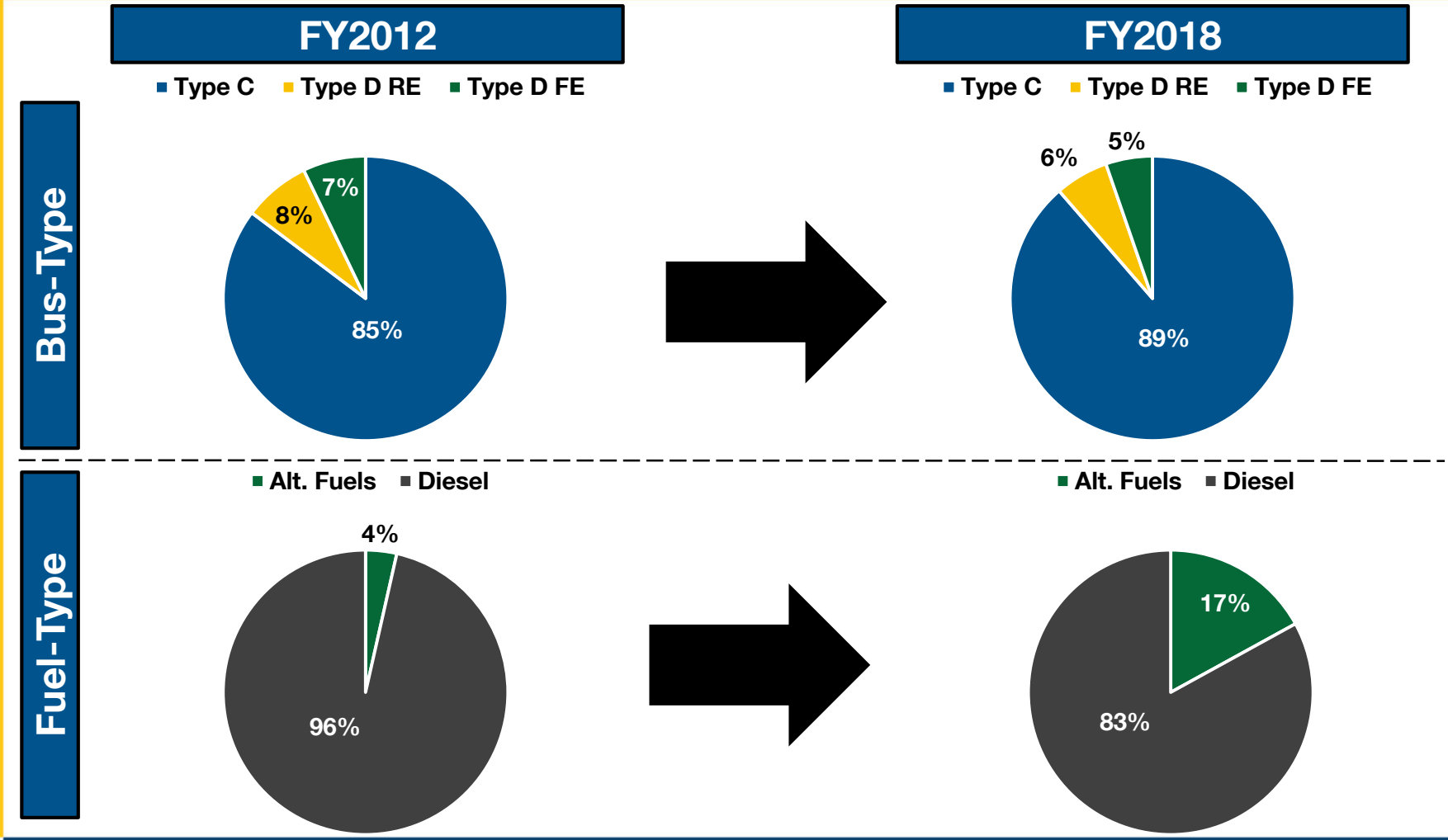
Type D RE Buses
(Rear Engine, Transit-Style)
Seating Capacity: 66-84
Fuel Types: Diesel, CNG, Electric (2018)



Type A Buses
Seating Capacity: 10-30
Fuel Types: Diesel, Propane, Gasoline, Electric (2018)

Blue Bird offers school buses from 10 to 90 passengers

Type C and Diesel Dominate; Alt. Fuels Growing Rapidly

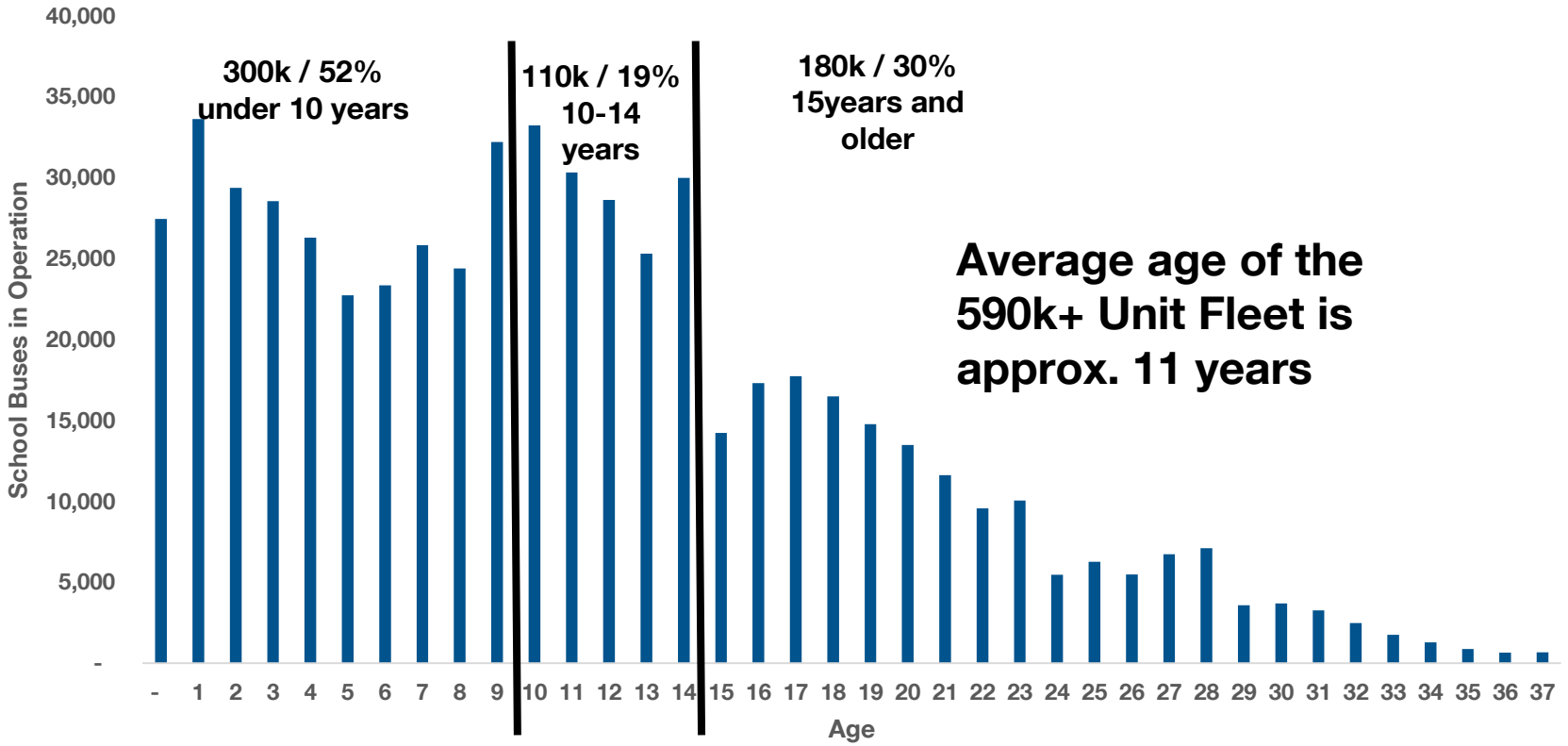


Type C dominant body type; diesel buses were 88% of FY2017 sales; alt. fuel growth 3X since FY2012

Source: R.L. Polk New Registrations, based on Type C/D school buses registered during EB fiscal year

Fleet Age Profile Supports Industry Levels

~590k School Buses on the Road as of the end of FY2017



~290K buses in service for more than 10 years supports high annual replacement volume. Additional funds and demand for alternative fuels further supports industry levels

Source: R.L. Polk Registrations, based on Type C/D school bus fleet at the end of BD fiscal year

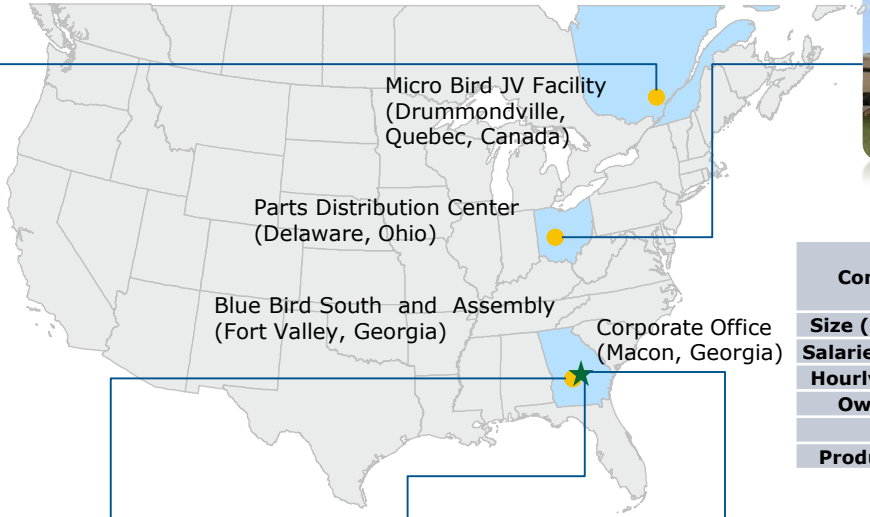


Blue Bird Highlights

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Dedicated Manufacturing Footprint







	Micro Bird JV Facility (Drummondville, Quebec)
Commentary	Design, fabrication, and assembly of Micro Bird by Girardin Type A buses
Size (Square Feet)	100,000
Salaried Headcount	150
Hourly Headcount	375
Own / Lease	Lease
Labor	Unionized
Volume / Capacity	3.1K Units / 3.9K Units

	Parts Distribution Center (Delaware, Ohio)
Commentary	Electronically guided, houses and distributes parts for current and past models
Size (square feet)	200,000
Salaried Headcount	4
Hourly Headcount	26
Own / Lease	Lease
Labor	Non-Unionized
Product Breadth	32,000 SKUs







	Blue Bird South (Fort Valley, Georgia)
Commentary	Fabrication facility that manufactures parts for Type C/D vehicles assembled at HQ
Size (square feet)	340,000
Salaried Headcount	11
Hourly Headcount	305
Own / Lease	Own
Labor	Non-Unionized
Product Breadth	5,900 active SKUs

	Corporate Office (Macon, Georgia)
Commentary	New headquarters in 2nd Floor of Highridge Centre
Size (square feet)	50,000
Salaried Headcount	200
Hourly Headcount	0
Own / Lease	Lease
Labor	Non-Unionized

	Assembly (Fort Valley, Georgia)
Commentary	Centralized manufacturing, engineering, and support functions
Size (square feet)	900,000
Salaried Headcount	87
Hourly Headcount	1,631
Own / Lease	Own
Labor	Non-Unionized
Volume / Capacity	11.5K Units / 13K Units

Two production centers – Type C & D in Fort Valley and Type A in Drummondville. Parts warehouse in Ohio

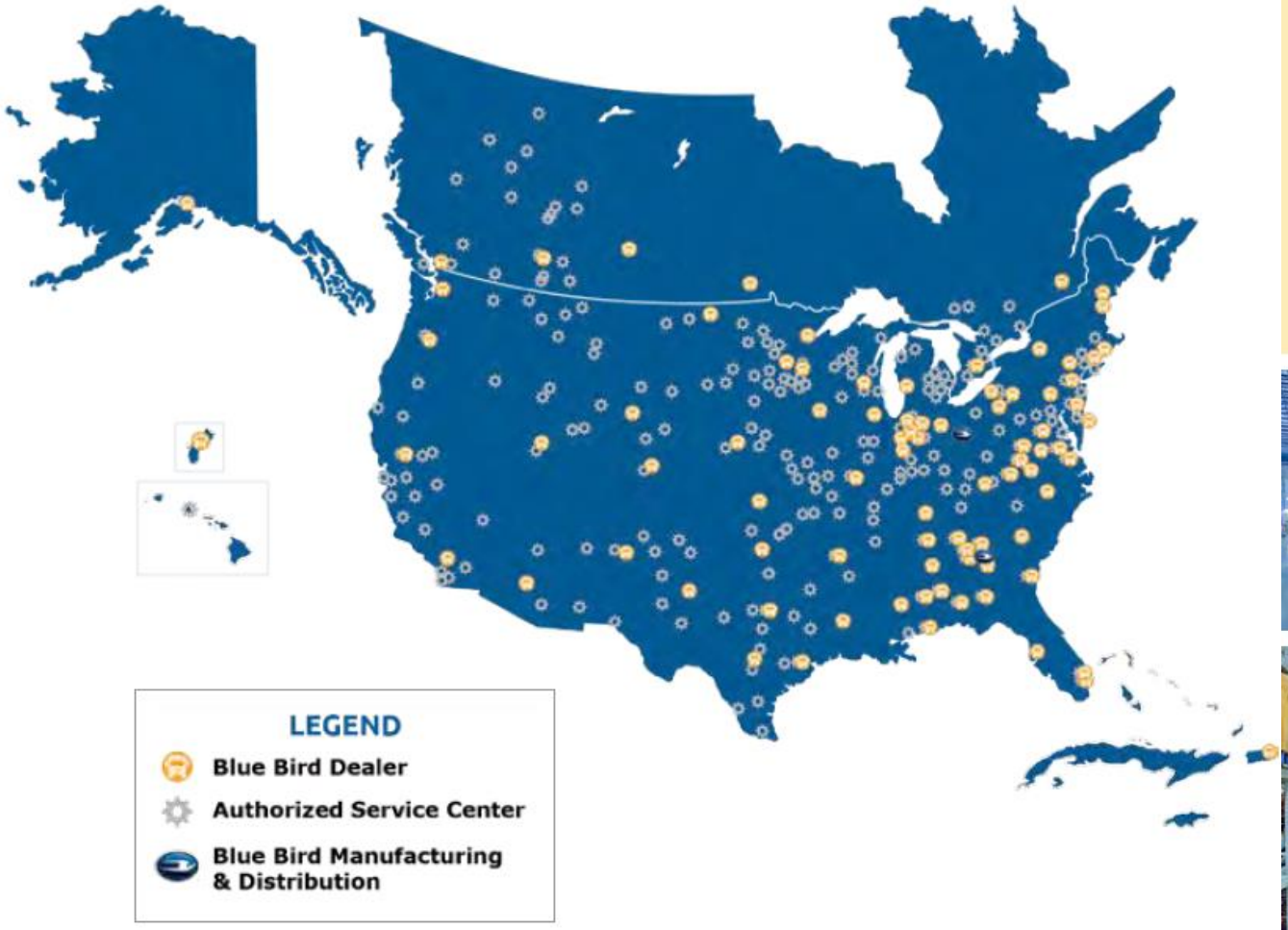
Leader in Key Attributes Our Customers Value

Product Attributes Ranked in Order of Importance[1]	Blue Bird	Competitor A	Competitor B
#1 Safety		--	--
#2 Quality, Reliability and Durability		--	--
#3 Operating Costs		--	--
#4 Acquisition Cost	--	✓	--
#5 How the Bus Drives		--	--

Blue Bird viewed as the leader in four of the five top attributes – 2017 introduction of gasoline is game changer in Acquisition Cost

Source: Freedonia Custom Research, Inc. 9/4/2013 (study commissioned by Blue Bird) [1] Checkmark/Corporate Logo indicate leadership in category

Our Exclusive Dealer Network



50+
Dealers Worldwide

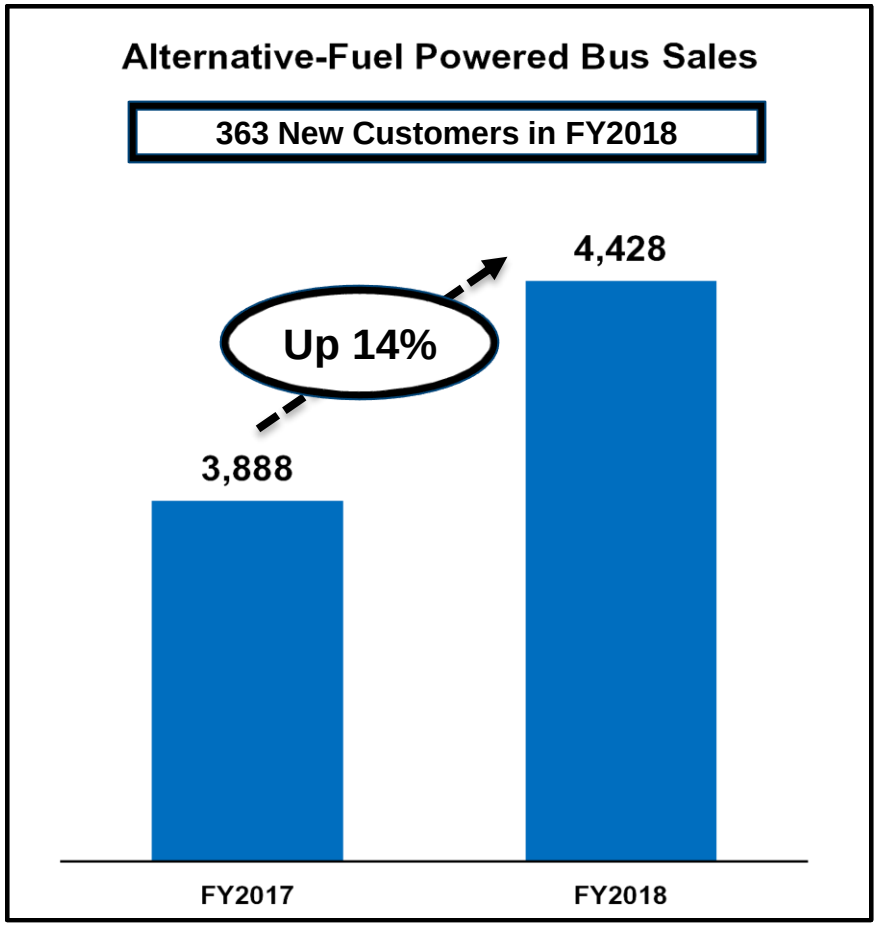
250+
Service Centers





More than 85% of Blue Bird dealers dedicated to bus sales and service

Alternative-Fuel Leadership



FY2018 Highlights

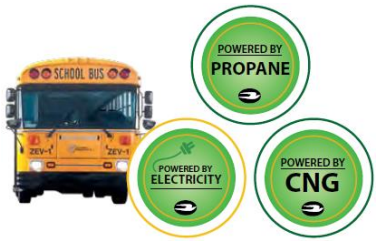
- Alternative-fuel bus sales were 14% higher than prior year; achieved 70% market share
- Exclusive relationship with Roush extended until 2025
- Achieved certification from EPA and CARB at 0.02g NOx for both propane and CNG in Vision Bus; Blue Bird propane is 10x cleaner than the competition and the EPA standard
- Began delivery of electric buses to customers; strong interest and quote pipeline

Opportunities

- VW mitigation funds
  - 30 states have earmarked specific funds for school bus purchases; 20 yet to finalize plans
  - Only major OEM with all-electric and ultra-low NOx school buses available
- 10 states have requested quotes for electric
- Less than 15% of customers have purchased alternative-fuel powered buses

Blue Bird is well positioned to take a large share of purchases funded by the VW mitigation funds due to Ultra-Low NOx and Electric bus offerings

Iconic Brand: History of Industry Innovation



1991–1994 First Propane, CNG and Electric Blue Bird Buses

2007 Gen 2 Propane Launched





2012 Exclusive Partnership with ROUSH CleanTech and Ford Established to Launch Gen 3 Propane Vision and Micro Bird



2016 Exclusive ROUSH CleanTech and Ford Vision Gasoline and Vision CNG Launched



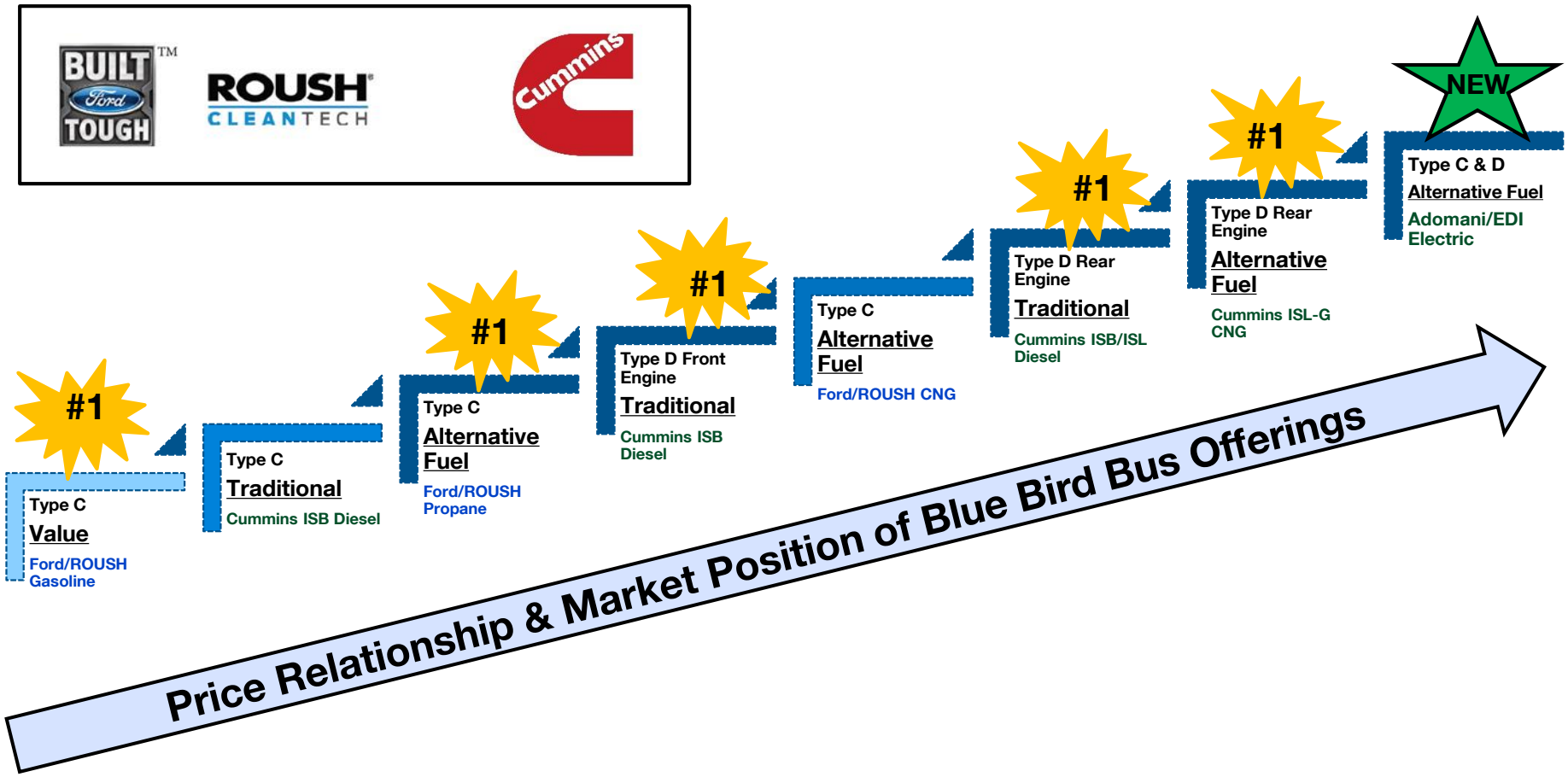
2017 Exclusive ROUSH CleanTech and Ford Gen 4 Low NOx Propane Launched



2018 Electric All-American, Vision and Micro Bird

Industry pioneer introducing alternative-fueled powertrains

Broadest Range of Product Offerings



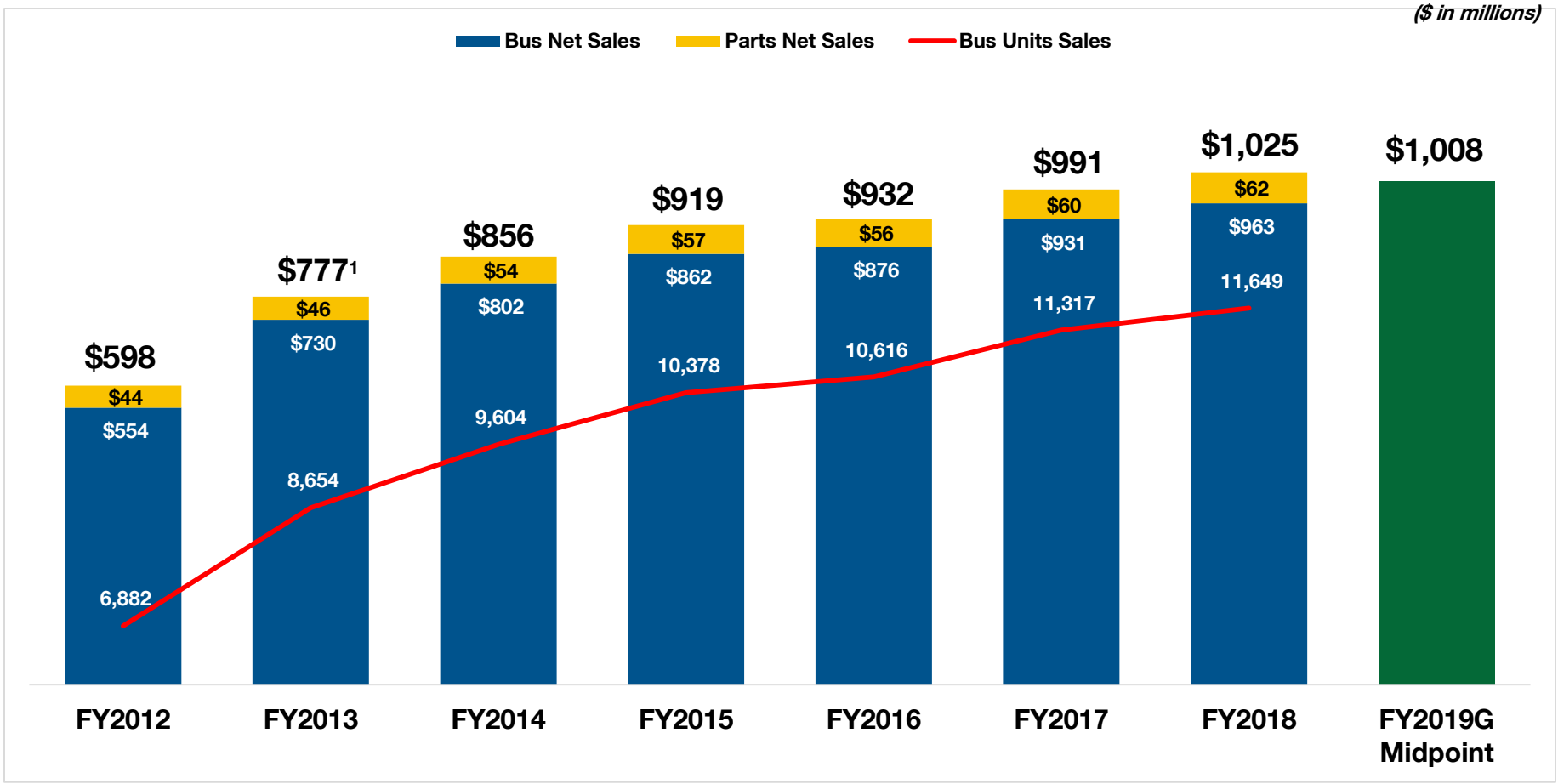
Broadest and most successful range; initial electric bus deliveries



Financial Overview

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Track Record of Growing Sales



Memo ASP:
($ in thousands)

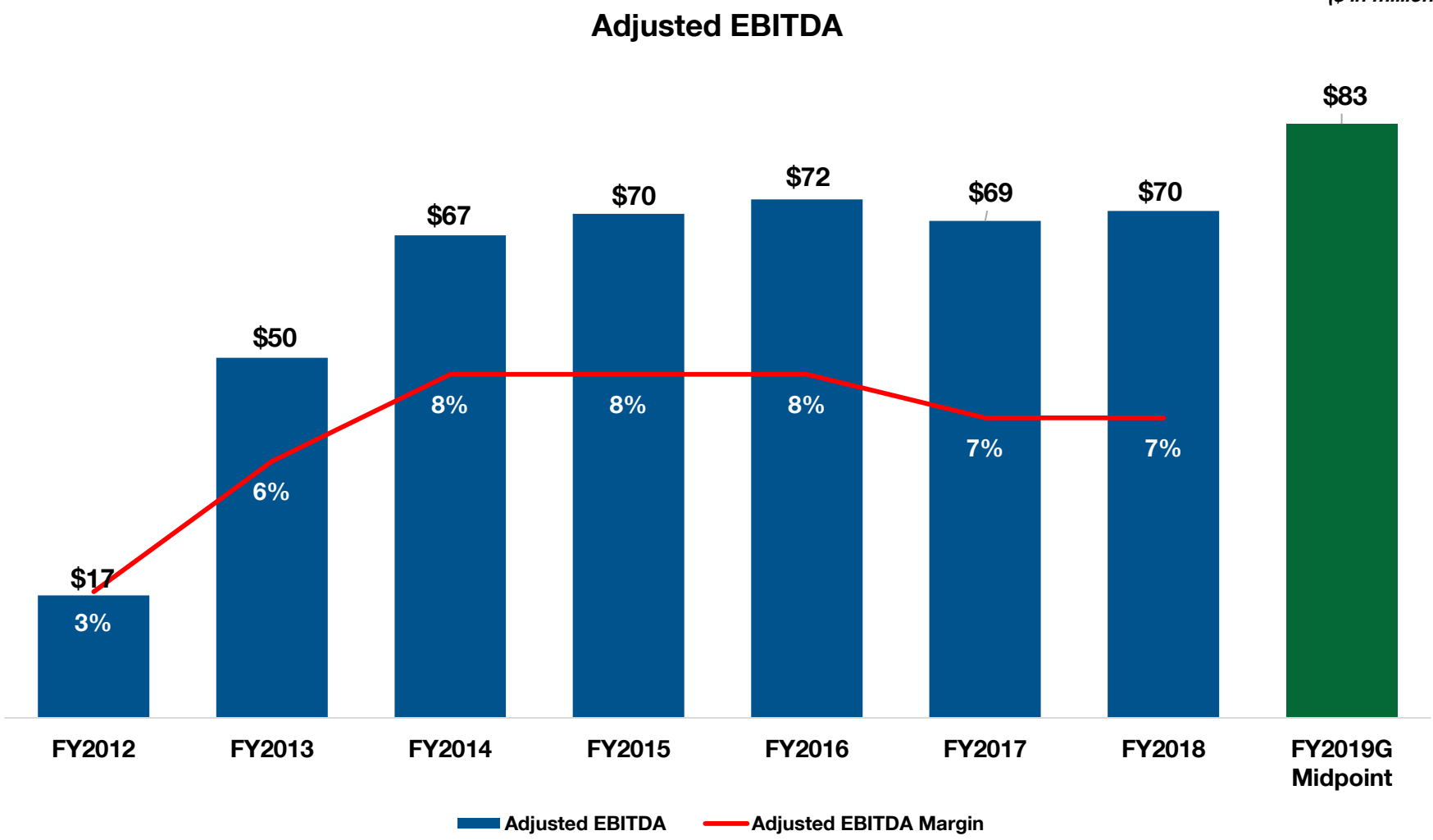
Total:	$87	$90	$89	$89	$88	$87	$88
Bus Only:	$81	$84	$84	$83	$83	$82	$83

Delivering solid revenue growth

[1] Total does not sum precisely due to rounding

Increasing Profitability

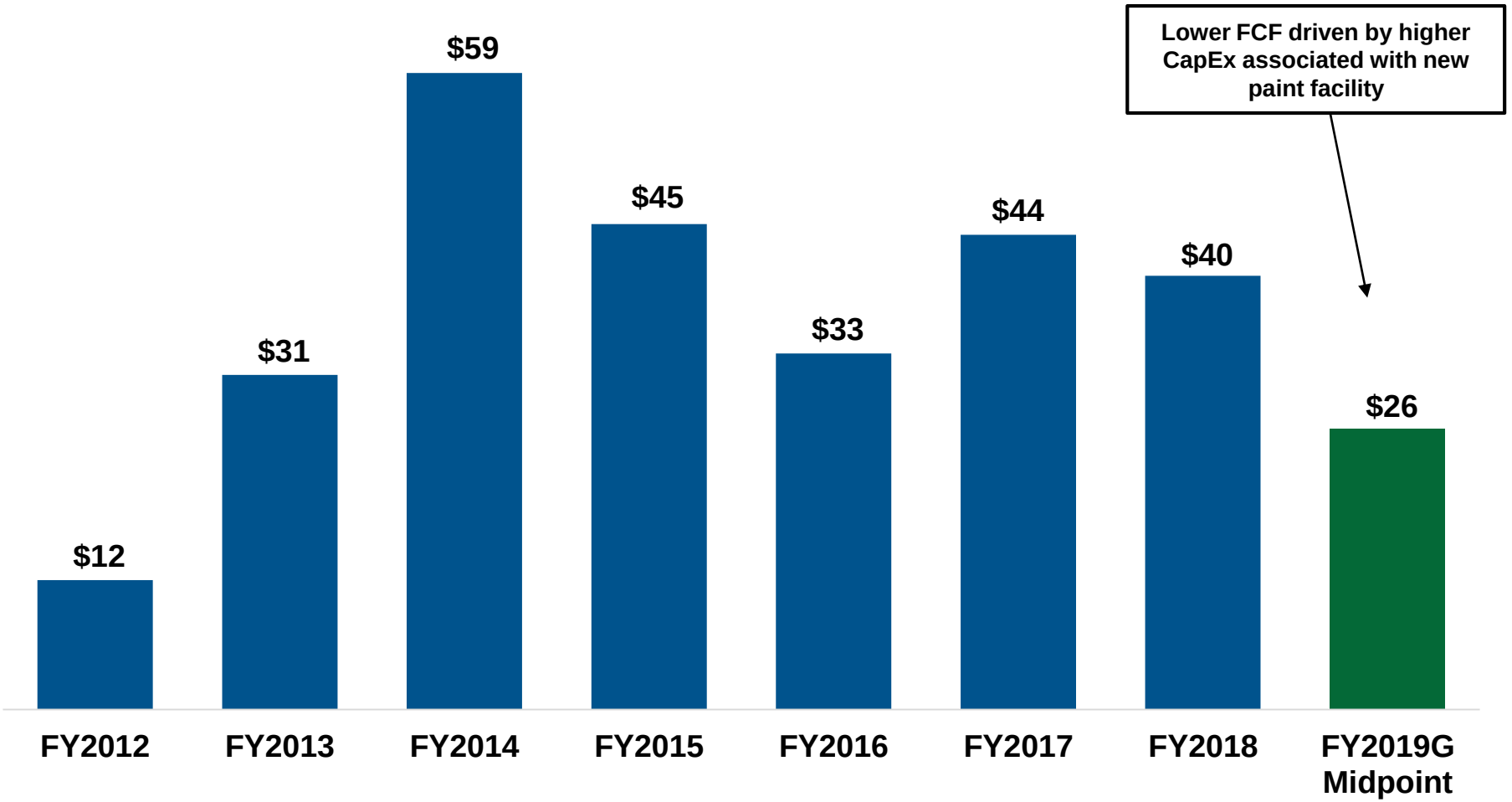
($ in millions)



Plan to achieve FY2020 margin target of 10% of revenue

Strong Cash Flow Generation

($ in millions)



Free cash flow typically represents at least 50% of Adj. EBITDA

Walk to 10%+ Margin by FY2020

Operational Transformation Initiatives

Purchasing:

- 40+ Company People
- Expert Support
- Product and other costs

+

Manufacturing:

- Quality Focus
- Eliminate Waste
- Lean Initiatives
- Automation in Key Areas

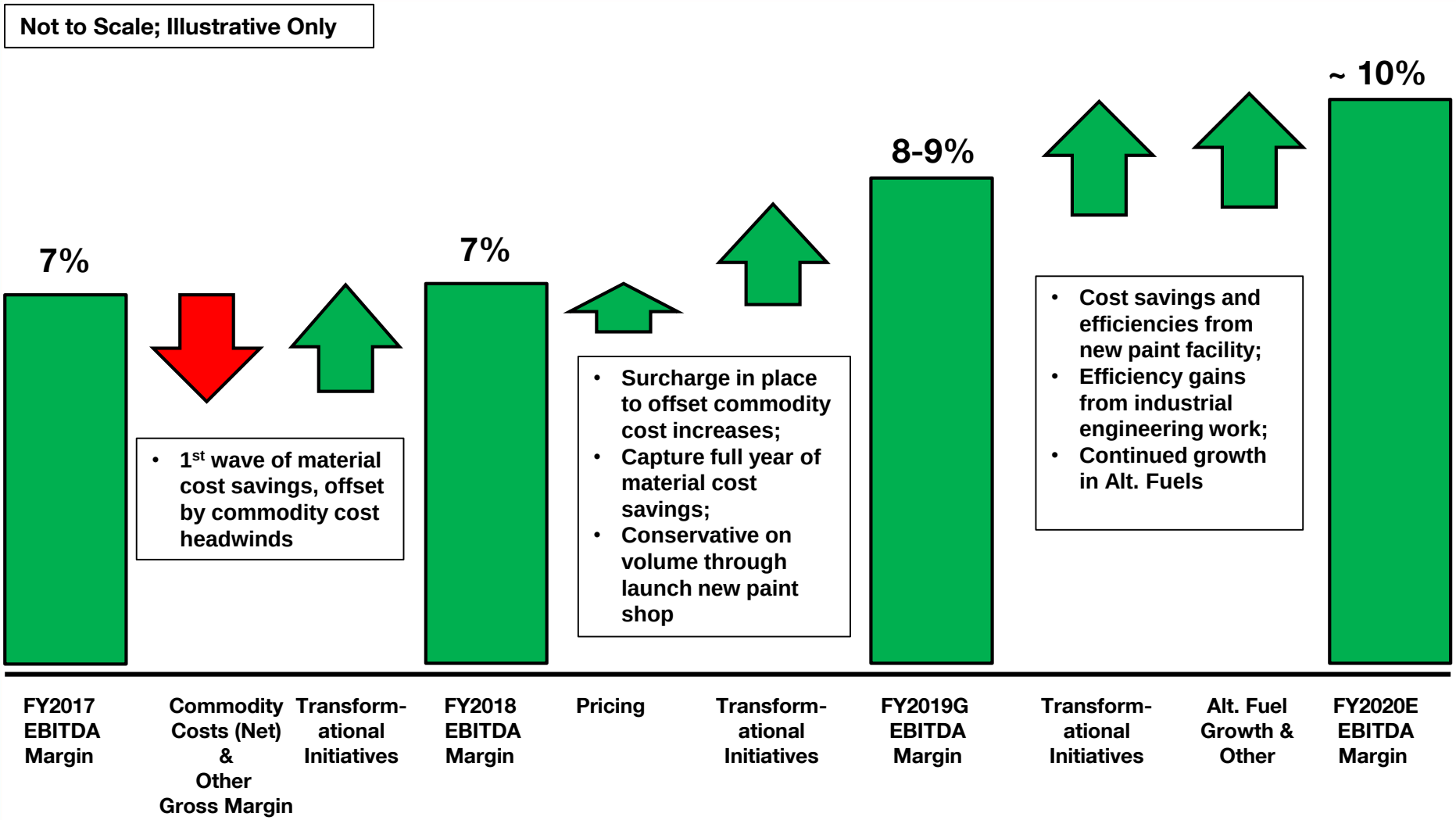
+

- Continue to Grow Mix of Alt. Fuels
- Innovation Leadership

- Partnering with industry leaders to drive down costs in all areas of our business; achieved material cost savings in FY2018
- Significant investment in production facilities to support industry leading quality, substantial reductions in production cost and greater flexibility
- Maintain leadership in innovation, especially through key powertrain partnerships
- Developing major product upgrades, providing enhanced customer satisfaction and industry-leading attributes

Focused on transforming our business to drive EBITDA margin improvement to 10+% in FY2020

Key Drivers of Margin Growth



Transformation Initiatives and Alt. Fuels growth drive long term profit growth

Net Debt, Leverage & Liquidity

($ Millions)	As of September 29, 2018
Debt	$142.1
Cash	60.3
Net Debt	$81.9
Net Debt / Adjusted EBITDA	1.16x
Net Leverage Ratio Compared with minimum bank Net Leverage Ratio covenant of 4.0x	1.7x
Liquidity[1]	153.4

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

Significantly below Net Leverage Ratio covenant; liquidity strong

Outlook for FY2019

- School bus industry of about 35k, supported by continued growth in property taxes and funding from VW settlement
- Blue Bird expects substantially higher gross profit margins than FY2018 due to:
  - Pricing already implemented in June 2018 which takes full effect in FY2019, offsetting the impact of steel and other commodity price increases
  - The full-year impact of the cost reduction initiatives taken during FY2018 will yield incremental margin and further actions are planned
  - New paint shop and other facility and process improvements launching in FY2019 will increase manufacturing efficiencies
- FY2019 financial targets are consistent with our FY2020 EBITDA margin goal of 10%+



FY2019 Guidance

$ Millions	FY2018 Guidance	FY2018 Actual	FY2019 Guidance	FY2019G B/(W) FY2018
Net Sales	$1,010 - $1,020	$1,025	$990 - $1,025	$(35) - $0
Adj. EBITDA[1]	$70 - $72	$70	80-85	$10 - $15
Adj. Free Cash Flow[1]	$30 - $34	$40	$24 - $28	$(12) - $(16)

FY2019 Guidance range for Adjusted EBITDA 14% to 21% higher than FY2018, driven by improvements in net selling price and major cost reduction initiatives.

Actions in place support achieving our 10%+ EBITDA margin by FY2020



THANK YOU!

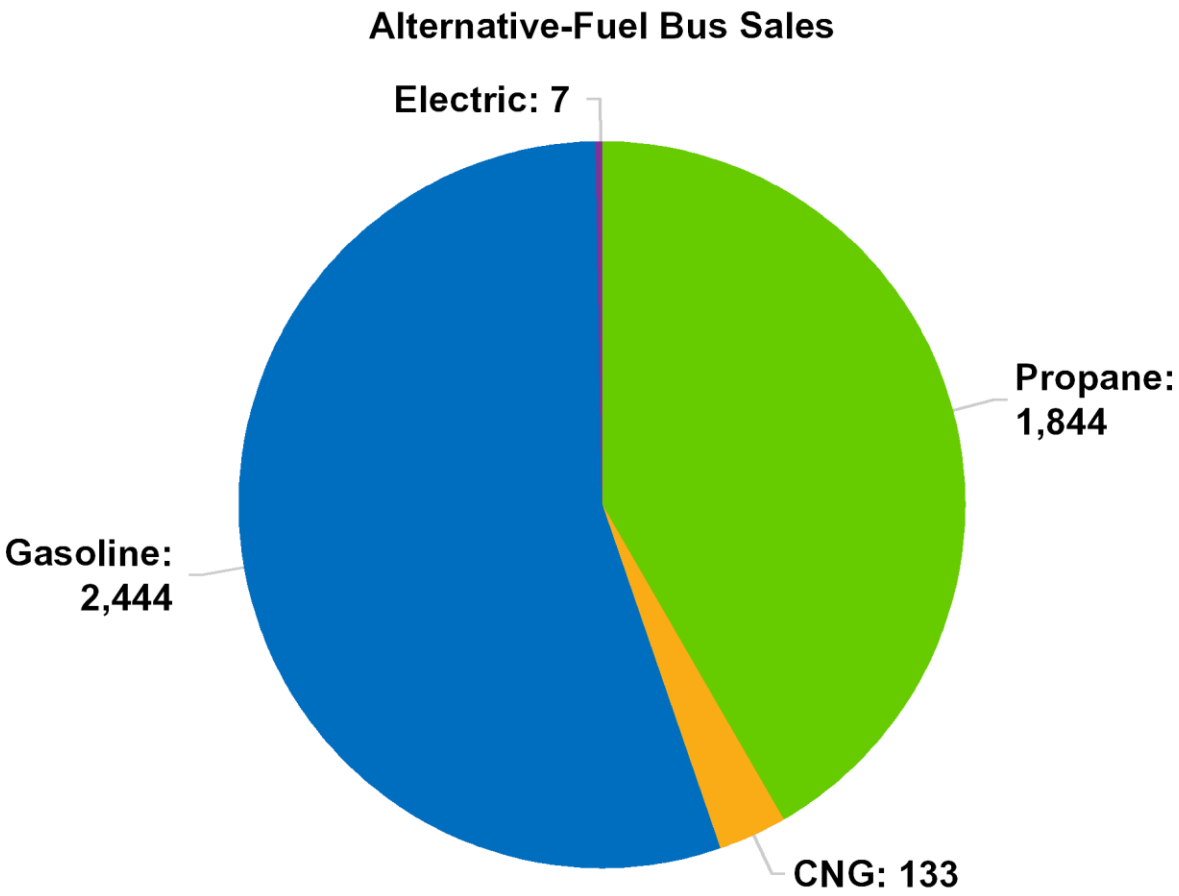
BLUE BIRD®
BUILT TO TAKE ON TOMORROW.



Appendix

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

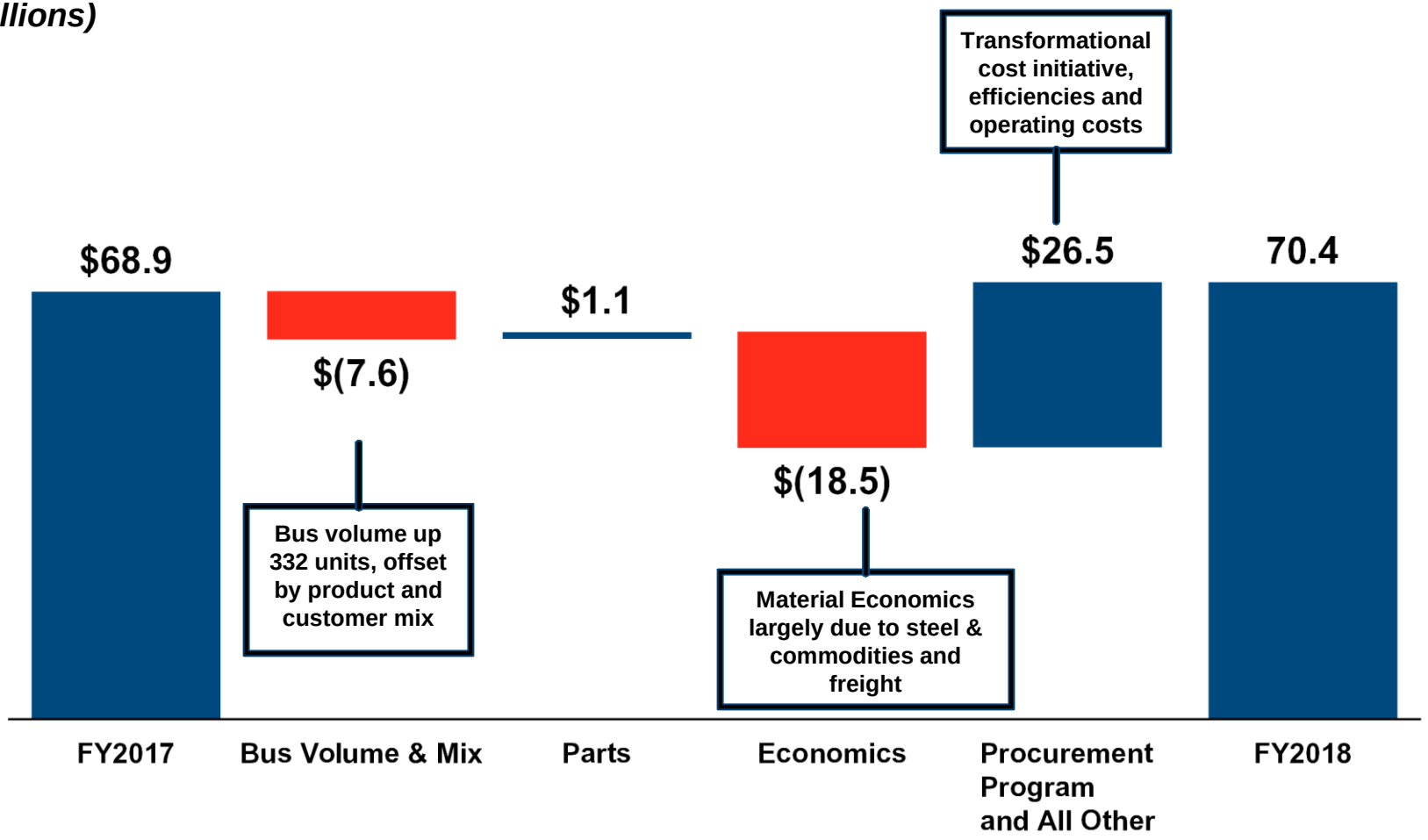
FY2018 Alternative-Fuel Bus Sales



Expected VW funds in FY2019 delayed orders for propane in FY2018

FY2017 to FY2018 Adj. EBITDA Walk

($ Millions)



Volume improvements and cost reductions offset the impact of adverse mix and higher material economics and freight costs. Transformational cost initiative was the majority of cost reductions

[1]See appendix for additional detail regarding Adjusted EBITDA

FY2018 Free Cash Flow

($ Millions)	4Q FY2018	4Q FY2017	Full Year FY2018	Full Year FY2017
Adjusted EBITDA	$ 29.1	$ 25.1	$ 70.4	$ 68.9
Cash Paid for Interest (Net)	(1.2)	(1.3)	(5.8)	(6.1)
Trade Working Capital[1]	14.3	26.0	7.0	(3.8)
CAPEX	(16.5)	(2.1)	(32.1)	(9.3)
Cash Taxes	—	(7.1)	(3.7)	(8.4)
Other[2]	5.0	0.1	4.4	2.2
Adjusted Free Cash Flow	$ 30.7	$ 40.7	$ 40.2	$ 43.5
Operational Transformation Initiatives/Other	(4.2)	—	(17.7)	(3.3)
Product Redesign	(1.7)	(0.8)	(6.3)	(1.8)
Free Cash Flow	$ 24.8	$ 39.8	$ 16.2	$ 38.4

[1] Inventories, accounts receivable and accounts payable

[2] Accrued expenses and other receivables

Adj. Free Cash Flow for FY2018 was $40.2M or $3.3M lower than FY2017 due to higher CapEx offset by improved TWC

Adj. EBITDA Reconciliation

Reconciliation of Net Income to Adjusted EBITDA

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income	$ 14,932	$ 14,544	$ 30,820	$ 28,801
Adjustments:				
Discontinued operations income	—	(287)	(81)	(65)
Interest expense, net	1,521	1,373	6,591	7,111
Income tax expense (benefit)	3,042	6,130	(2,620)	11,856
Depreciation, amortization, and disposals	2,731	2,099	9,214	8,205
Loss on debt extinguishment	—	—	—	10,142
Operational transformation initiatives	4,161	—	17,708	—
Unrealized losses (gains) on foreign currency hedges	719	—	(109)	—
Share-based compensation	248	366	2,628	1,270
Product redesign initiatives	1,727	828	6,253	1,758
Other	29	—	(25)	(174)
Adjusted EBITDA	$ 29,110	$ 25,053	$ 70,379	$ 68,904
Adjusted EBITDA margin (percentage of net sales)	8.8%	8.0%	6.9%	7.0%

Adjusted EPS Reconciliation

Reconciliation of Net Income to Adjusted Net Income

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income	$ 14,932	$ 14,544	$ 30,820	$ 28,801
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	3,121	—	13,281	—
Product initiatives	1,295	530	4,690	1,125
Loss on debt extinguishment	—	—	—	6,491
Unrealized losses (gains) on foreign currency hedges	539	—	(82)	—
Share-based compensation	186	234	1,971	813
Discontinued operations income	—	(184)	(61)	(42)
Other	22	—	(19)	(111)
Adjusted net income, non-GAAP	$ 20,095	$ 15,124	50,601	37,077
Less: preferred stock dividends	181	1,317	1,896	4,261
Less: premium paid on preferred stock	—	6,091	—	6,091
Adjusted net income available to common stockholders, non-GAAP	$ 19,914	$ 7,716	48,705	26,725

(1) Amounts are net of estimated statutory tax rates of 25% for the three months and fiscal year ended September 29, 2018 and 36% for the three months and fiscal year ended September 30, 2017.

Reconciliation of Diluted EPS to Adjusted Diluted EPS

	Three Months Ended		Fiscal Year Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Diluted earnings per share	$ 0.52	$ 0.28	$ 1.08	$ 0.74
One-time charge adjustments, net of tax benefit or expense	0.18	0.02	0.69	0.33
Adjusted diluted earnings per share, non-GAAP (1)	$ 0.70	$ 0.30	$ 1.77	$ 1.07
Weighted average dilutive shares outstanding	28,579,670	25,466,321	28,616,862	24,877,729

(1) Numerator is adjusted net income, non-GAAP for the three months and fiscal year ended 2018. Numerator is is net income available to common stockholders, non-GAAP for the three months and fiscal year ended 2017.

Disclaimer

THE INFORMATION CONTAINED IN THIS PRESENTATION HAS BEEN PREPARED OR OBTAINED BY THE COMPANY FROM ITS BOOKS AND RECORDS AND OTHER SOURCES THAT THE COMPANY BELIEVES TO BE REASONABLY ACCURATE AND RELIABLE. HOWEVER, SUCH INFORMATION NECESSARILY INCORPORATES SIGNIFICANT ASSUMPTIONS AND ESTIMATES INCLUDING, BUT NOT LIMITED TO, FORWARD LOOKING PROJECTIONS AND OTHER STATEMENTS, THAT INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY OR THE INDUSTRY IN WHICH IT OPERATES, TO DIFFER MATERIALLY FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENT IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

STATEMENTS IN THIS PRESENTATION THAT ARE FORWARD-LOOKING IN NATURE ARE BASED ON THE COMPANY'S CURRENT BELIEFS REGARDING A LARGE NUMBER OF FACTORS AFFECTING THE COMPANY'S BUSINESS. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM EXPECTED RESULTS. THERE CAN BE NO ASSURANCE THAT (I) THE COMPANY HAS CORRECTLY IDENTIFIED OR ASSESSED ALL OF THE FACTORS AFFECTING ITS BUSINESS OR THE EXTENT OF THEIR LIKELY IMPACT, (II) THE PUBLICLY AVAILABLE INFORMATION ON WHICH THE COMPANY'S ANALYSIS IS BASED IS COMPLETE OR ACCURATE, (III) THE COMPANY'S ANALYSIS IS CORRECT, OR (IV) THE COMPANY'S STRATEGY, WHICH IS BASED IN PART ON THIS ANALYSIS, WILL BE SUCCESSFUL. THE READER OF THIS PRESENTATION SHOULD TAKE CARE TO EVALUATE THE COMPANY'S BUSINESS AND PROSPECTS BASED ON ITS OWN ASSESSMENT OF THE RISKS AND OPPORTUNITIES FACING THE COMPANY BASED NOT ONLY ON THIS PRESENTATION, BUT ALSO ON SUCH OTHER INFORMATION FROM OTHER SOURCES THAT THE READER DEEMS TO BE ACCURATE AND RELIABLE.



End

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.