Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2020
Fourth Quarter and Full Year Results

Earnings Conference Call

December 16, 2020



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Agenda

- **Introductions & Forward-Looking Statements**
  - **Mark Benfield – Executive Director, Profitability & Investor Relations**
- **Business Overview**
  - **Phil Horlock – President & CEO**
- **Financial Results**
  - **Jeff Taylor – CFO**
- **Outlook and Guidance**
  - **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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Dealing with COVID-19 Challenges, but Outlook Promising

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- **4Q was a challenging quarter, however business-structure improvement continued**
  - **Challenges:**
    - **School shutdown remained significant with 50% on-line teaching**
    - **Continued slow order intake with uncertainty over classroom schooling**
    - **Unit sales were down 23% from 4Q FY2019, compared with 43% decline in 3Q**
    - **Supplier disruptions eased, but some late supply and parts shortages**
    - **FY2020 industry estimated at ~28,500 units, 17% below FY2019**
  - **Positive Trends:**
    - **Uninterrupted production with strict COVID-19 counter-measures deployed**
    - **Supply chain disruptions now minimal and contained**
    - **Successfully moved to single shift operation and seeing efficiency gains**
    - **Increased bus average selling price; up 7% in 4Q and Full Year**
    - **Alternative-fuel sales mix remains strong; 53% in 4Q and 48% in Full Year**
    - **Transformational initiatives continue to drive down cost**
    - **New Administration targets opening schools as key 100 day deliverable**
    - **Increasing quote activity with vaccine distribution and COVID optimism**
    - **1Q FY2021 production slots filled**

Challenging 4Q but recent trends and COVID news indicate recovery ahead

FY2020 Overview – 4Q and Full Year

- **Profitable 4Q despite COVID-19 significantly impacting sales**
  - **2,876 buses sold, down 850 units from last year**
  - **Total Net Sales of $281.4M, 18% below last year**
  - **Adjusted EBITDA of $21.9M, $11.5M or 34% below last year**

- **FY2020 results were equal to or better than guidance provided during our 3Q call**
  - **Sold 8,878 buses in FY2020, a 19% decrease from FY2019**
  - **Net Sales of $879.2M was above guidance**
  - **Adjusted EBITDA of $54.7M, above guidance and down $27.1M or 33% from FY2019**
  - **Adjusted Free Cash Flow was slightly negative at $(0.9)M and within guidance**

- **Blue Bird delivered its operating commitments and improved business structure**
  - **Significantly increased bus average selling price**
  - **Achieved record mix of alternative-fuel powered buses**
  - **Continued to improve cost structure through transformational initiatives**
  - **Accelerated move to single-shift operation in June**
  - **Maintained strong Liquidity at end of 4Q at $179.5M**
  - **Secured NLR covenant relief from our bank syndicate for the next six quarters**

Increased ASP, achieved higher alt-fuel mix and reduced cost, despite COVID-19

Significant FY2020 Operating Achievements

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Safety Practices & Business Continuity

- Temp. scanning stations installed
- Regular cleaning protocol
- Social distancing
- Remote work for nearly all office staff
- Masks required at all locations



Pricing to Offset Economics

- Focus on growing ASP; 7% increase in 4Q and Full Year
- 1% pricing announced to dealer network for FY2021 orders
- Pricing for options and new feature standardization



Cost Structure Improvement

- Reduced FY costs by $14.4M through Transformational Initiatives; ~$50M savings since inception
- Focus on manufacturing improvements; move to single shift
- Reduced ongoing SG&A structure



Alternative Fuels Leadership

- 48% mix of sales
- 58% market share
  - Propane: 76%
  - Electric: 59%
  - CNG: 50%
  - Gasoline: 47%
- Continuing to differentiate with products that customers want and value
- Significant EV growth opportunity



Fundamental to business continuity and growing EBITDA margin

Alternative-Fuel Leadership

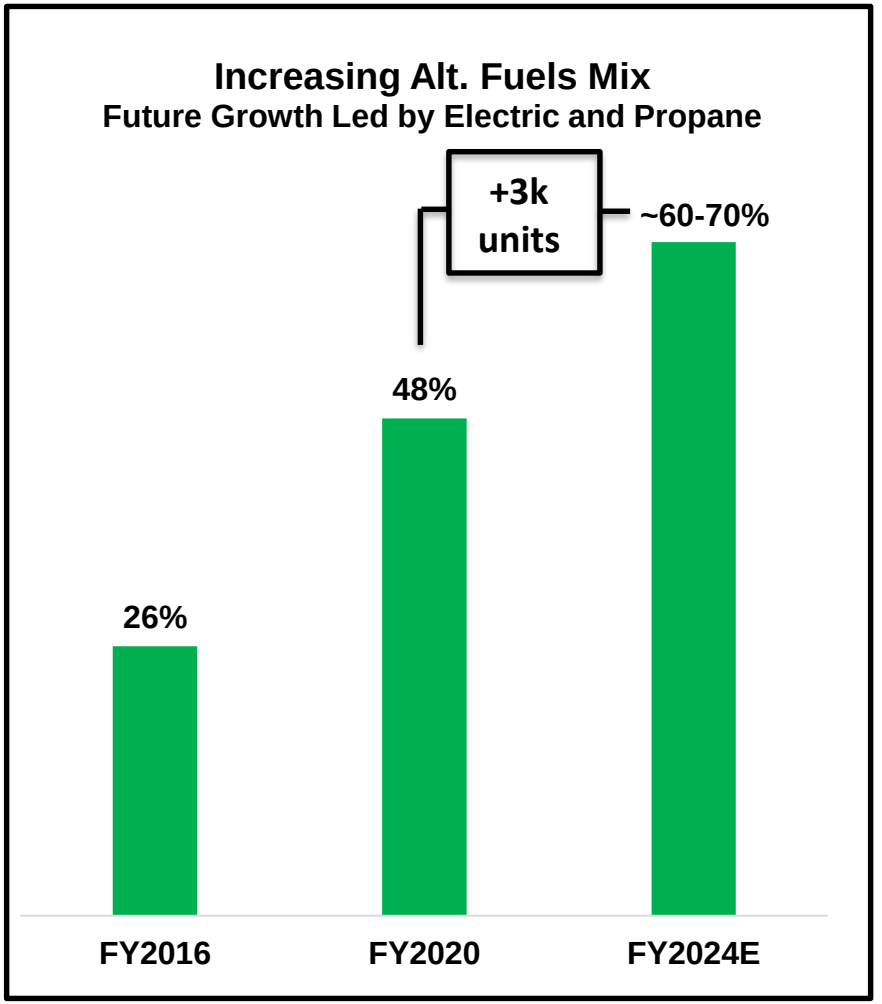
FY2020 Alt. Fuel Highlights

- 48% mix of sales, equal to FY19 record
- 58% market share
- 309 customers tried new Alt-Fuel option
- 157 conquest customers added
- 158 electric buses sold (up 102 units)
- More than 80 units in electric bus backlog
- Increased EV capacity six-fold to 1,000 buses annually
- Set to deliver our 300th electric bus in coming weeks

Opportunities

- VW mitigation funds
  - Approximately $600M has been carved out for school buses; majority still to be spent
  - Only major OEM with all-electric and ultra-low NOx school buses available
- $100M grant from Bezos Earth Fund to the World Research Institute (WRI)
  - Carve out for zero-emission emissions school buses
- Less than 20% of customers have purchased alternative-fuel powered buses

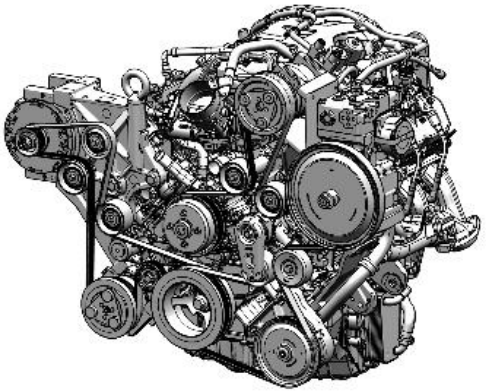




Undisputed leader in alternative fuels; significant growth planned

All-New Gasoline and Propane Engine in Early 2021

- **New Ford 7.3L Propane and Gasoline engine in Blue Bird Vision**
  - **Exclusive to Blue Bird**
  - **More HP and torque**
  - **Lighter for better fuel consumption**
  - **Improved quality and serviceability**
  - **Smaller packaging**



BUILT Ford TOUGH™ ROUSH CLEANTECH



#1

The best just got better!!



Jeff Taylor

CFO

FINANCIAL RESULTS & OUTLOOK

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4Q Results – Summary

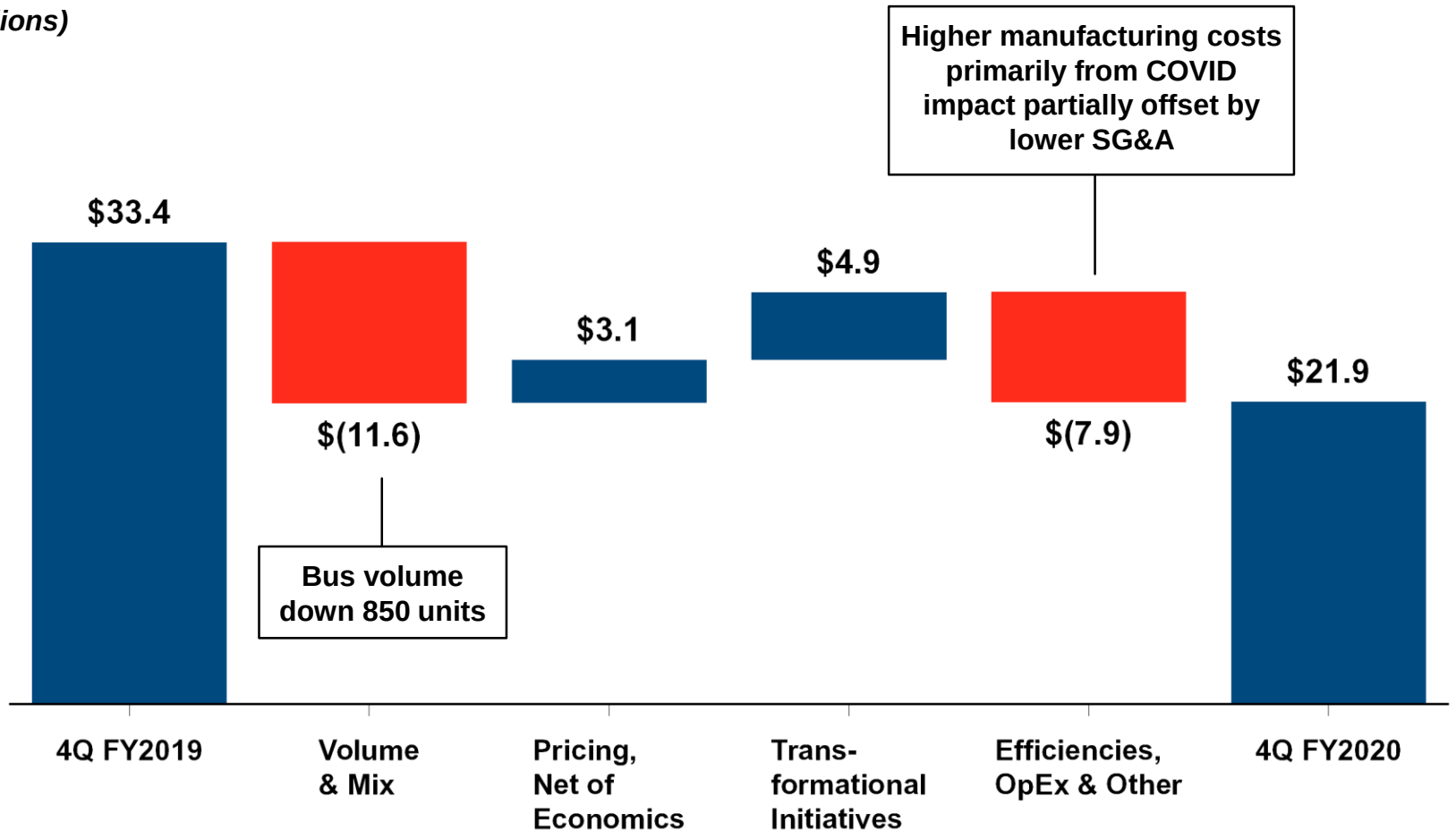
($ Millions unless noted)	4Q FY2020	4Q FY2019	B/(W)
Unit Volume	2,876	3,726	(850)
Net Revenue	$281.4	$343.5	$(62.1)
Bus Rev./Unit ($000's)	*$93.4*	*$87.4*	*$5.9*
Gross Margin	10.5%	13.6%	(310) bps.
SG&A	$16.1	$28.4	$12.4
Net Income	$11.9	$11.6	$0.3
Adj. Net Income[1]	$13.3	$20.0	$(6.7)
Adj. EBITDA[1]	$21.9	$33.4	$(11.5)
Adj. EBITDA Margin	7.8%	9.7%	(193) bps.
Diluted EPS ($'s)	$0.44	$0.43	$0.01
Adj. Diluted EPS[1] ($'s)	$0.49	$0.74	$(0.25)
Liquidity	$179.5	$164.1	$15.4

COVID-19 significantly impacted volume and gross margin; ASP improvement continued

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

4Q FY2019 to FY2020 Adj. EBITDA Walk

($ Millions)



4Q profit decline driven by lower sales (850 units), partially offset by improved pricing and cost initiatives

[1]See appendix for additional detail regarding Adjusted EBITDA

Full Year Results – Summary

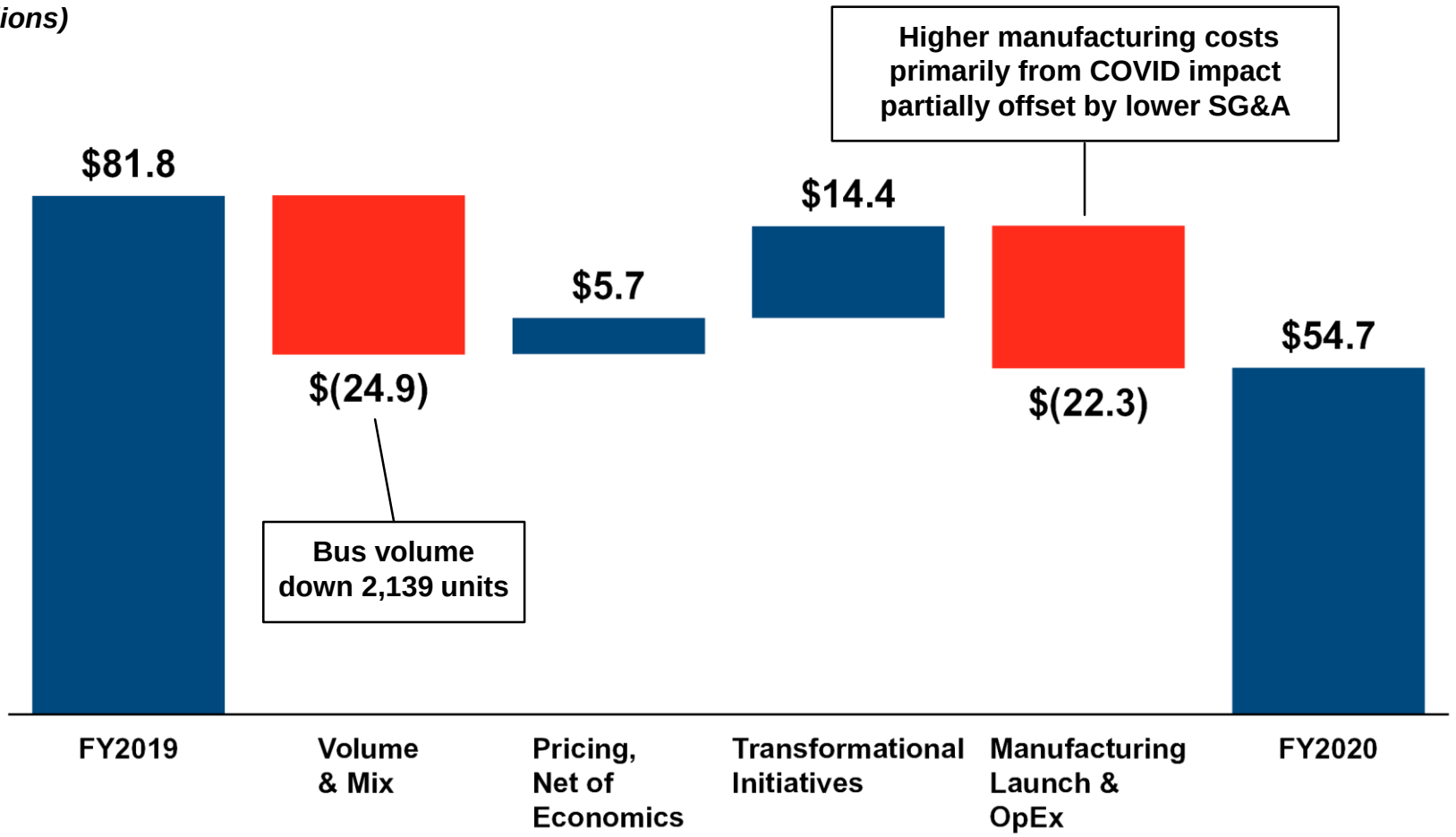
($ Millions except EPS & Margin)	FY2020	FY2019	B/(W)
Unit Volume	8,878	11,017	(2,139)
Net Revenue	$879.2	$1,018.9	$(139.7)
Bus Rev./Unit ($000's)	*$92.7*	*$86.4*	*$6.2*
Gross Margin	10.9%	13.1%	(220) bps.
SG&A	$74.2	$89.6	$15.4
Net Income	$12.2	$24.3	$(12.1)
Adj. Net Income[1]	$22.1	$43.5	$(21.3)
Adj. EBITDA[1]	$54.7	$81.8	$(27.1)
Adj. EBITDA Margin	6.2%	8.0%	(180) bps.
Diluted EPS	$0.45	$0.90	$(0.45)
Adj. Diluted EPS[1]	$0.82	$1.61	$(0.79)
Liquidity	$179.5	$164.1	$15.4

COVID-19 significantly impacted volume and gross margin; ASP improvement continued

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

FY2019 to FY2020 Adj. EBITDA Walk

($ Millions)



YOY decline reflects lower volume and manufacturing efficiencies resulting from COVID, and project launch costs, partially offset by pricing, transformational initiatives & lower SG&A

[1]See appendix for additional detail regarding Adjusted EBITDA

FY2020 Free Cash Flow

	4Q		Full Year	
($ Millions)	FY2020	FY2019	FY2020	FY2019
Adjusted EBITDA	$ 21.9	$ 33.4	$ 54.7	$ 81.8
Cash Paid for Interest (Net)	(1.0)	(2.5)	(7.6)	(10.4)
Trade Working Capital[1]	68.1	55.4	(15.0)	(1.6)
CAPEX	(2.2)	(5.4)	(19.0)	(35.5)
Cash Taxes	(0.1)	(2.2)	1.5	(4.6)
Other[2]	(5.4)	(1.5)	(15.5)	5.8
Adjusted Free Cash Flow	$ 81.3	$ 77.2	$ (0.9)	$ 35.5
Operational Transformation Initiatives/Other	(0.2)	(6.4)	(3.4)	(10.6)
Product Redesign	(0.9)	(1.4)	(9.6)	(4.7)
Cash paid for restructuring charges	(0.3)	—	(0.6)	—
COVID-19	(0.4)	—	(1.0)	—
Free Cash Flow	$ 79.6	$ 69.5	$ (15.5)	$ 20.2

[1] Inventories, accounts receivable and accounts payable

[2] Accrued expenses and other receivables

Full year Adj FCF slightly negative due to lower sales (COVID); Adj. FCF for 4Q FY2020 was $81.3M or $4.1M higher than FY2019

Net Debt, Leverage & Liquidity

($ Millions)	As of October 3, 2020
Debt	$174.1
Cash	44.5
Net Debt	$129.6
Net Debt / Adjusted EBITDA	2.4x
Net Leverage Ratio Compared with minimum bank Net Leverage Ratio covenant of 3.75x	3.1x
Liquidity[1]	$179.5

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

Net Leverage Ratio remains below threshold
Cash conservation measures in place



Phil Horlock
President & CEO

OUTLOOK AND FY2021 GUIDANCE

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Outlook: Well-Positioned for School Start

❖ Blue Bird Focus

- Executing margin-growth strategy – increase bus selling price, lower cost and increase mix of alternative fueled-buses. New products and features planned
- Single shift operation launched smoothly, improving cost, efficiencies and quality; daily capacity increase in place for 2Q FY2021

❖ External Environment

- Return to "normal industry" requires increasing resumption of class-room teaching. Positive developments in the timing and availability of COVID vaccines and new Administration's 100 day goal to open schools increases optimism for 2H FY2021
- Demand fundamentals high with 25% of US/Canada fleet aged 15 years or older
- ACT is forecasting FY2021 school bus industry at ~29k units, similar to FY2020



Given the uncertainty, we believe it prudent to provide a wide guidance range

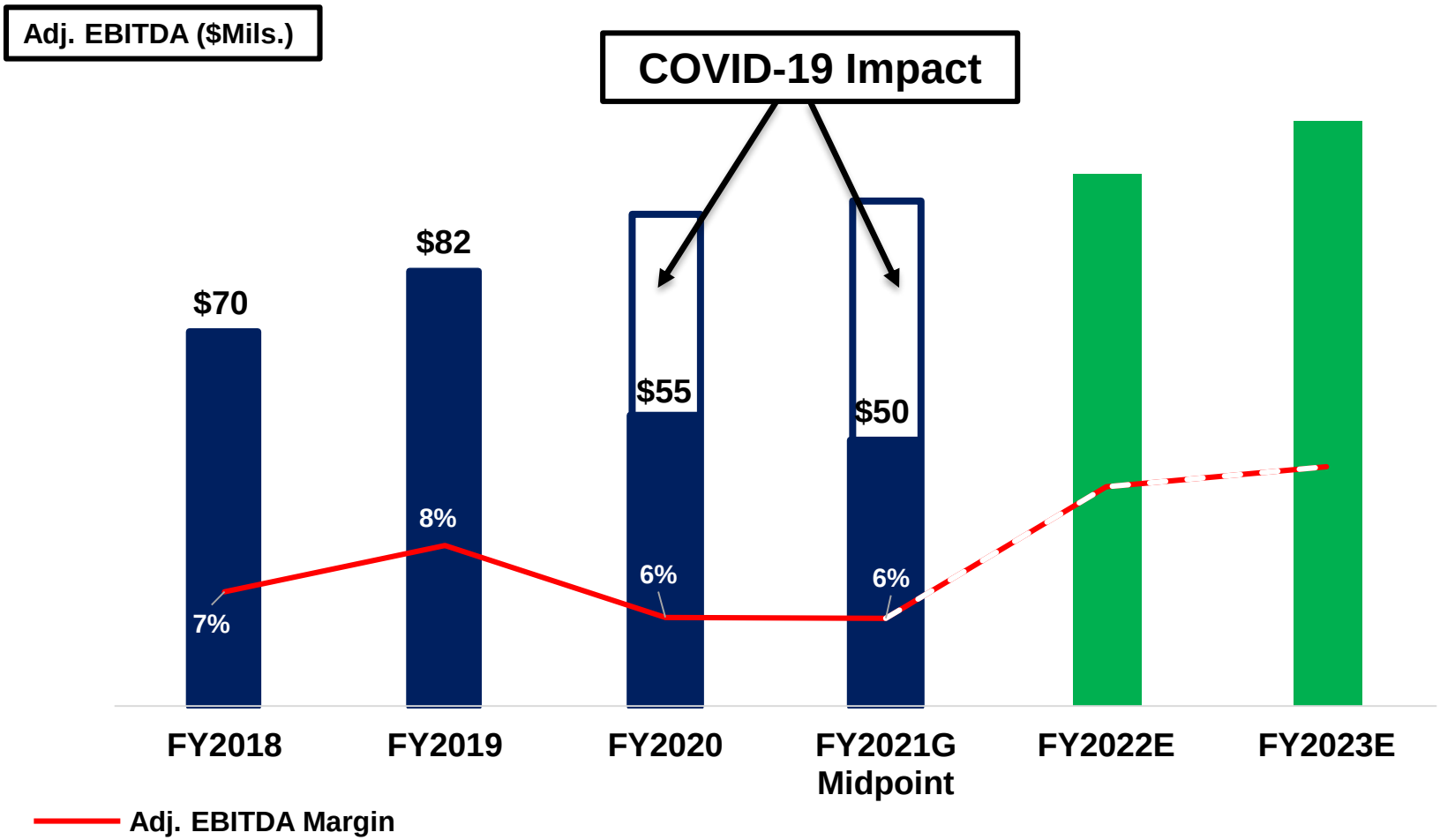
FY2021 Guidance: Planning Prudently, Operating Aggressively

$ Millions	FY2020	FY2021 Guidance	B/(W)
Net Revenue	$879	$750 - $975	$(129) - $96
Adj. EBITDA[1]	$55	$40 - $65	$(15) - $10
Adj. Free Cash Flow[1]	$(1)	$(5) - $20	$(4) - $21

- FY2021 Guidance uncertain; well positioned to capitalize on rebound
- Industry assumptions range from 26k to 30k
- Planning prudently while operating aggressively

We will narrow guidance as information develops around vaccine distribution, and, more importantly, plans for school start

EBITDA Margin Growth Back on Track in FY2022



Industry expected to rebound in FY2022 as schools resume

Adj. EBITDA margin returns to growth glidepath in FY2022



Q&A

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Appendix

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Adj. EBITDA Reconciliation

Reconciliation of Net Income to Adjusted EBITDA

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net income	$ 11,940	$ 11,592	$ 12,185	$ 24,300
Adjustments:				
Interest expense, net (1)	2,404	2,737	12,616	13,279
Income tax benefit	1,898	4,740	1,519	7,573
Depreciation, amortization, and disposals (2)	3,881	3,112	15,096	11,102
Operational transformation initiatives	186	6,401	3,404	10,594
Foreign currency hedges	—	—	—	109
Share-based compensation	36	1,127	4,141	4,273
Product redesign initiatives	905	3,663	4,068	10,539
Restructuring charges	282	—	646	—
Costs directly attributed to the COVID-19 pandemic (3)	372	—	1,000	—
Other	—	(3)	6	59
Adjusted EBITDA	$ 21,904	$ 33,369	$ 54,681	$ 81,828
Adjusted EBITDA margin (percentage of net sales)	7.8%	9.7%	6.2%	8.0%

(1) Includes $0.1 million for both three-month fiscal periods and $0.4 million for both twelve-month fiscal periods, representing interest expense on lease liabilities, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.
(2) Includes $0.2 million for both three-month fiscal periods and $0.7 million for both twelve-month fiscal periods, representing amortization charges on right-to-use lease assets, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.
(3) Primarily costs incurred for third party cleaning services and personal protective equipment for our employees in response to the COVID-19 pandemic.

Free Cash Flow Reconciliation

Reconciliation of Free Cash Flow to Adjusted Free Cash Flow

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net cash provided by operating activities	$ 81,763	$ 74,819	$ 3,459	$ 55,706
Cash paid for fixed assets	(2,244)	(5,360)	(18,968)	(35,514)
Free cash flow	$ 79,519	$ 69,459	$ (15,509)	$ 20,192
Cash paid for product redesign initiatives	905	1,386	9,553	4,740
Cash paid for operational transformation initiatives	186	6,401	3,404	10,594
Cash paid for restructuring charges	282	—	646	—
Cash paid for costs directly attributed to COVID-19	372	—	1,000	—
Adjusted free cash flow	81,264	77,246	(906)	35,526

Adjusted EPS Reconciliation

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Reconciliation of Net Income to Adjusted Net Income

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Net income	$ 11,940	$ 11,592	$ 12,185	$ 24,300
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	140	4,801	2,553	7,946
Product redesign initiatives	679	2,747	3,051	7,904
Foreign currency hedges	—	—	—	82
Share-based compensation	27	845	3,106	3,205
Restructuring charges	212	—	485	—
Costs directly attributed to the COVID-19 pandemic (2)	279	—	750	—
Other	—	(2)	5	44
Adjusted net income, non-GAAP	$ 13,276	$ 19,983	22,134	43,481

(1) Amounts are net of estimated statutory tax rates of 25%.
(2) Primarily costs incurred for third party cleaning services and personal protective equipment for our employees.

Reconciliation of Diluted EPS to Adjusted Diluted EPS

	Three Months Ended		Fiscal Year Ended	
	October 3, 2020	September 28, 2019	October 3, 2020	September 28, 2019
Diluted income per share	$ 0.44	$ 0.43	$ 0.45	$ 0.90
One-time charge adjustments, net of tax benefit or expense	0.05	0.31	0.37	0.71
Adjusted diluted earnings per share, non-GAAP	$ 0.49	$ 0.74	$ 0.82	$ 1.61
Weighted average dilutive shares outstanding	27,145,335	26,904,766	27,086,555	27,043,814

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**
- ① **Growth opportunities**
- ① **Future profitability**
- ① **Ability to expand market share**
- ① **Customer demand for certain products**
- ① **Economic conditions (including tariffs) that could affect fuel costs, commodity costs, industry size and financial conditions of our dealers and suppliers**
- ① **Labor or other constraints on the Company's ability to maintain a competitive cost structure**
- ① **Volatility in the tax base and other funding sources that support the purchase of buses by our end customers**
- ① **Lower or higher than anticipated market acceptance for our products**
- ① **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.

Forward-looking statements in this document also may include, but are not limited to, statements regarding the pricing of the share repurchase, the potential tender offer by Blue Bird for shares of its common stock, and the benefits and timing of any potential tender offer. Many risks, contingencies and uncertainties could cause actual results to differ materially from Blue Bird's forward-looking statements. Among these factors are the risk that Blue Bird may decide not to commence the tender offer, and that if Blue Bird does commence a tender offer, that the offer may not be completed.

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Non-GAAP Financial Measures

This presentation may include the following non-GAAP financial measures: “Adjusted EBITDA,” "Adjusted EBITDA Margin," “Adjusted Net Income,” “Adjusted Diluted Earnings per Share,” “Free Cash Flow” and “Adjusted Free Cash Flow.”

Adjusted EBITDA is defined as net income prior to discontinued operations income or loss, interest income, interest expense including the component of lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our GAAP financial statements) that represents interest expense on lease liabilities, income taxes, depreciation and amortization including the component of lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our GAAP financial statements) that represents amortization charges on right-to-use lease assets, and disposals, as adjusted to add back certain charges that we may record each year, such as stock-compensation expense, as well as non-recurring charges such as (i) significant product design changes; (ii) transaction related costs; (iii) discrete expenses related to major cost cutting initiatives; or (iv) costs directly attributed to the COVID-19 pandemic (3). We believe these expenses are not considered an indicator of ongoing company performance. We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of net sales.

Adjusted Net Income is net income as adjusted to add back certain costs as mentioned above. Adjusted Diluted Earnings per Share represents Adjusted Net Income available to common stockholders by diluted weighted average common shares outstanding (as if we had GAAP net income during the respective period). Adjusted Net Income and Adjusted Diluted Earnings per Share are calculated net of taxes.

Free cash flow represents net cash provided by/used in operating activities minus cash paid for fixed assets Adjusted Free Cash Flow represents Free Cash Flow minus cash paid for (i) significant product design changes; (ii) transaction related costs; or (iii) discrete expenses related to major cost cutting initiatives.

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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