Blue Bird Corporation (Nasdaq: BLBD)

Fiscal 2021
Second Quarter Results

Earnings Conference Call
May 12, 2021



BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

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

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Improving Business Structure and Increasing EV Focus

- ~62% of schools now full in-class teaching versus 36% in 1Q; 10% on-line only
- Quote and order rate increasing; order backlog 15% above last year
- Solid 2Q results in difficult environment with COVID and supply-chain issues
- Continuing to deliver structural/margin improvements; higher ASP and efficiencies
- Significant working capital improvement in First Half
- Continued alternative-power leadership; #1 in propane and EV; launched all-new and exclusive 7.3L engine in March and achieving strong order backlog
- EV business outlook accelerating rapidly; several proposed infrastructure-related bills provide funding for electrification of school bus fleet
- Blue Bird increasing focus on EV and sustainability as we target ongoing leadership in low- and zero-emission school buses
- In early discussions with potential customers for Blue Bird EV-chassis supply
- On track for significant growth in Second Half unit sales over last year; supply chain issues could delay timing of deliveries. FY Guidance maintained

Well positioned as schools reopen and shift to zero-emissions accelerates

Solid 2Q FY2021 Results in 2nd Lowest Quarter

- **Profitable in seasonally-low 2Q, despite 43% reduction in unit sales from near-record 2Q volume level last year; only 36% of schools open in January**
  - **1,489 buses sold, down 1,105 units from last year**
  - **Total Net Sales of $164.7M, 36% below last year**
  - **Adjusted EBITDA of $7.5M, down $4.7M from last year**
  - **Adjusted Free Cash Flow of $(1.6)M was $40.5M worse than 2Q FY2020; however, $36M better in First Half compared with last year**

- **Blue Bird delivered its planned operating commitments and improved business structure – increasing Gross Margin pct. despite lower volume**
  - **Increased average selling price per bus**
  - **Achieved strong alternative-powered bus mix; grew order backlog significantly**
  - **Grew sales of electric buses; strong order backlog and pipeline for new orders**
  - **Achieved significant manufacturing efficiency improvements**
  - **Continued to improve cost structure through transformational initiatives**
  - **Reduced inventories substantially YTD, driving liquidity to $116M at end 2Q**

Improved business structure and underlying margins, despite lower volume

Significant Operating Achievements

Quality ↑
Costs ↓
Capacity ↑

Gross Margin up 1.7 pts ↑

Transformational Initiatives continue

Increased Bus ASP in 2Q

+$9k

Bus Rev./Unit is up 10% from last year

Improved Manufacturing Efficiencies in 2Q

+$9M

Driving process and quality improvements

New Ford 7.3L Engine





BIC Propane and Gasoline Launched – 1.5k units in order backlog

Alternative Power Mix for 2Q

43%

Down 6 pts. from last year, due to new-engine certification delay

TTM (3/30/21) N.A. Market Share Leader In EV

62%

Up 29 pts. from same TTM period last year

Electric Bus Growth in 2Q



+50%

127 units sold and in order backlog – expect full-year growth of ~25%

In 3 Years, More Than

480 Electric Buses

sold and ordered in Type A, C and D configurations

Well positioned for market recovery – costs down, ASP up, alternative-power leadership, EV growth outpacing all segments

Alt-Power Leadership – Driving Toward Zero Emissions

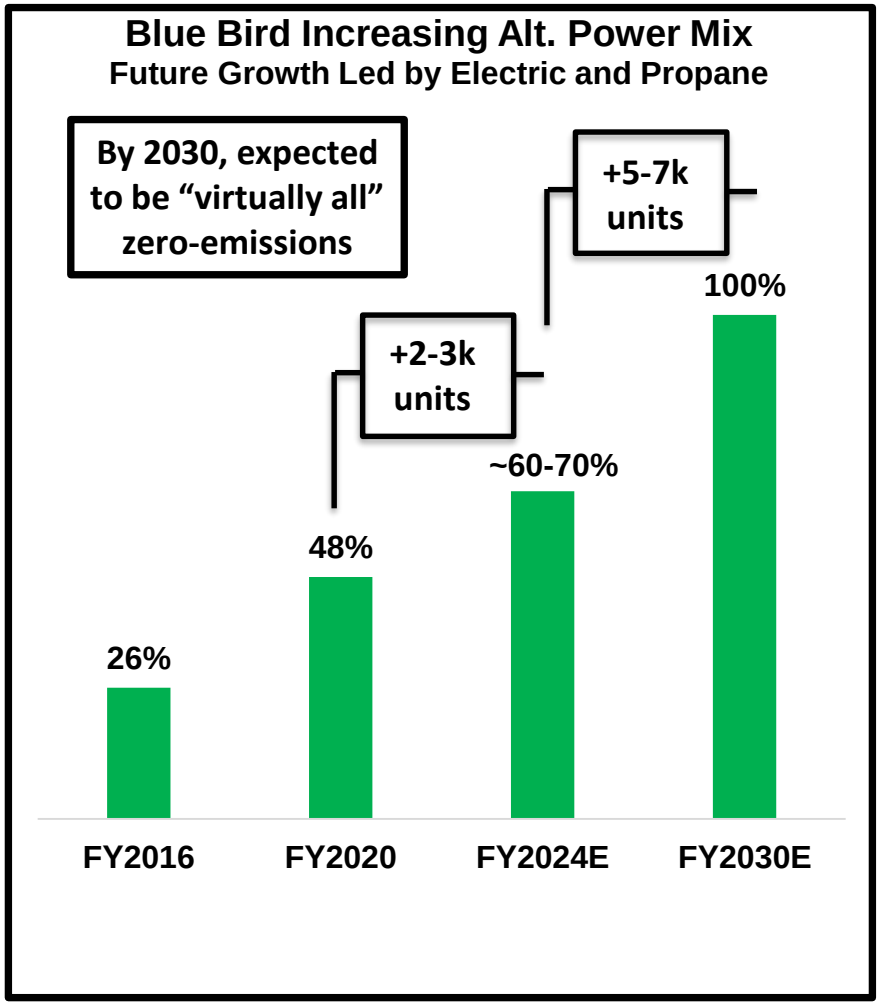
FY2021 YTD[1] Alternative-Power Bus Highlights

- 48% mix of sales and order backlog, up 3 pts
- 151 customers tried new Alt-Fuel option
- 78 conquest customers added
- 127 Electric buses sold or in backlog, up 10%
- EV std. with enabled high-powered V2G system

Significant Low- & Zero-Emissions Funding

- VW Mitigation Funds
  - Approximately $600M has been carved out for school buses; majority still to be spent
  - Only major OEM with both all-electric and ultra-low NOx school buses available today
- State Support; e.g., California Energy Commission
- Proposed "Clean Commute for Kids Act" providing $2.5B annually for 10 years (total of $25B)
  - $30M grant from Bezos Earth Fund to the World Research Institute (WRI) to accelerate adoption of electric school buses
- Less than 20% of customers have purchased alternative-fuel powered buses





Undisputed leader in alternative fuels. With over 7,000 total active customers today, we plan on significant EV growth

1 as of 5/8

Electrification of School Bus Fleet – 20% by 2030

Blue Bird Supports "Clean Commute for Kids Act of 2021" for Purchase Assistance of Electric School Buses

New Legislation introduced will authorize $2.5B a year for districts, allowing affordable purchase of electric school buses

Fort Valley, GA (April 21, 2021) — Today, legislation for the *Clean Commute for Kids Act of 2021* was introduced in the United States House of Representatives and Senate, allowing school districts to more easily replace aging fossil-fueled school buses with clean, zero-emissions electric school buses.

The Clean Commute for Kids Act of 2021 authorizes $2.5 billion a year, allowing school districts and school bus operators to qualify for grants from the program, which are intended to cover the price difference between a fossil-fueled school bus and a 100% electric-powered school bus. These grants also assist in covering the cost of charging infrastructure, training for drivers and mechanics.

Most transformational initiative ever; Blue Bird intends to lead



Jeff Taylor

CFO

FINANCIAL RESULTS

BLUE BIRD®

BUILT TO TAKE ON TOMORROW.

2Q Results – Summary

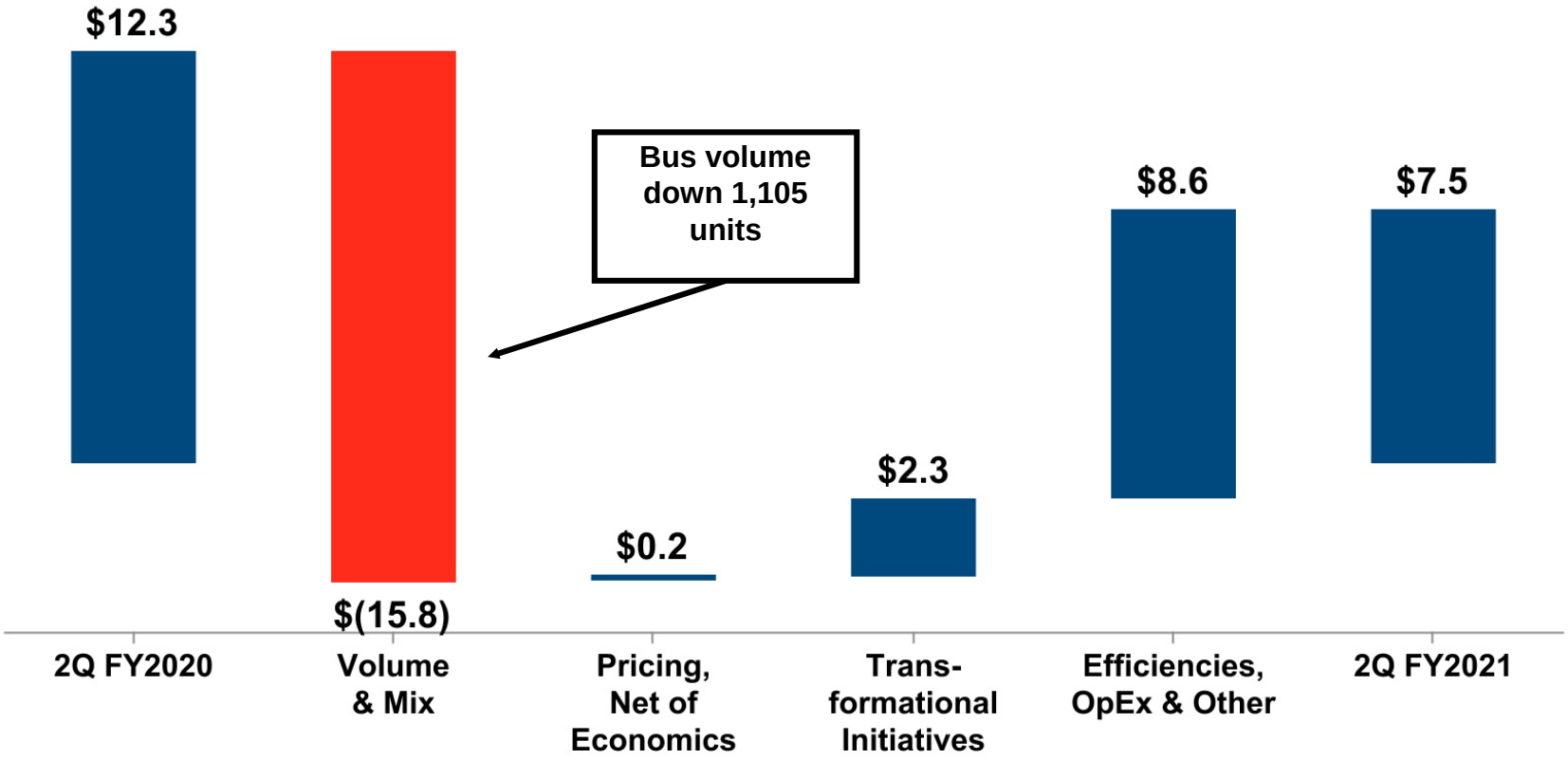
($ Millions unless noted)	2Q FY2021	2Q FY2020	B/(W)
Unit Volume	1,489	2,594	(1,105)
Net Revenue	$164.7	$255.4	$(90.7)
Bus Rev./Unit ($000's)	*$100.9*	*$92.0*	*$8.9*
Gross Margin	11.2%	9.5%	170 bps.
SG&A	$17.4	$19.9	$2.5
Net Income	$(0.6)	$(0.6)	$—
Adj. Net Income[1]	$1.4	$2.5	$(1.1)
Adj. EBITDA[1]	$7.5	$12.3	$(4.7)
Adj. EBITDA Margin	4.6%	4.8%	(22) bps.
Diluted EPS ($'s)	$(0.02)	$(0.02)	$—
Adj. Diluted EPS[1] ($'s)	$0.05	$0.09	$(0.04)
Liquidity	$116.0	$97.2	$18.8

COVID-19 impacted volume; cost controls were successful; ASP improvement continued

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

2Q FY2020 to FY2021 Adj. EBITDA Walk

($ Millions)



2Q profit decline driven by lower sales (1,105 units), partially offset by improved pricing, efficiencies and cost initiatives

[1]See appendix for additional detail regarding Adjusted EBITDA

2Q FY2021 Free Cash Flow

($ Millions)	2Q FY2021	2Q FY2020	2Q B/(W)
Adjusted EBITDA	$ 7.5	$ 12.3	$ (4.8)
Cash Paid for Interest (Net)	(2.4)	(2.6)	0.2
Trade Working Capital[1]	5.0	36.4	(31.4)
CAPEX	(3.7)	(5.0)	1.3
Cash Taxes	—	(0.3)	0.3
Other[2]	(8.0)	(1.9)	(6.1)
Adjusted Free Cash Flow	$ (1.6)	$ 38.9	$ (40.5)
Operational Transformation Initiatives/Other	(0.2)	(1.8)	1.6
Product Redesign	(1.1)	(4.2)	3.1
Cash paid for restructuring charges	—	—	—
COVID-19	(0.5)	(0.1)	(0.4)
Free Cash Flow	$ (3.4)	$ 32.8	$ (36.2)

[1] Inventories, accounts receivable and accounts payable

[2] Accrued expenses and other receivables

2Q Adj. Free Cash Flow for FY2021 was $(1.6)M or $40.5M worse than FY2020, however, YTD, Adj. Free Cash Flow is 37.1M better than prior year

Net Debt and Covenant Compliance

($ Millions)	As of April 3, 2021
Debt	**$168.8**
Cash	**18.7**
Net Debt	**$150.1**
TTM EBITDA[1] **versus a minimum required TTM EBITDA covenant of $19.3M**	**$48.7**
Liquidity[2] **versus a minimum required liquidity covenant level of $15M**	**$116.0**

1 TTM EBITDA as defined in our Credit Agreement dated as of December 12, 2016
2 Liquidity is defined as cash and cash equivalents plus availability on revolving line of credit

Cash conservation measures in place and working



Phil Horlock
President & CEO

PRIORITIES AND OUTLOOK

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Outlook: Well-Positioned for Schools Resuming

❖ Blue Bird Focus

- Executing margin-growth strategy (GM up 170 bps in 2Q) – increase bus selling price, lower cost, raise productivity and increase mix of alternative-powered buses. New products and features planned
- Planning to price in next 45 days to recover commodity and supply-chain cost increases
- Single shift operation launched smoothly, improving cost, efficiencies and quality; daily capacity increase now in place – same capacity on single shift as previously on two shifts
- Prioritized EV leadership and growth, expanding beyond school buses into commercial chassis; organizing as a focused, dedicated group within Blue Bird, with defined "Ecosystem" partners

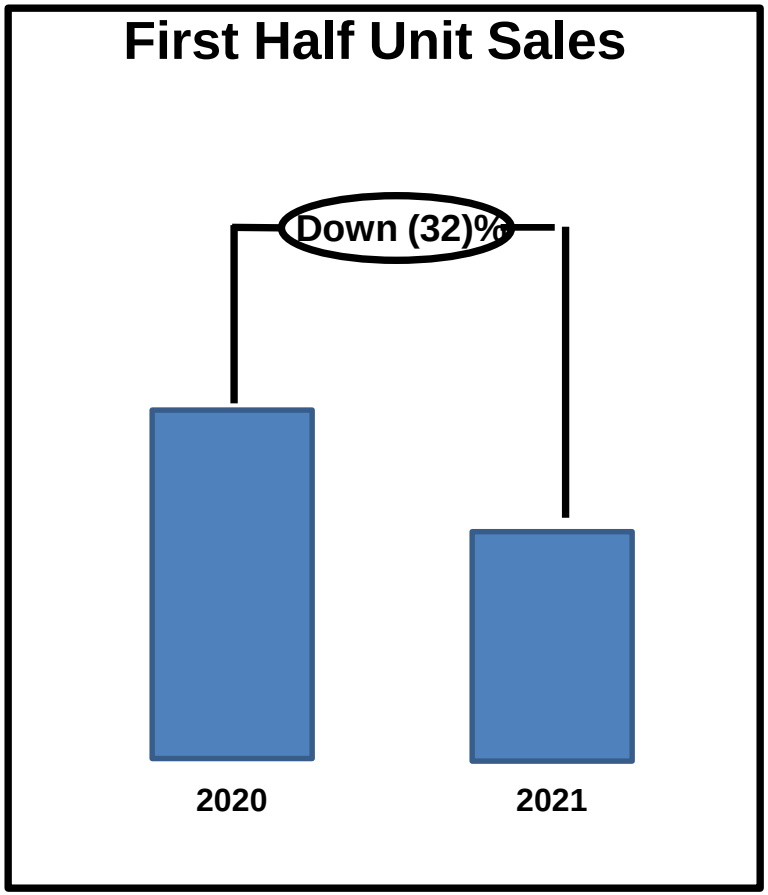
❖ External Environment

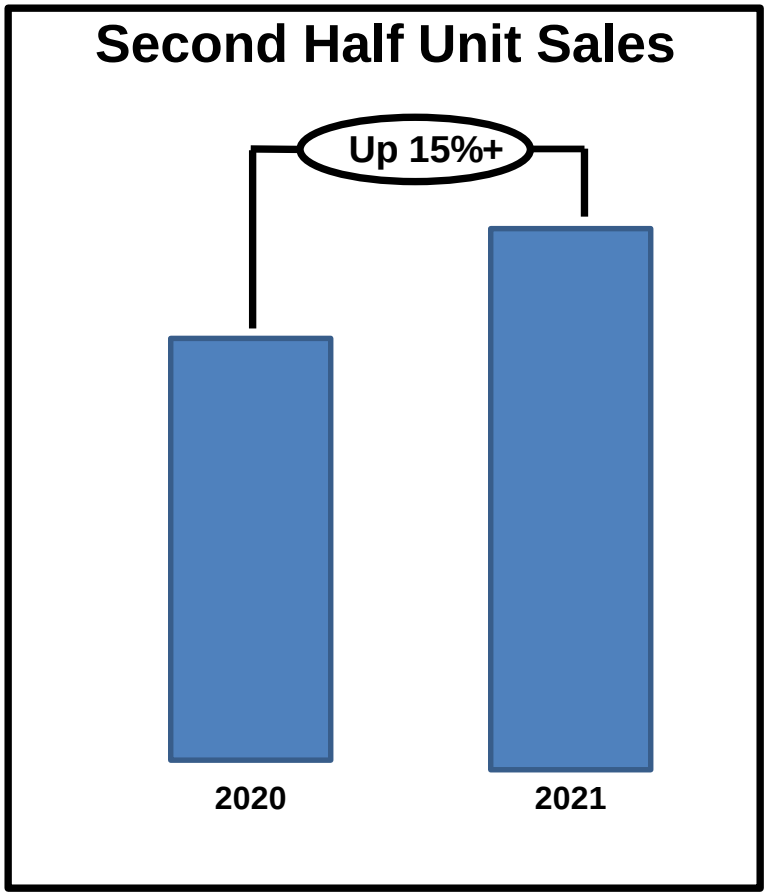
- Schools progressively reopening. New order rate increasing and industry outlook for FY2021 now forecast at 28-30k buses. Significant 2H sales increase expected
- Demand fundamentals high with 25% of US/Canada fleet aged 15 years or older
- New Administration's proposed bill for school bus fleet electrification will be transformative
- Unless resolved, present supply-chain issues could delay timing of deliveries



Given the uncertainty, we are maintaining our guidance range

Backlog and New Order Rate Indicates Strong 2H





Over 15% growth in unit sales anticipated in 2H; recovery on course

FY2021 Guidance: Planning Prudently, Operating Aggressively

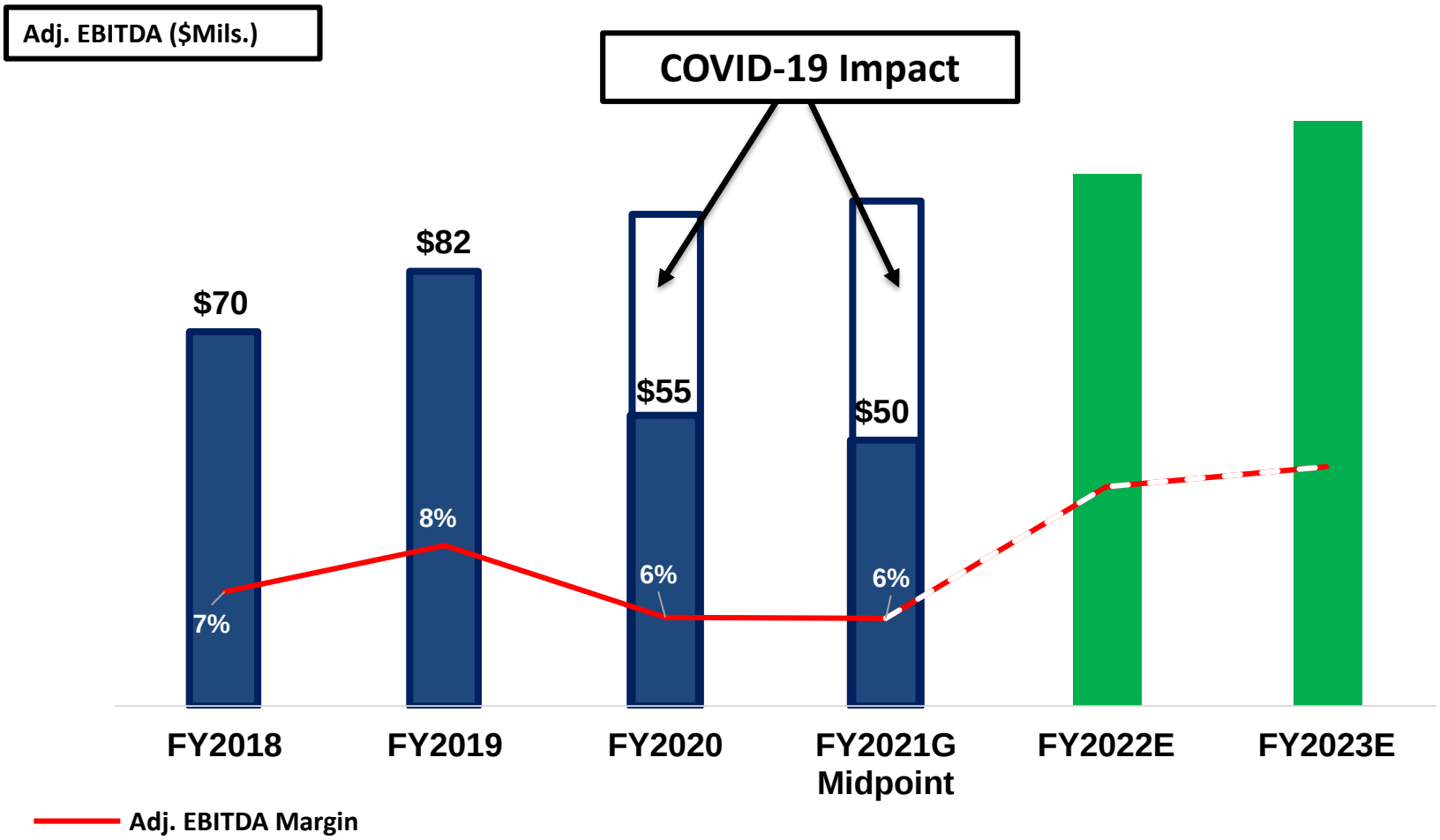
$ Millions	FY2020	FY2021 Guidance	B/(W)
Net Revenue	$879	$750 - $975	$(129) - $96
Adj. EBITDA[1]	$55	$40 - $65	$(15) - $10
Adj. Free Cash Flow[1]	$(1)	$(5) - $20	$(4) - $21

- FY2021 Guidance maintained; well positioned to capitalize on rebound
- Industry assumptions range from 28k to 30k
- Planning prudently while operating aggressively

We will narrow guidance as supply-chain uncertainty and confidence in schools fully resuming classroom teaching become clearer

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

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

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.



Appendix

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Adj. EBITDA Reconciliation

Reconciliation of Net Loss to Adjusted EBITDA

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	April 3, 2021	April 4, 2020	April 3, 2021	April 4, 2020
Net loss	$ (619)	$ (639)	$ (2,233)	$ (1,042)
Adjustments:				
Interest expense, net (1)	2,422	5,754	4,434	7,747
Income tax benefit	(483)	(817)	(1,004)	(1,143)
Depreciation, amortization, and disposals	3,591	3,816	7,267	7,354
Operational transformation initiatives	153	1,765	208	2,879
Share-based compensation	871	1,204	1,595	2,297
Product redesign initiatives	1,081	1,082	1,267	2,092
Restructuring charges	—	—	494	—
Costs directly attributed to the COVID-19 pandemic (3)	527	107	697	107
Loss on debt modification	—	—	598	—
Other	—	—	—	6
Adjusted EBITDA	$ 7,543	$ 12,272	$ 13,323	$ 20,297
Adjusted EBITDA margin (percentage of net sales)	4.6 %	4.8 %	4.5 %	5.0 %

(1) Includes $0.1 million for both three-month fiscal periods and $0.2 million for both six-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 $0.4 million for both six-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		Six Months Ended	
	April 3, 2021	April 4, 2020	April 3, 2021	April 4, 2020
Net cash provided by operating activities	$ 299	$ 37,779	$ (11,198)	$ (48,209)
Cash paid for fixed assets	(3,690)	(4,964)	(7,007)	(14,251)
Free cash flow	$ (3,391)	$ 32,815	$ (18,205)	$ (62,460)
Cash paid for product redesign initiatives	1,081	4,197	1,267	7,577
Cash paid for operational transformation initiatives	153	1,765	208	2,879
Cash paid for restructuring charges	—	—	494	—
Cash paid for costs directly attributed to COVID-19	527	107	697	107
Adjusted free cash flow	(1,630)	38,884	(15,539)	(51,897)

Adjusted EPS Reconciliation

Reconciliation of Net Loss to Adjusted Net Income

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	April 3, 2021	April 4, 2020	April 3, 2021	April 4, 2020
Net loss	$ (619)	$ (639)	$ (2,233)	$ (1,042)
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	115	1,324	156	2,159
Product redesign initiatives	811	812	950	1,569
Share-based compensation	653	903	1,196	1,723
Restructuring charges	—	—	371	—
Costs directly attributed to the COVID-19 pandemic (2)	395	80	523	80
Loss on debt modification	—	—	449	—
Other	—	—	—	5
Adjusted net income, non-GAAP	$ 1,355	$ 2,480	1,411	4,494

(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		Six Months Ended	
	April 3, 2021	April 4, 2020	April 3, 2021	April 4, 2020
Diluted loss per share	$ (0.02)	$ (0.02)	$ (0.08)	$ (0.04)
One-time charge adjustments, net of tax benefit or expense	0.07	0.11	0.13	0.21
Adjusted diluted earnings per share, non-GAAP	$ 0.05	$ 0.09	$ 0.05	$ 0.17
Weighted average dilutive shares outstanding (1)	27,330,267	26,976,324	27,357,778	26,885,398

(1) Weighted average dilutive shares outstanding for the three months ended April 3, 2021 and April 4, 2020 excluded 211,815 and 109,502 shares, respectively, and excluded 268,436 and 217,538 shares for the six months ended April 3, 2021 and April 4, 2020, respectively, as their effect would be anti-dilutive, but were included in the adjusted diluted earnings per share, non-GAAP calculation as their effect was dilutive.

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 (including tariffs) 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.

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.

Important Disclaimers

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

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.