

BLUE BIRD®

BLUE BIRD CORPORATION (NASDAQ: BLBD)

Fiscal 2022 Second Quarter Results

Earnings Conference Call
May 12, 2022

Agenda

Introductions & Forward-Looking Statements	**Mark Benfield** Executive Director, Investor Relations
Results and Highlights	**Matthew Stevenson** President & CEO
Financial Results	**Razvan Radulescu** CFO
Business Update	**Matthew Stevenson** 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.

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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
- Future impacts from the novel coronavirus pandemic known as "COVID-19," and any other pandemics, public health crises, or epidemics, on capital markets, manufacturing and supply chain abilities, consumer and customer demand, school system operations, workplace conditions, and any other unexpected impacts

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 or loss 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 or loss as adjusted to add back certain costs as mentioned above. Adjusted Diluted Earnings per Share represents Adjusted Net Income or loss available to common stockholders divided 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.

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RESULTS AND HIGHLIGHTS

Matthew Stevenson
President & CEO

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FY2022 2Q Overview

Market Demand is Strong

- Demand continues at pre-Covid levels
- 2Q order intake ~30% higher than prior year, despite higher prices
- Record backlog of $700M+ (6,600 units[1])
- Consciously chose to honor pricing on orders in the backlog that were placed in FY2021
- Adjusting our operations to prepare for production increase when the supply base stabilizes

Supply Chain Continues to Hinder Production Volume

- Supplier allocation and shortages are still prevalent across various components
- Disruptions increased throughout the quarter
- Labor shortages at suppliers have increased and are expected to persist through FY
- Multiple engineering projects to deviate and resource parts
- 2H22 recovery delayed; not expecting supply chain improvements until FY23

Conscious of Inflationary Pressures

- Raw material cost increases and delayed production compressed Q2 FY22 margins
- Improving commodity outlook reversed post Ukraine invasion
- Aligning price and cost outlook by implementing numerous price increases
- Announced incremental 10% price increase on new orders - reflecting a 25% increase since June ‘21
- Avg. rev/unit in our backlog has improved by nearly $9k per unit since the start of the fiscal year

Strong demand; backlog at record level; supply chain disruptions continue to impact production

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1 as of fiscal quarter end

Challenges and Mitigation Actions

Supply Chain

- Marginal improvements at beginning of Q2 materially declined post Ukraine invasion and China lockdowns
- Suppliers having difficulty retaining labor with the high inflation costs
- Supply chain is fatigued, going on two years of difficulties
- Back to a similar level of missing parts as early fall

Material, Freight and Logistics Inflation

- Raw Materials were trending downward at the start of the calendar year, however, have since spiked following the invasion of Ukraine
- Diesel prices over $5/gallon impacting transportation costs
- ~$2.5k per unit increase in freight and material costs since last earnings call

Plant Inefficiencies due to Parts Shortages

- Missing parts per bus started to decline in Jan, but throughout the quarter got progressively worse escalating with the Ukraine war and lockdowns in China
- Currently at ~24 missing parts per bus on average at set-up
- Requiring significant off-line rework to complete bus, over 50 hours above standard

Actions Taken

- Recruited seasoned supply chain executive, Jim Nelles to lead function
- Increased resources in the team
- Hired 3rd party operational consultants to assist
- Boots on the ground at key problematic suppliers
- Dual-sourcing / In-sourcing / Redesigning parts

- Passing through significant price increases to align to future build costs
- Revised our steel hedging strategy
- Focusing on reducing premium freight
- Wholistic revaluation of supplier footprint based on the total cost

- Revised off-line layout and processes to double throughput
- Hours per bus in off-line reduced by ~40%
- Underlying efficiencies improved by ~15 hours per bus; will be visible when the supply base stabilizes
- Adjusting labor model accordingly to volume

Improving operations and aligning them to an environment of continued inflation & perpetual supply chain disruptions

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2QFY2022 Financial Results and Ongoing Business Highlights

FINANCIAL HIGHLIGHTS

Second Quarter FY2022

UNITS SOLD

1,931

442 vs.'21

NET SALES

$208M

$43M vs.'21

Adjusted EBITDA

$(11)M

$(18)M vs.'21

Adjusted FCF

$22M

$23M vs.'21

BUSINESS HIGHLIGHTS

Phase 1 of EPA Funding Plan Rolled Out

Launched
Commercial chassis at ACT EXPO





~360 EV's in firm order Backlog[1]



Record Backlog
6.6k Units[1] (~$700M)

Only Gasoline Bus on the market!

CARB

Certification for Gas

POWERED BY PROPANE · POWERED BY CNG · POWERED BY ELECTRICITY · POWERED BY GASOLINE

Driving Alt. Power mix of 62% in backlog, up 10 pts.



Significant Pricing actions taken

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See appendix for additional detail regarding non-GAAP measures

1 as of the end of 2Q



FINANCIAL RESULTS

Razvan Radulescu
CFO

FY2022 2Q Income Statement

($ Millions)	FY2022	FY2021	B/(W)
Unit Volume	1,931	1,489	442
Unit Backlog	6,607	2,511	4,096
Net Revenue	$207.7	$164.7	$43.0
Bus Rev./Unit ($000's)	*$97.6*	*$100.9*	*$(3.3)*
Gross Margin	1.5%	11.2%	(970) bps
Adj. Net Income[1]	$(10.1)	$1.4	$(11.5)
Adj. EBITDA[1]	$(10.7)	$7.5	$(18.2)
Adj. EBITDA Margin[1]	(5.1)%	4.6%	(970) bps
Adj. Diluted EPS[1]	$(0.31)	$0.05	$(0.36)

Backlog margin compression and supply chain disruptions significantly impacted Q2 results, as expected

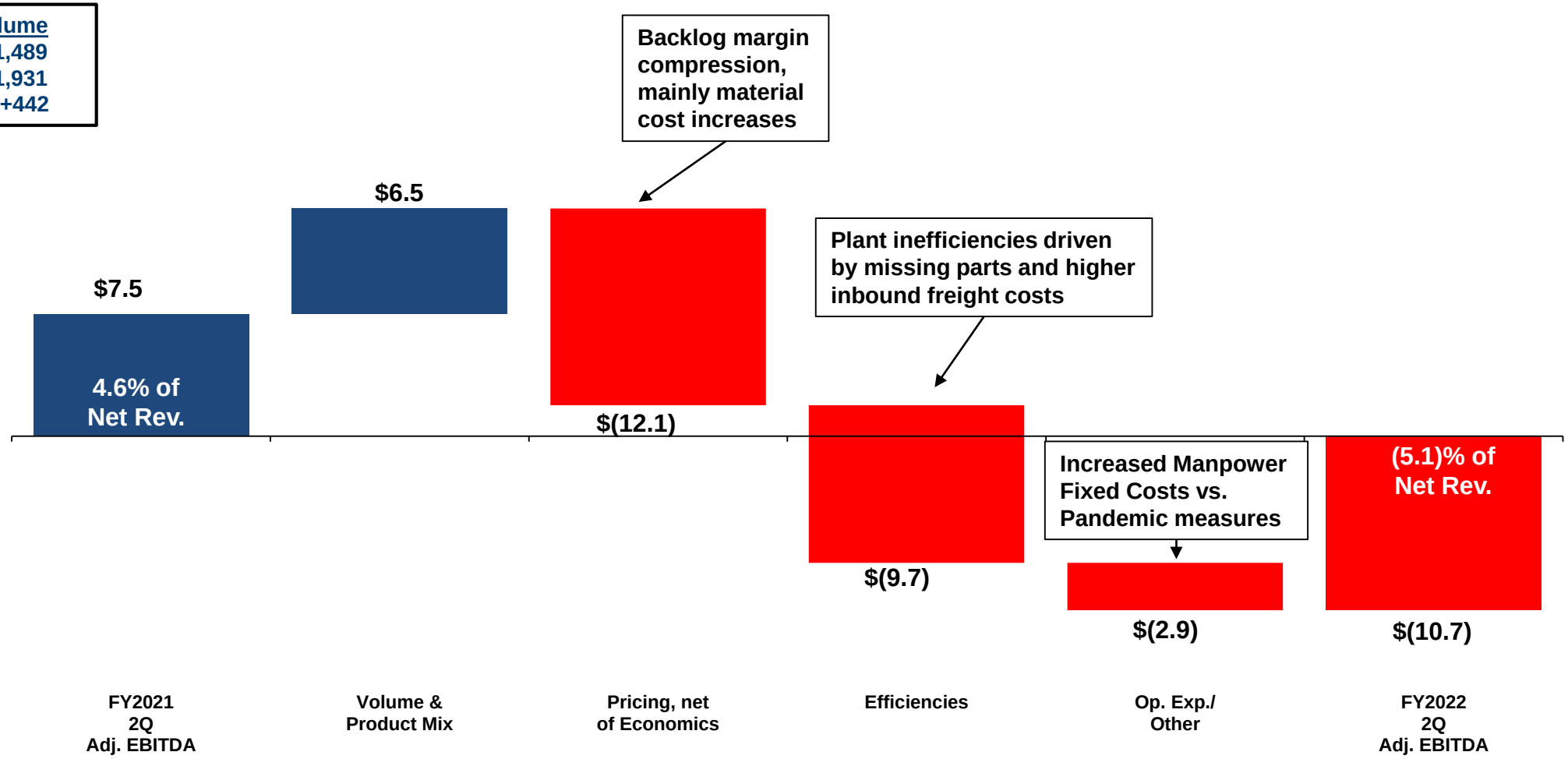
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[1]*See appendix for additional detail regarding non-GAAP measures*

FY2021 Q2 to FY2022 Q2 Actuals Adj. EBITDA Walk

2Q Unit Volume	
FY2021	1,489
FY2022	1,931
Variance	+442

($ Millions)



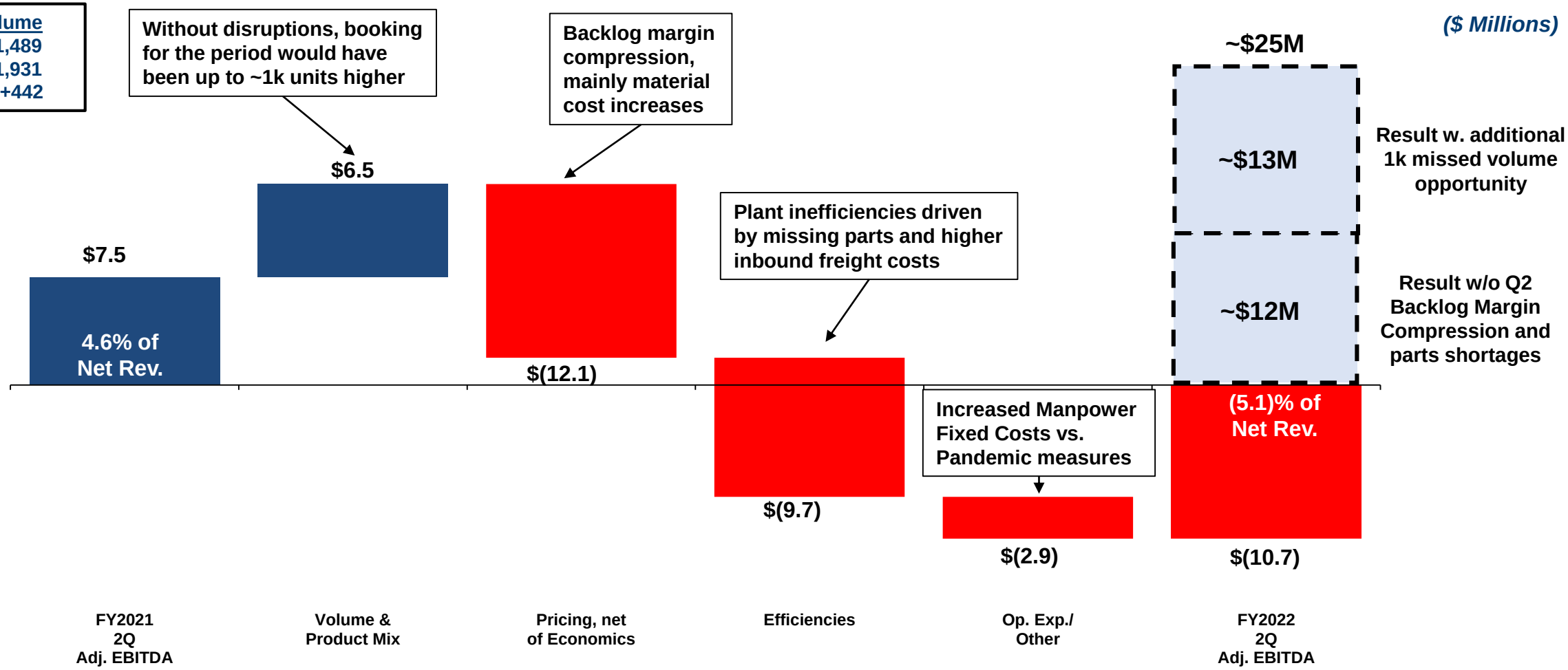
Backlog margin compression and supply chain disruptions significantly impacted Q2 results, as expected

See appendix for additional detail regarding non-GAAP measures

Normalized Q2 result w/o supply chain constraints at ~$25M

2Q Unit Volume	
FY2021	1,489
FY2022	1,931
Variance	+442

($ Millions)



Normalized quarterly production run-rate of ~3k units, w/o shortages, and with full pricing yields ~$25M

See appendix for additional detail regarding non-GAAP measures

Balance Sheet and Liquidity

($ Millions)	As of April 2, 2022
Debt[1]	**$156.9**
Cash[1]	**14.9**
Net Debt[1]	**$142.0**
Net Debt / Adjusted EBITDA[1]	**10.4x**
Net Leverage Ratio[2]	**12.4x**
TTM EBITDA[2] versus a minimum required TTM EBITDA covenant of $(4.5)M	**$12.3**
Liquidity[2] [3] versus a minimum required liquidity covenant level of $5.0M	**$108.6**

Strong liquidity also bolstered by $75M investment by Coliseum Capital in December 2021

1 Represents a reported amount or calculation based upon reported amounts
2 Represents an amount or calculation as defined in the Credit Agreement dated as of December 12, 2016
3 Liquidity is defined as cash and cash equivalents plus availability on our revolving line of credit

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Balance Sheet and Cash Flow Summary

($ Millions)	2Q FY2022	2Q FY2021	B/(W)
Cash	$14.9	$18.7	$(3.8)
Debt	$156.9	$168.8	$11.9
Operating Cash Flow	$21.7	$0.3	$21.4
Adj. Free Cash Flow[1]	$21.6	$(1.6)	$23.3
Trade Working Capital*	$31.2	$5.0	$26.3

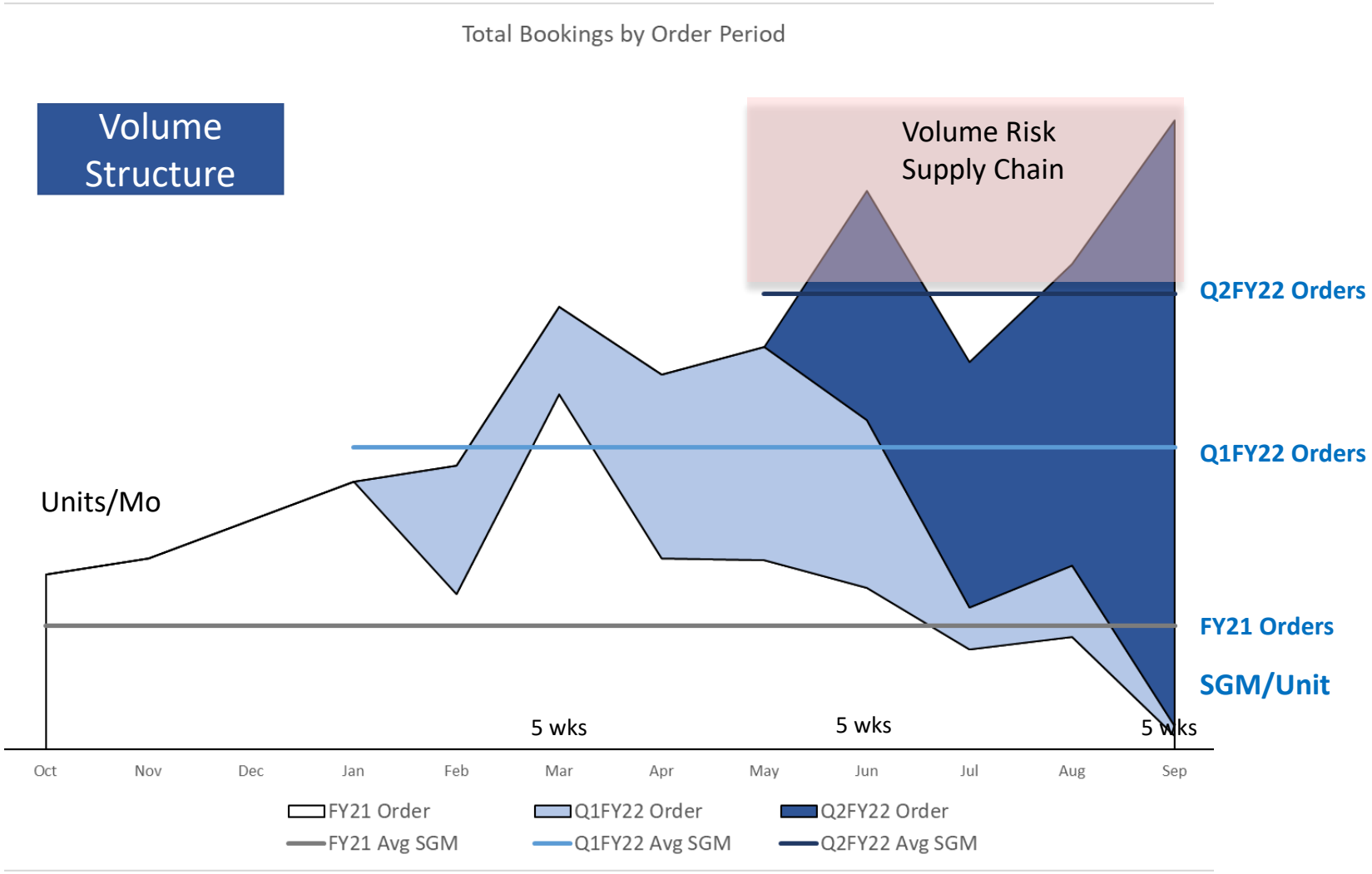
Strong Free Cash Flow reported, primarily due to increased volumes and trade working capital

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** Inventories, accounts receivable and accounts payable*

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

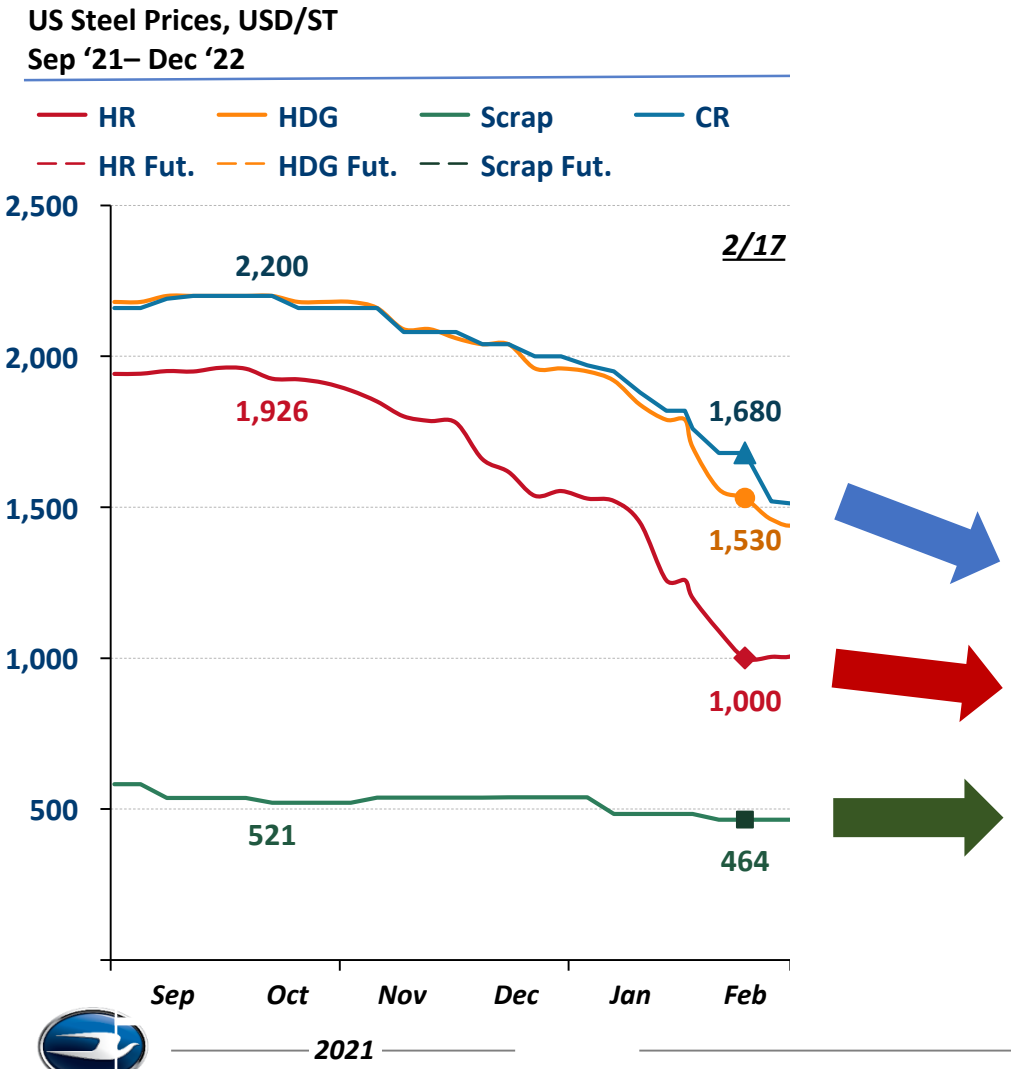
Half of the FY22 volumes comes from FY21 orders



- With every quarter, the SGM is slowly improving due to price increases taking hold, as we are working through the old backlog
- However, the current Ukraine situation created uncertainty on both costs and supply
- Raw materials and fuel costs shot back up, China lockdowns impact supply
- US inflation and gas prices at all time high create labor challenges
- Together with our Dealers, we are taking further pricing and backlog mix measures to combat the inflation

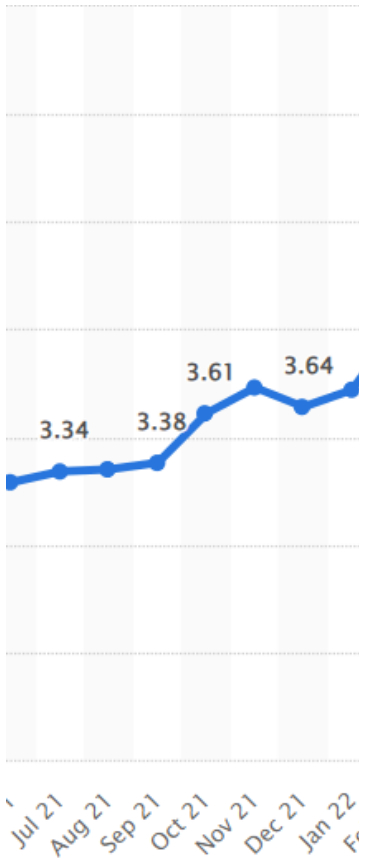
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The Steel markets began to normalize during Nov-Feb time period



FEB Steel Premises:
Prices continue to normalize and further reduce, our suppliers on 3-6 months delay

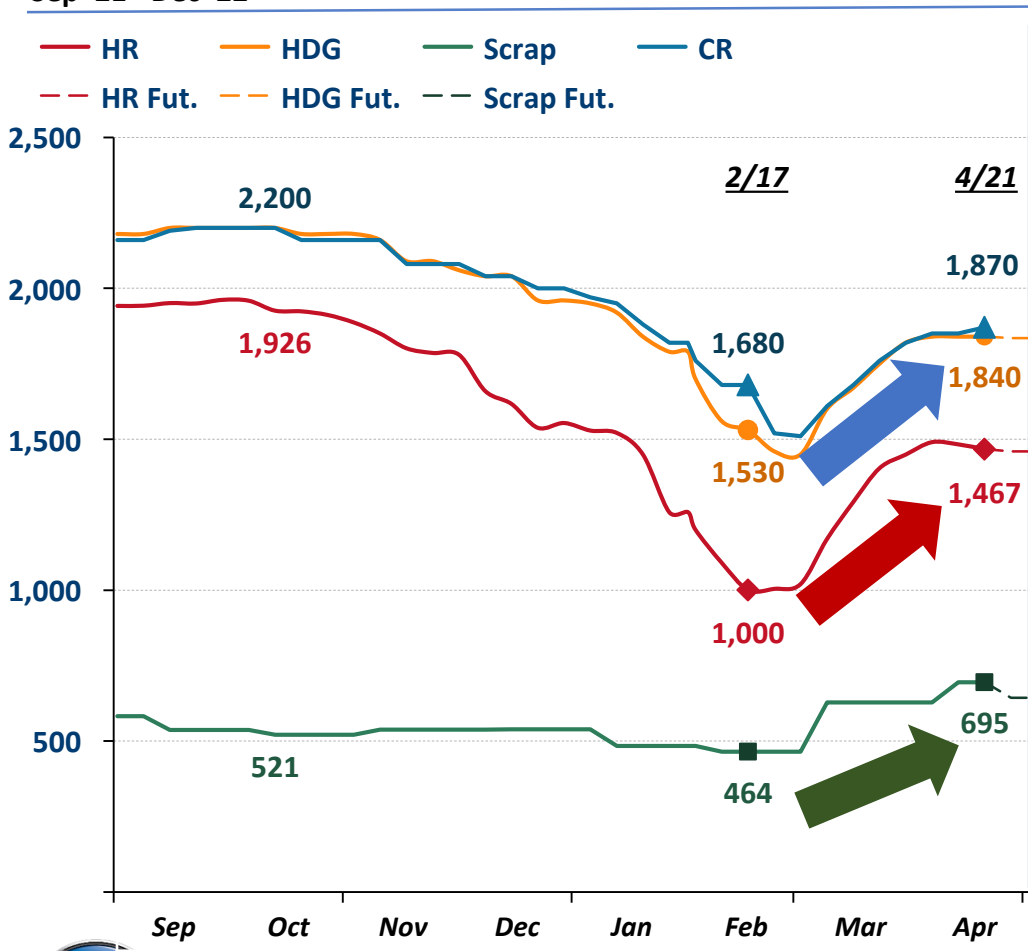
US Diesel Prices ($/gal)



1) HR index refreshes daily, CR & HDG refresh weekly on Fridays, Scrap refreshes monthly on the 10th.

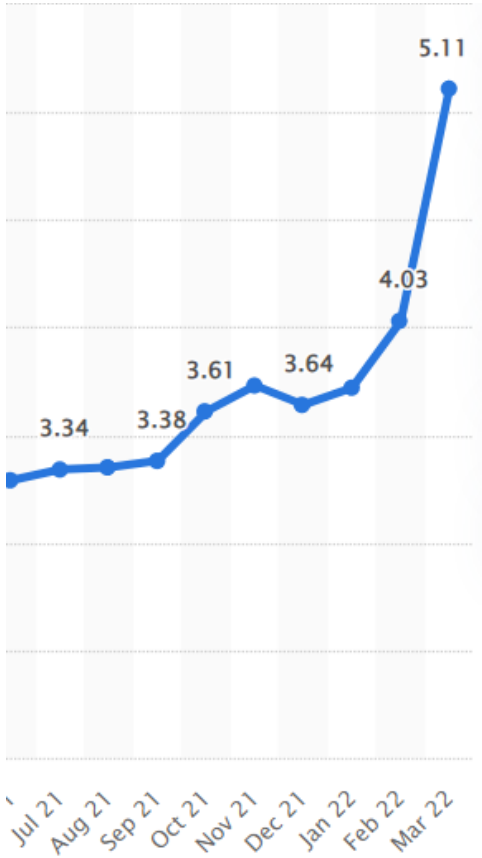
The Ukraine war spiked Steel and Diesel prices in March and April

US Steel Prices, USD/ST
Sep '21– Dec '22



APR Steel Premises:
Actual prices spiked back up $300-$500/ST impacting 2H outlook

US Diesel Prices ($/gal)



1) HR index refreshes daily, CR & HDG refresh weekly on Fridays, Scrap refreshes monthly on the 10th.

Revising FY2022 Guidance

$ Millions	FY2021 Act.	Initial FY2022 Guidance	Revised FY2022 Guidance	B/(W) Vs. Prior Year
Net Revenue	$684	$750 - $850	$800 - $900	$116- $216
Adj. EBITDA[1]	$34	$30 - $50	$20 - $30	$(14) - $(4)
Adj. Free Cash Flow[1]	$(62)	$35 - $55	$15 - $25	$77 - $87

- 1H FY2022 Actuals impacted supply chain disruptions, limiting the units sold and creating inefficiencies
- Significant margin compression for 1H units due to traditional school bus selling cycle (old backlog)
- Continuous slow margin improvement expected through 2H, despite new headwinds from geopolitical and macroeconomic factors, higher commodities pricing and persistent supply chain challenges

Global issues, growing cost inflation and continued supply chain pressures delay 2H recovery

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



BUSINESS UPDATE

Matthew Stevenson
President & CEO

FY2022 Objectives & Focus Areas



Our People



Lean Transformation



Expanding Our TAM



Scaling EV



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FY2022 Focus Areas

Our People

- Leadership team transformation near completion
- Rolled out a comprehensive employee engagement survey and action plan
- Continuing upgrades in the manufacturing facility
- Improving the span of control and accountability in manufacturing



Britton Smith

SVP, EV and Chief Strategy Officer



Jim Nelles

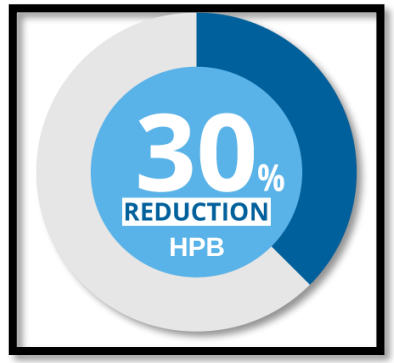
SVP, Supply Chain

Lean Transformation

- Revamped off-line process
- Reduced offline hours by ~40% and doubled throughput, eliminating a shift
- DPU's reduced by 45% vs 1Q
- Lean initiatives already reduced 15 hours out of standard
- See clear path to 30% reduction in hours per bus (HPB) by 2025







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FY2022 Focus Areas

Expanding Our TAM

- **Launched prototype EV commercial chassis at ACT Expo**
- **TAM over 30,000, effectively doubling Blue Bird's market**
- **Targeting Last Mile Delivery Stripped Chassis & High-end Motorhomes**
- **Expect sales in 2H of CY2023**

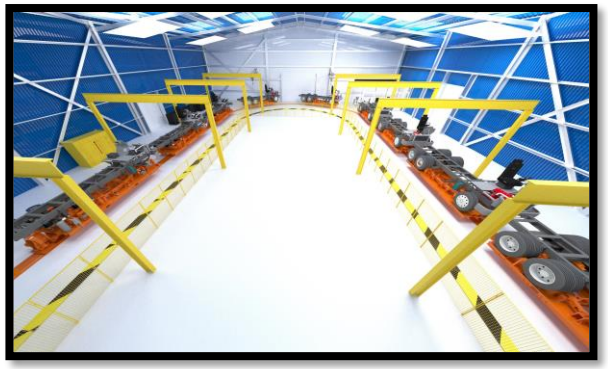




Scaling EV

- **Construction started on ~40,000 sq. ft. building for EV Chassis assembly to expand production to 12 per day by end of FY22, then to 20 per day through FY23 (or 4,000)**
- **To be a showcase of World Class Manufacturing (WCM)**
- **Longer term goal of increasing production to 6,000 units**





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EPA 2022 Clean School Bus Rebate Program

$500M of $5B released in 2022

Expected Orders



EV 42% Share

- **Award amount for ZEV between $250k (non-priority) and $375k (priority) per unit, depending on status and vehicle class**
  - **All electric units get and incremental $15-20k per bus provided for Infrastructure funding**
  - **Expecting industry orders of 1,200-1,600 electric buses from Phase 1**

Propane 67 % Share

- **Propane received $15-25k per bus**

We will continue our leadership position in EV and are scaling significant resources to assist customers in securing funding

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Positive Long-Term Outlook

Continuing to deliver operational improvements

- Gross margin should expand with recent pricing initiatives as the backlog is consumed
- Total price increases of ~ 25% now effective on new orders
- Policies in place to ensure pricing aligns with the inflationary environment
- Supply chain uncertainty looks to be a risk through the balance of the fiscal year
- Taking actions across the business to improve operationally
- Lean Transformation initiatives starting to show positive benefits



Blue Bird Electric School Bus Sales Footprint

Leader in providing low-emission school buses

- Continuing to increase the mix of alt.-powered buses (non-diesel)
- ***$5B in US federal government funding for EV & cleaner emission buses***
- Many states announcing a push to all EV electric school bus future



Strong interest in the new electric commercial chassis

Positioned for market recovery; leader in alt. power with growing EV order backlog

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Q&A

APPENDIX

Adj. EBITDA Reconciliation

Reconciliation of Net Income to Adjusted EBITDA

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Net loss	$ (12,147)	$ (619)	$ (16,229)	$ (2,233)
Adjustments:				
Interest expense, net (1)	2,563	2,422	5,720	4,434
Income tax benefit	(7,415)	(483)	(9,177)	(1,004)
Depreciation, amortization, and disposals (2)	3,622	3,591	7,145	7,267
Operational transformation initiatives	1,585	153	1,586	208
Share-based compensation	813	871	2,486	1,595
Product redesign initiatives	281	1,081	534	1,267
Restructuring and other charges	—	—	246	494
Costs directly attributed to the COVID-19 pandemic (3)	8	527	37	697
Loss on debt modification	—	—	561	598
Adjusted EBITDA	$ (10,690)	$ 7,543	$ (7,091)	$ 13,323
Adjusted EBITDA margin (percentage of net sales)	(5.1) %	4.6 %	(2.1) %	4.5 %

(1) Includes $0.1 million for both three month fiscal periods, and $0.1 million and $0.2 million for the six month fiscal periods ended April 2, 2022 and April 3, 2021, respectively, 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 $0.4 million for both six month fiscal periods, representing amortization charges on right-of-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 represents costs incurred for third party cleaning services and personal protective equipment for our employees in response to the COVID-19 pandemic.

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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 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Net cash used in operating activities	$ 21,667	$ 299	$ (11,410)	$ (11,198)
Cash paid for fixed assets	(1,908)	(3,690)	(3,478)	(7,007)
Free cash flow	$ 19,759	$ (3,391)	$ (14,888)	$ (18,205)
Cash paid for product redesign initiatives	281	1,081	534	1,267
Cash paid for operational transformation initiatives / Other	1,585	153	1,586	208
Cash paid for restructuring charges	—	—	246	494
Cash paid for costs directly attributed to COVID-19	8	527	37	697
Adjusted free cash flow	$ 21,633	$ (1,630)	(12,485)	(15,539)

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Adjusted EPS Reconciliation

Reconciliation of Net Income to Adjusted Net Income and of Diluted EPS to Adjusted Diluted EPS

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Net income	$ (12,147)	$ (619)	$ (16,229)	$ (2,233)
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	1,189	115	1,190	156
Product redesign initiatives	211	811	401	950
Share-based compensation	610	653	1,865	1,196
Restructuring charges	—	—	185	371
Costs directly attributed to the COVID-19 pandemic (2)	6	395	28	523
Loss on debt modification	—	—	421	449
Other	—	—	—	—
Adjusted net income (loss), non-GAAP	$ (10,132)	$ 1,355	(12,142)	1,411

(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 in response to the COVID-19 pandemic.

Reconciliation of Diluted EPS to Adjusted Diluted EPS

	Three Months Ended		Six Months Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Diluted earnings per share	$ (0.38)	$ (0.02)	$ (0.54)	$ (0.08)
One-time charge adjustments, net of tax benefit or expense	0.07	0.07	0.14	0.13
Adjusted diluted earnings (loss) per share, non-GAAP	$ (0.31)	$ 0.05	$ (0.40)	$ 0.05
Weighted average dilutive shares outstanding	32,311,549	27,330,267	30,317,464	27,357,778

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