Blue Bird Corporation
30th Annual Roth Conference

March 12, 2018

Orange County, CA



BLUE BIRD®

BUILT TO TAKE ON TOMORROW.

Agenda

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





School Bus Industry Overview

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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*

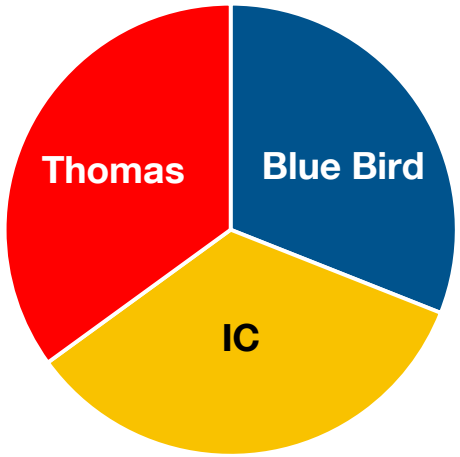
Demand Drivers

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

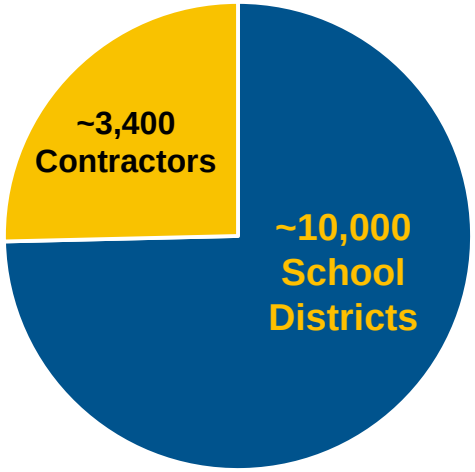
Relatively Clear Funding Sources

- *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

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



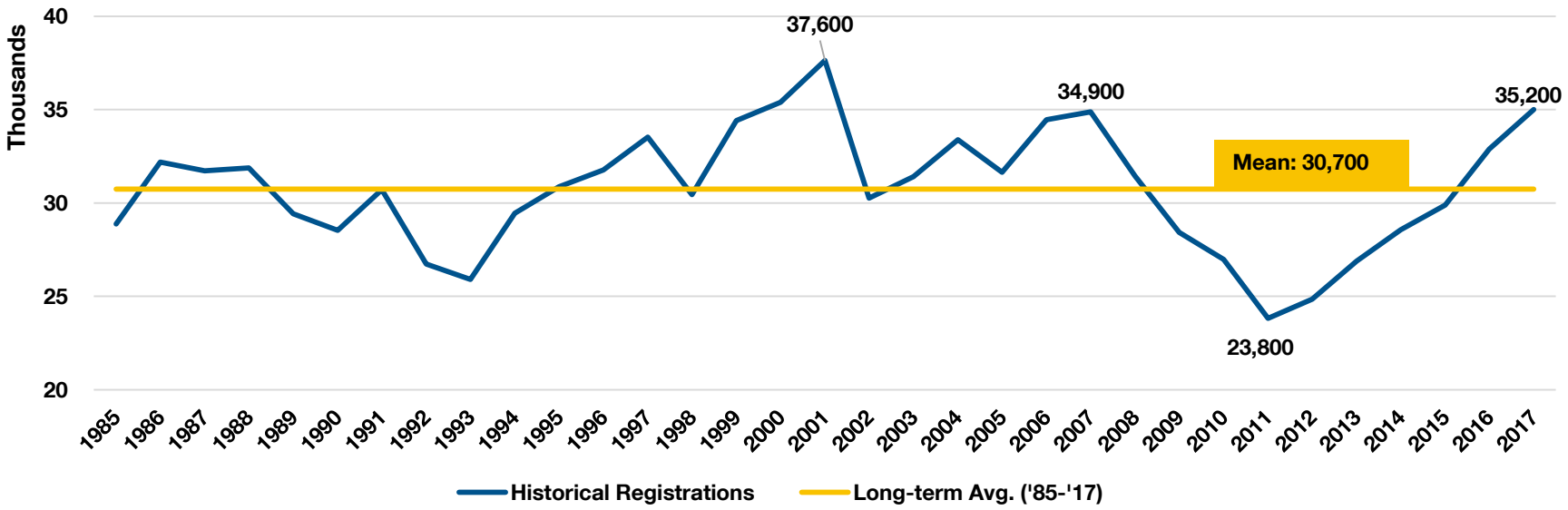
Type D RE Buses
(Rear Engine, Transit-Style)
Seating Capacity: 66-84
Fuel Types: Diesel, CNG, Electric (2018)



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 & D School Bus Industry



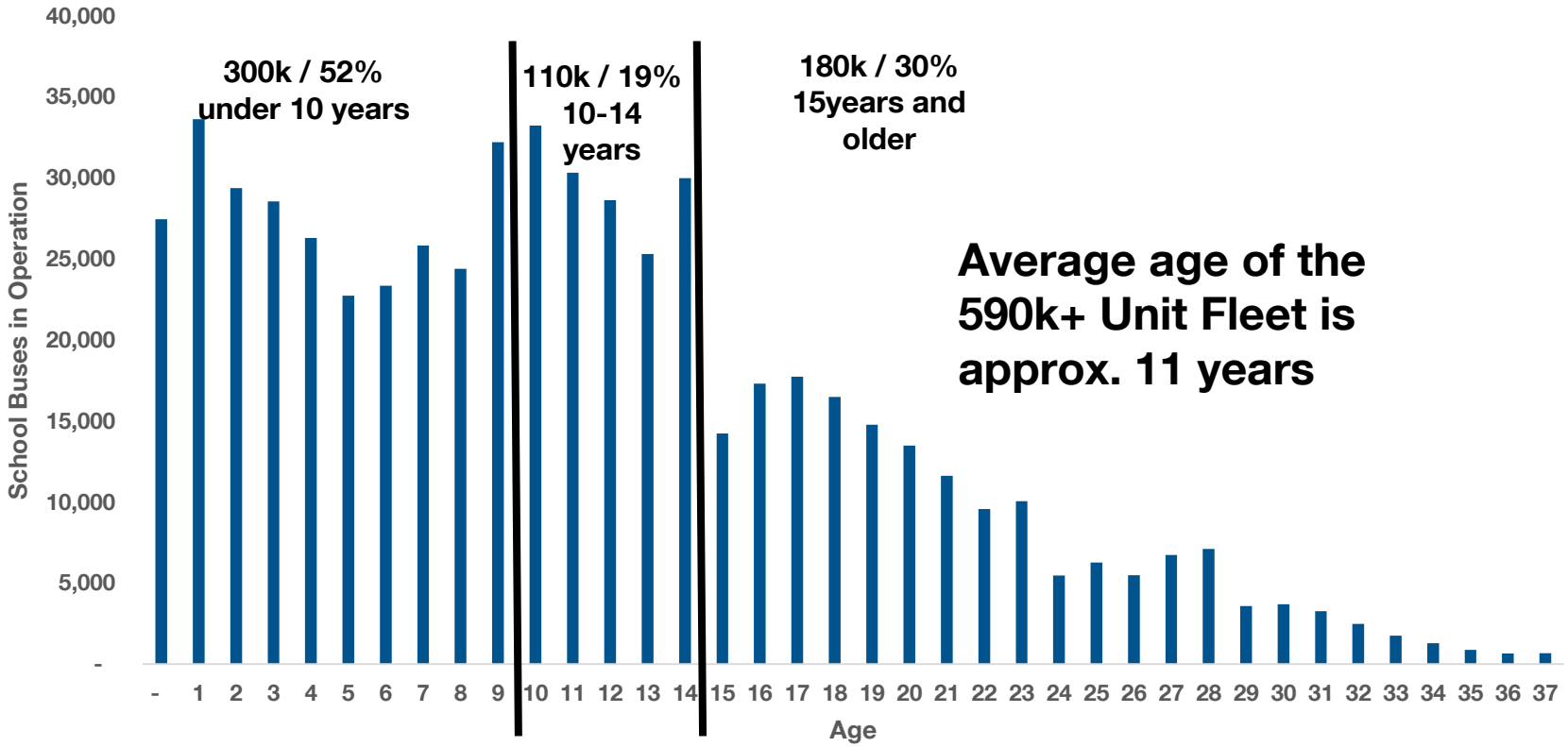
Source: R.L. Polk New Registrations, based on Type C/D school buses registered during BB fiscal year

- Industry average size is 30,700 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*

FY2017 industry at 35,200 units, second largest industry since 1985; FY2018 expected to be slightly higher than FY2017

Age Profile of the Existing Fleet

~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



Blue Bird Highlights

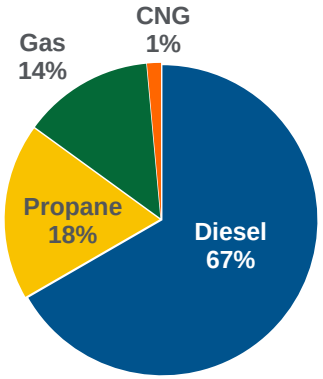
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Company Snapshot

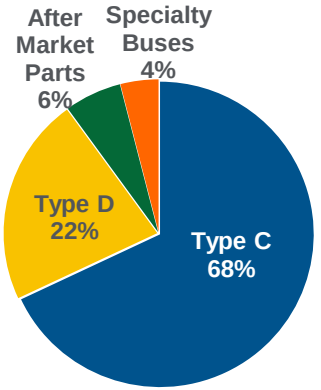
- Iconic brand with long heritage; more than 550,000 buses sold since 1927
- The only purpose-built school bus
- Two major assembly plant locations
- Complete product portfolio with Type A, C and D buses
  - 20 different body lengths
  - >2,300 floor plans configurations
  - >3,700 active seating plans
  - >2,100 options available
  - 50/50 JV with Girardin for Type A buses
- Industry-leading powertrain offerings
- Leader in alternative fuels, safety, quality, reliability and owner loyalty
- National dealer footprint in 50 US states, 10 Canadian provinces and US Territories as well as 250 strategically located service centers

Sales Breakdown (2017A Sales: ~$991mm)

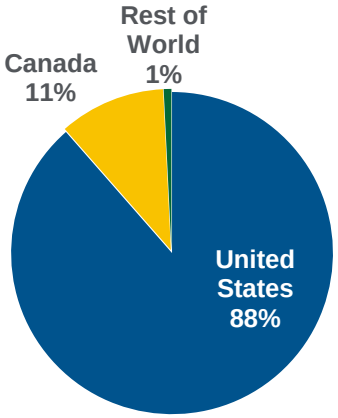
Fuel Type



Product Type

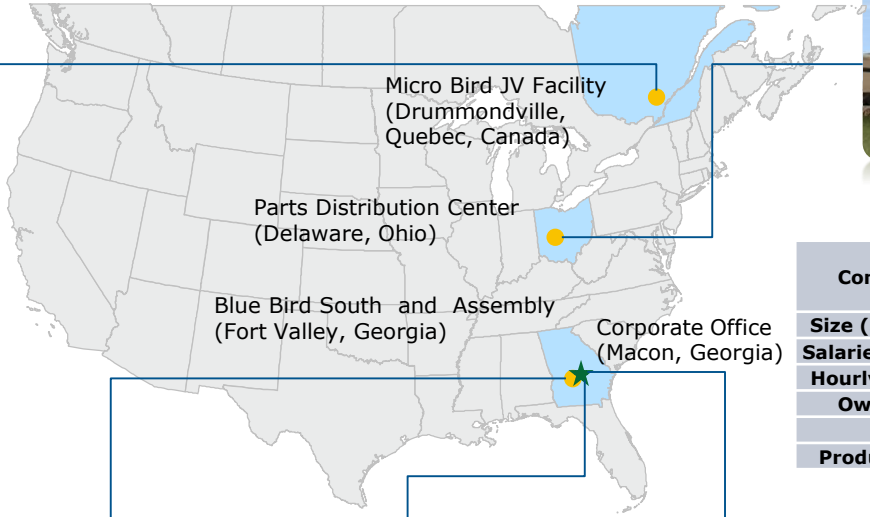


Geography



Dedicated Manufacturing Footprint







	Micro Bird JV Facility (Drummondville, Quebec)
Commentary	Design, fabrication, and assembly of Micro Bird by Giradin 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

Blue Bird Differentiators

1. Largest Independent Producer of School Buses
2. Leading Distribution Network
3. Alternative Fuels Leadership
4. Continuous Product Innovation
5. Transformational Initiatives

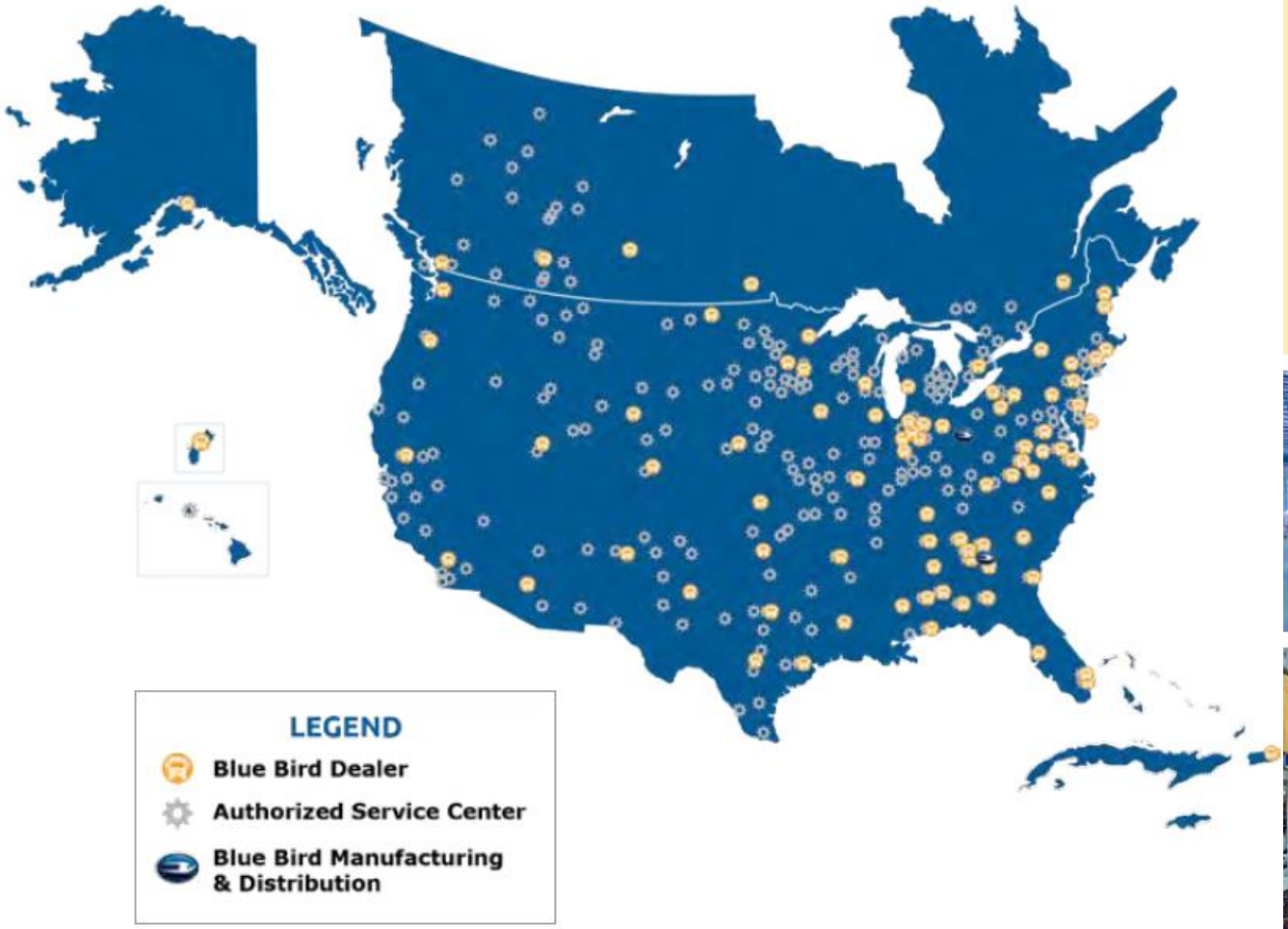
Leader in Key Attributes Our Customers Value

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] Checkmarks/Corporate Logo indicate leadership in category

Our Exclusive Dealer Network



50+
Dealers Worldwide

250+
Service Centers

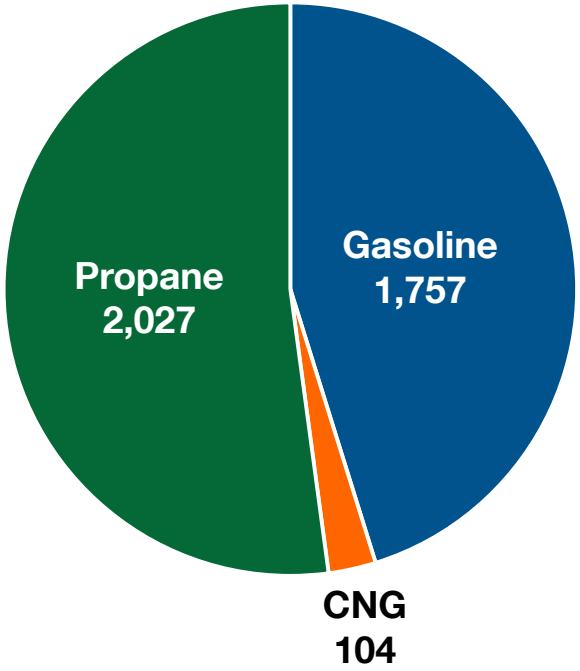




More than 85% of Blue Bird dealers dedicated to bus sales and service

Alternative-Fuel Leadership

FY2017 Alternative-Fuel Bus Sales



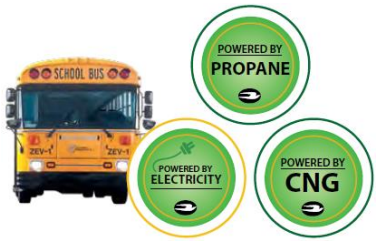
41% Increase over FY2016

FY2017 Highlights

- Sold 3,888 alternative fuel buses; 34% mix
- Ford/Roush partnership provides three distinct fuel types from the same engine/transmission combination
- Blue Bird propane-powered Vision has the highest owner loyalty of any school bus in the market
- Launched lowest NOx level propane bus
- Gasoline buses quickly gained market acceptance in first full year of sales
- Launched new Type C CNG-powered bus in FY2017, providing a lower cost alternative to the traditional rear-engine CNG bus
- Conquested 238 new customers with alternative-fuel powered buses

Outstanding growth potential; majority of school districts have not tried alternative-fuel powered buses

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



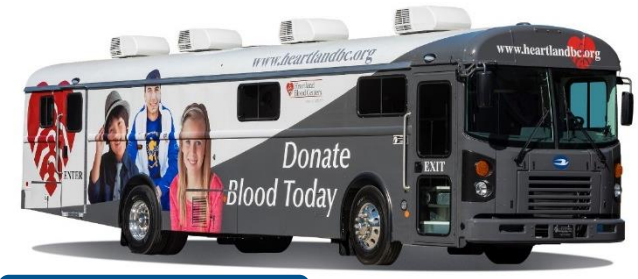
2017 Exclusive ROUSH CleanTech and Ford Gen 4 Low NOx Propane Launched



COMING SOON IN 2018 Electric All-American, Vision and Micro Bird

Industry pioneer introducing alternative-fueled powertrains

Multiple Uses for Blue Bird Buses



Type D Blood Mobile

Type D GSA



Type D Prison Bus



Type D/Ayco Body Export



Type D GSA



Type D GSA/Lift



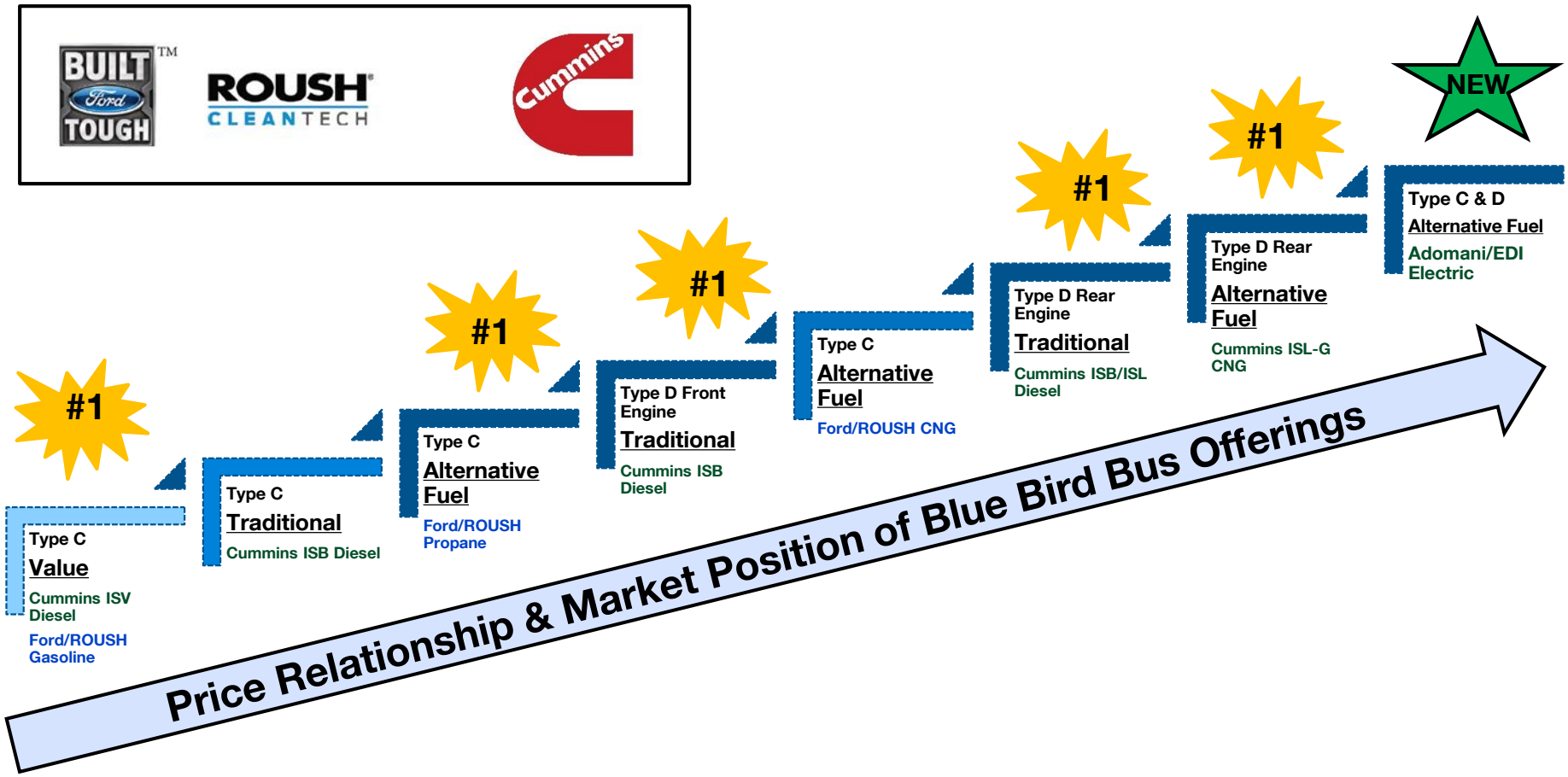
Type C GSA





Type A Comm'l

Broadest Range of Product Offerings



Broadest and most successful range; electric bus coming in FY2018

Transformational Initiatives

- **Focused on transforming our business structure to drive EBITDA margin improvement –from 7% in FY2017 to 10+% in FY2020**

- **Significant investment in production facilities to support future growth, greater efficiencies and industry-leading quality**

- **Partnering with industry leaders to drive down costs in all areas of our business; initial results will be seen in FY2018 margins**

- **Working on substantial new product upgrades, providing enhanced customer satisfaction and industry-leading attributes**

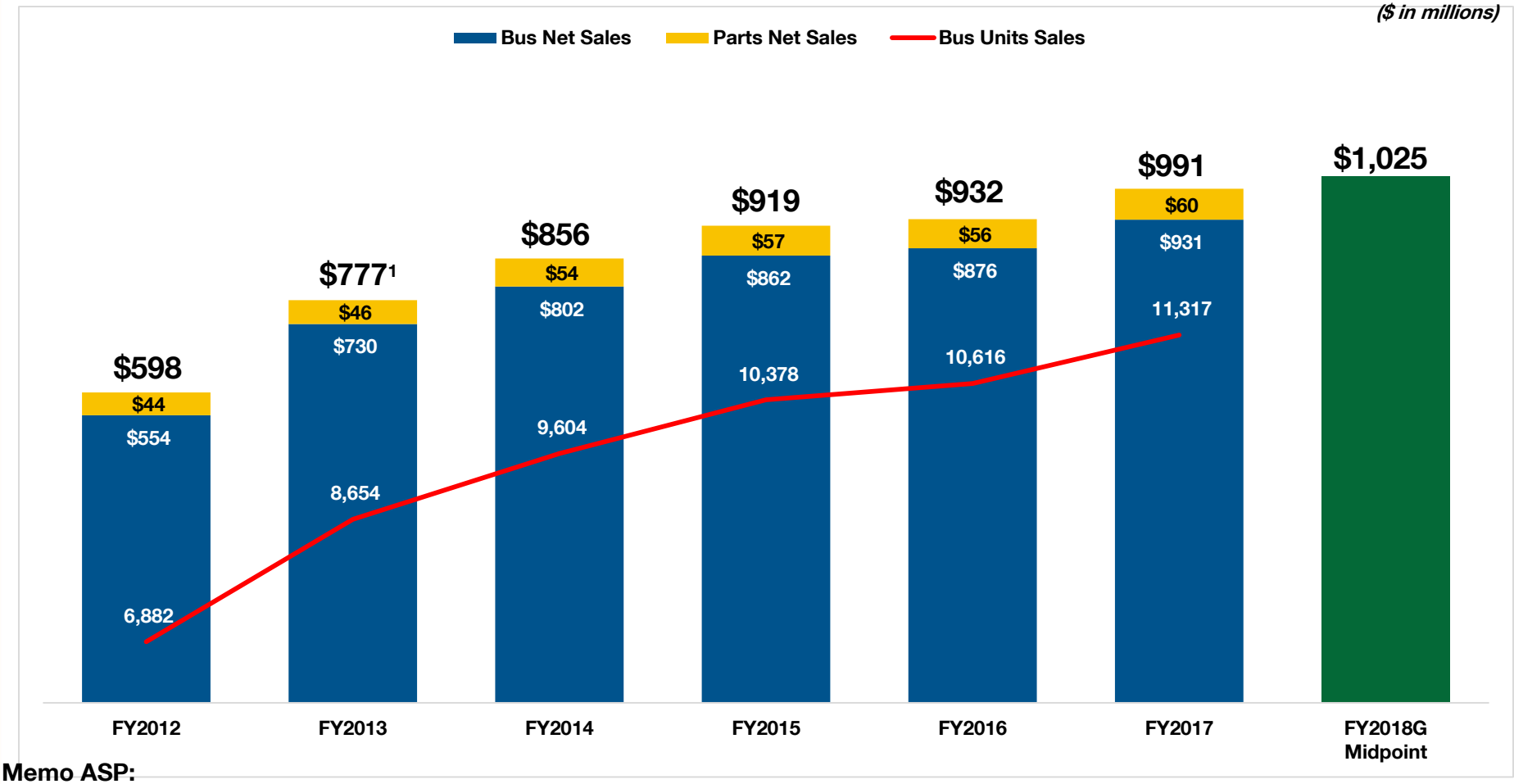




Financial Overview

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Track Record of Growing Sales



Memo ASP:
($ in thousands)

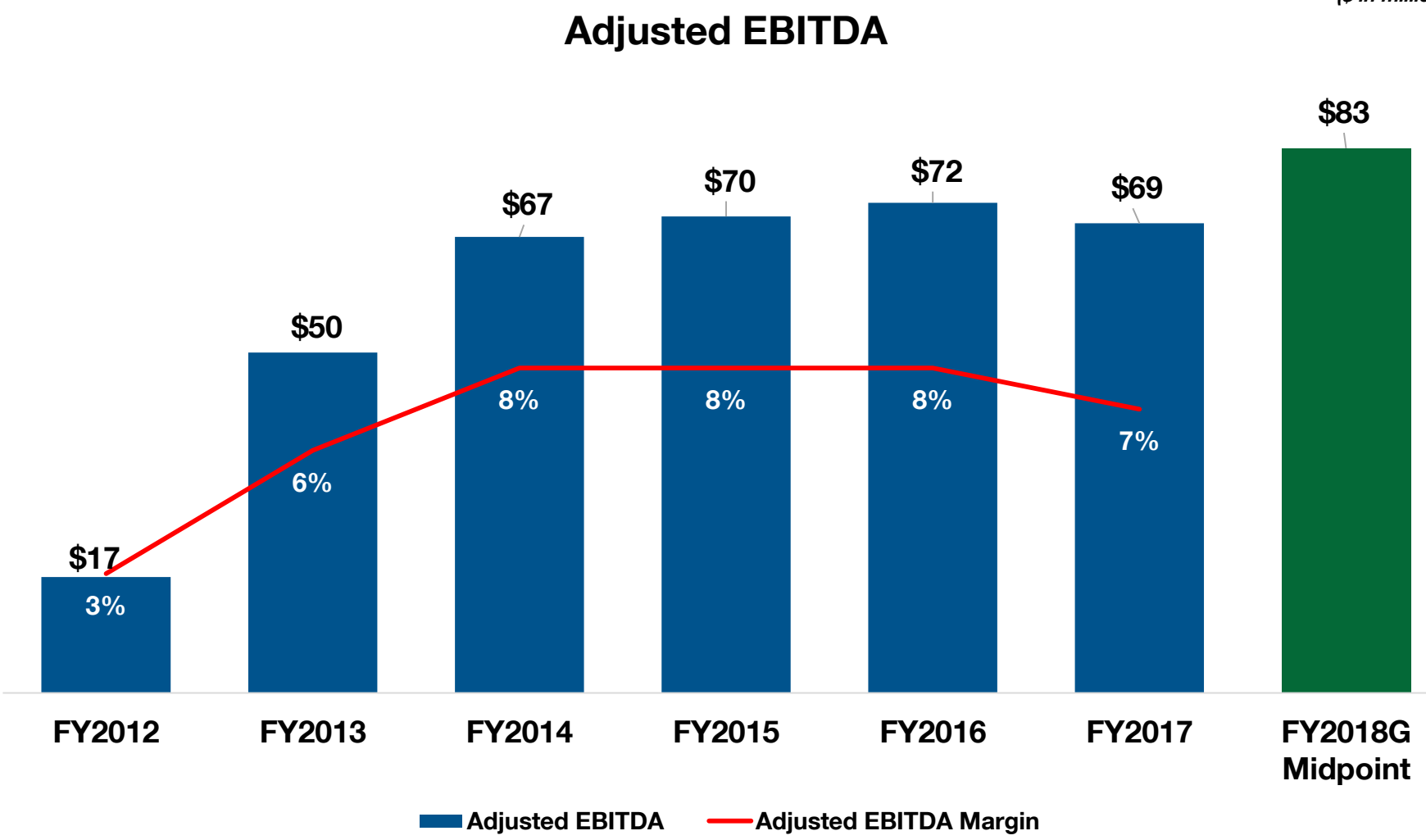
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018G Midpoint
Total:	$87	$90	$89	$89	$88	$87	
Bus Only:	$81	$84	$84	$83	$83	$82	

Delivering solid revenue growth

[1] Total does not sum precisely due to rounding

Increasing Profitability

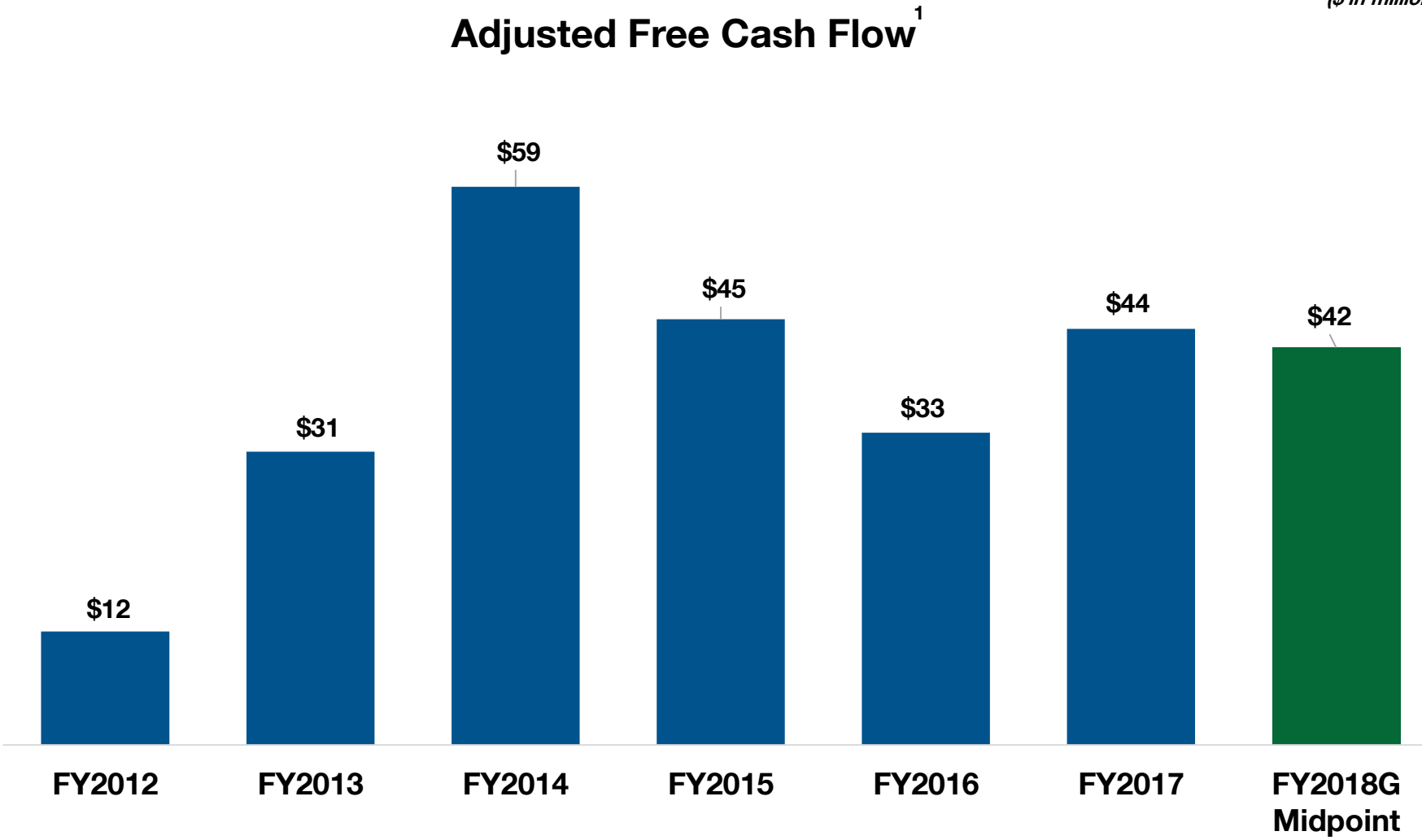
($ in millions)



Consistent improvement with FY2020 margin target of 10% of revenue

Strong Cash Flow Generation

($ in millions)



Free cash flow typically represents more than 50% of Adj. EBITDA

[1]Adjusted for Business Combination and Special Compensation Payments in FY2014, FY2015 and FY2016

Improving Net Debt, Leverage & Liquidity

($ Millions)	As of December 31, 2017
Debt	$ 149.4
Cash	23.2
Net Debt	$ 126.2
Net Debt / Adjusted EBITDA	1.8x
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 3.75x**	1.5X
Liquidity[1]	$ 90.5

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

Significantly below Net Leverage Ratio covenant; liquidity strong

FY2018 Guidance provided February 2018

$ Millions	FY2017 Results	FY2018 Initial Guidance	FY2018 Increased Guidance
Net Sales	$991	$1,000-1,030 Midpoint: $1,015	$1,010-1,040 Midpoint: $1,025
Adj. EBITDA	$69	$78-82 Midpoint: $80	$80-85 Midpoint: $83
Adj. Free Cash Flow	$44	$36-40 Midpoint: $38	$40-45 Midpoint: $42

- FY2018 tax rate expected to be 28-29% (Federal and State), yielding ~$5M in cash tax savings
- Expect rate to normalize to ~25% for FY2019 and beyond

Increased full-year guidance for net sales, Adj. EBITDA and Adj. Free Cash Flow based on YTD results and new tax regulations

Wrap-Up

- We differentiate ourselves from our competitors
- We have exclusive and unique products that our customers want and value
- We are the undisputed leader in alternative fueled school buses, the fastest growing segment in the industry with double digit growth
- We are investing in our business to deliver transformational improvements in our business structure toward 10+% Adj. EBITDA margin
- We are delivering our plan and recently increased guidance
- These are exciting times for Blue Bird and we are committed to profitable growth!



THANK YOU!

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Appendix

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FY2017 Free Cash Flow

	4Q		Full Year	
($ Millions)	FY2017	FY2016	FY2017	FY2016
Adjusted EBITDA	$25.1	$24.3	$ 68.9	$ 72.2
Cash Paid for Interest (Net)	(1.3)	(3.9)	(6.1)	(13.3)
Trade Working Capital[1]	26.0	(4.1)	(3.8)	(12.0)
CAPEX	(2.1)	(3.1)	(9.3)	(9.6)
Cash Taxes	(7.1)	0.9	(8.4)	(0.2)
Other[2]	0.1	(11.6)	2.4	(3.8)
Adjusted Free Cash Flow	$ 40.7	$ 2.5	$ 43.7	$ 33.3
Cash Paid for Business Combo/Other[3]	(0.9)	(0.3)	(5.1)	(0.5)
Special Compensation	-	(1.3)	-	(17.1)
Free Cash Flow	$ 39.8	$ 0.9	$ 38.6	$ 15.7

[1] Inventories, accounts receivable and accounts payable

[2] Bonus, Accrued Vacation, Property Taxes, GSA Prepay, and other accrued expenses

[3] FY17 Includes $3.3M for Business Combination expenses, $1.8M for major product redesign; FY16 Includes $0.5M for Business Combination Expense

Higher free cash flow as lower interest cost, trade working capital improvements and other costs more than offset higher cash taxes and lower profits

FY2018 1Q Free Cash Flow

($ Millions)	FY2018	FY2017
Adjusted EBITDA	$ 5.3	$ 2.6
Cash Paid for Interest (Net)	(1.2)	(1.9)
Trade Working Capital[1]	(20.6)	(27.5)
CAPEX	(3.4)	(3.0)
Cash Taxes	(0.0)	(0.5)
Other	(11.9)[2]	(4.6)
Adjusted Free Cash Flow	$(31.8)	$(34.9)
Cash Paid for Operational Transformation Initiatives/Other[3]	(5.4)	(0.3)
Free Cash Flow	$ (37.3)	$ (35.2)

[1] Inventories, accounts receivable and accounts payable

[2] Primarily changes to accruals and prepayments. Expect that this impact will reduce in the full year

[3] FY2018 Includes primarily Operational Transformation Initiative expenses

1Q FY2018 Adjusted Free Cash Flow $3M better than 1Q FY2017

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