Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2018

First Quarter Results

Earnings Conference Call

February 7, 2018



BLUE BIRD®

BUILT TO TAKE ON TOMORROW.

Agenda

- **Introductions & Forward-Looking Statements**
  - **Mark Benfield – Director, Investor Relations**
- **Business Overview**
  - **Phil Horlock – President & CEO**
- **Financial Results**
  - **Phil Tighe – CFO**
- **FY2018 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.

1Q Overview

- **Strong 1Q result in softest quarter of the year**
  - **1,705 buses sold, 14% above last year; total net sales of $162.5M, up 19%**
  - **Alternative-fuel powered buses represented 31% of total sales, up from 23% mix last year**
  - **Adjusted EBITDA of $5.3M, up $2.7 million from last year**
  - **Net loss of $(7.8)M, $0.7M better than last year**
  - **Improvement in both cash and debt positions, with net debt $17.5M lower than last year**
  - **Incoming orders and quote activity support another 35,000+ unit industry**

- **Transformational initiatives started in 1Q**
  - **Commenced work on major cross-functional project to reduce total cost, utilizing automotive industry expertize and institutionalizing processes within Blue Bird**
  - **Began first phase of a substantial facility upgrade to achieve industry-leading efficiency and quality and to enable higher throughput in the peak season**
    - **Upgrade includes a new paint shop and major plant modifications and expansion**
    - **Moved Corporate HQ from Fort Valley to Macon, GA to make room for plant expansion**
    - **Minimal impact on normal operations (developing in parallel)**
    - **Expect completion by January 2019**
  - **Developing a major product upgrade to provide significant advantages for our customers**

Focused on improving the business and EBITDA margin growth

Significant Operating Achievements

Quality ↑
Efficiency ↑
Capacity ↑

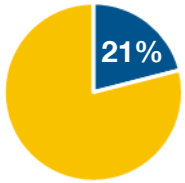
Adj. EBITDA Margin ↑

Transformational initiatives kicked off



Increasing our plant footprint with all-new paint shop

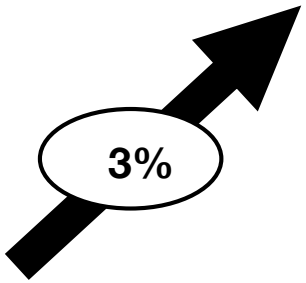
1Q Customers



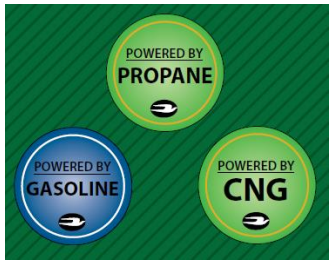
21% of our customers were conquest accounts



Quote activity up 5% from last year[1]

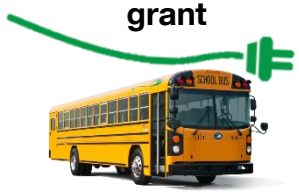


Total bookings and order backlog up 3% from last year[1]



Alternative fuel-powered bus orders and backlog up 13% from last year[1]

HVIP Voucher provides $220k/bus grant



Type D Electric Bus has qualified for CARB Voucher incentives in CA and NY

Net Sales: $1,010-1,040M

Adj. EBITDA: $80-85M

Free Cash Flow: $40-45M

Raising Full-Year Guidance

Continuing to make advances in multiple areas; focused on growth

[1] as of 2/5/18

1Q Financial Results

1Q Net Sales

$162.5

Million

Up $25.9 Million

1Q Bus Sales

$148.1

Million

Up $25.7 Million

1Q Parts Sales

$14.5

Million

Up $0.2 Million

1Q Adj. EBITDA[1]

$5.3

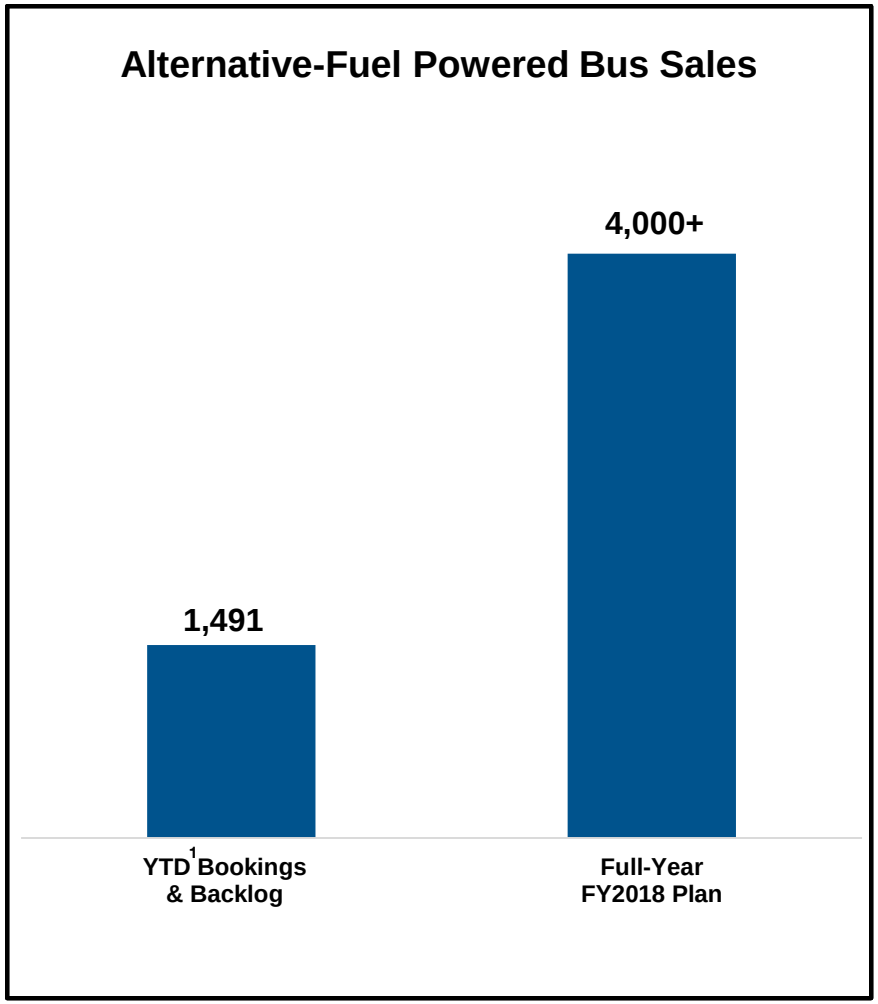
Million

Up $2.7 Million

Strong quarter with net sales up 19%, volume up 14% and Adj. EBITDA up about 2X

[1]See appendix for additional detail regarding Adjusted EBITDA

Alternative-Fuel Leadership



Highlights

- Year-to-date orders (bookings and backlog) are 13% higher than same period last year
- Blue Bird's extensive, modern range and exclusive partnerships make Blue Bird the brand of choice for alternative-fuel buyers

Opportunities

- Blue Bird's exclusive Ford/Roush CleanTech partnership provides propane, gasoline and CNG solutions with the same engine/transmission combination
- Our exclusive Type C &Type D electric buses will launch this year. "Ride and drives" are underway
- Outstanding growth potential – less than 15% of customers have purchased alternative-fuel powered buses

On track to deliver over 4,000 alternative-fuel vehicles for the full year

[1] as of 2/5/18 [2]Based on R.L. Polk data



Phil Tighe

CFO

FINANCIAL RESULTS & OUTLOOK

BLUE BIRD®

BUILT TO TAKE ON TOMORROW.

1Q Results – Summary

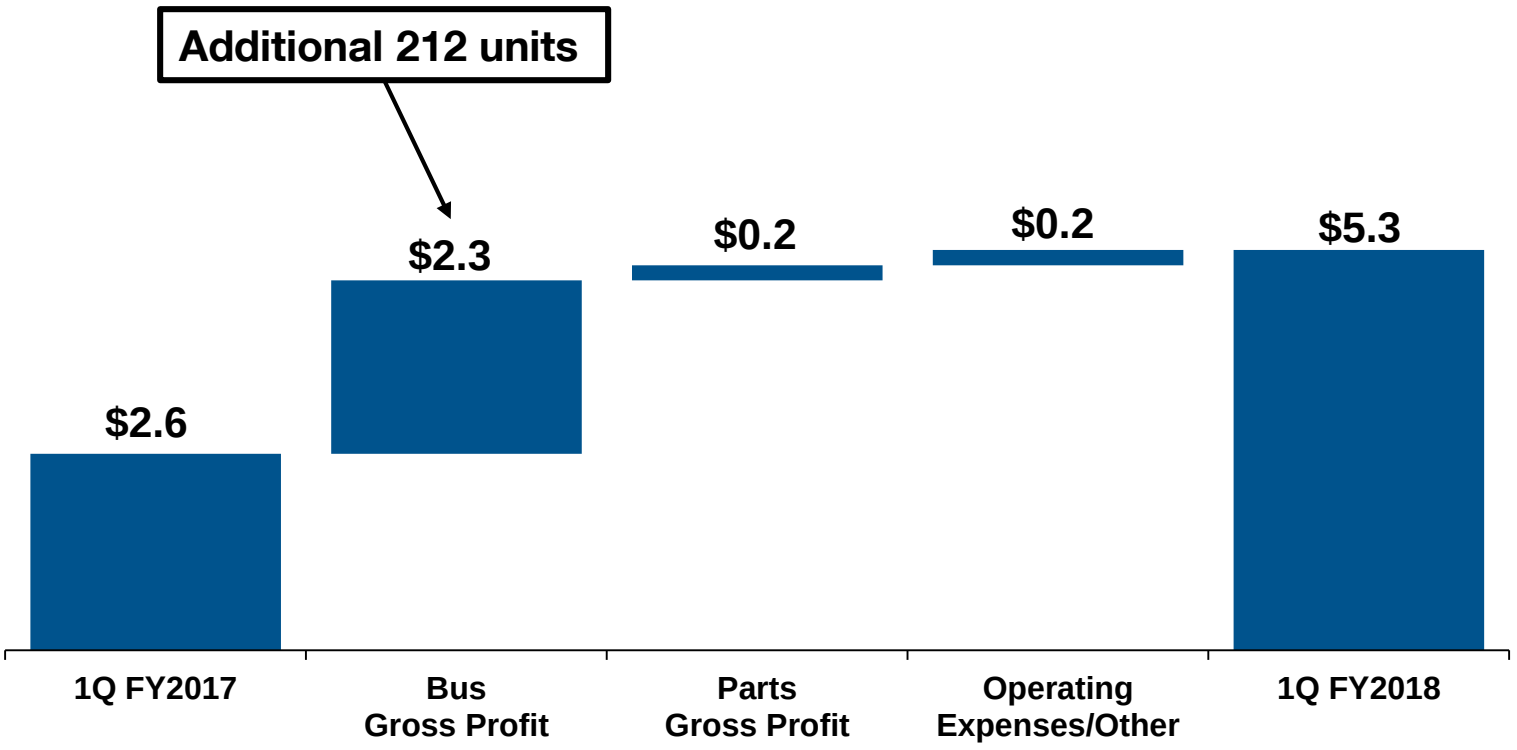
(Millions except Volume, EPS & Margin)	1Q FY2018	1Q FY2017	B/(W)
Unit Volume	1,705	1,493	212
Net Revenue	$162.5	$136.7	$25.9
Gross Margin	12.7%	13.3%	(60) bps.
Net loss	$(7.8)	$(8.5)	$0.7
Adj. EBITDA[1]	$5.3	$2.6	$2.7
Adj. EBITDA Margin	3.3%	1.9%	140 bps.
Diluted EPS	$(0.36)	$(0.42)	$0.06
Adj. Diluted EPS[1]	$(0.10)	$(0.13)	$0.03
Cash	$23.2	$13.0	$10.2
Debt	$149.4	$156.7	$7.3

Strong results. Expect gross margin improvements during 2H

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

1Q FY2017 to FY2018 Adj. EBITDA Walk

($ Millions)



1Q profits were ahead of last year and ahead of our internal plan. Volume was the principal driver

[1]See appendix for additional detail regarding Adjusted EBITDA

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

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



Phil Horlock
President & CEO

FY2018 Outlook & Guidance

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Margin Growth Targeted for FY2018

- School bus market appears to be on track for another strong 35,000+ unit industry, possibly 2-3% higher than last year; FY2017 was the second highest industry since 1985
- Blue Bird projects sales growth of 3-4% in FY2018
- Focused on transforming our business structure to drive margin improvement

- 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



FY2018 Guidance

$ Millions	FY2017 Results	FY2018 Initial Guidance	FY2018 Revised 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[1]	$44	$36-40 Midpoint: $38	$40-45 Midpoint: $42

See appendix for reconciliation of non-GAAP measures

- 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

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



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
(Unaudited)

(in thousands of dollars)	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016
Net loss	$ (7,839)	$ (8,523)
Adjustments:		
Discontinued operations (income) loss	(87)	127
Interest expense, net	1,437	2,681
Income tax expense	1,352	(3,672)
Depreciation, amortization, and disposals	2,111	2,037
Loss on debt extinguishment	—	10,142
Operational transformation initiatives	6,958	—
Business combination expenses	—	(174)
Share-based compensation	624	—
Product redesign initiatives	740	—
Adjusted EBITDA	$ 5,296	$ 2,618
Adjusted EBITDA margin (percentage of net sales)	3.3%	1.9%

Free Cash Flow Reconciliation

Reconciliation of Net Loss to Adjusted EBITDA
(Unaudited)

(in thousands of dollars)	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016
Net loss	$ (7,839)	$ (8,523)
Adjustments:		
Discontinued operations (income) loss	(87)	127
Interest expense, net	1,437	2,681
Income tax expense	1,352	(3,672)
Depreciation, amortization, and disposals	2,111	2,037
Loss on debt extinguishment	—	10,142
Operational transformation initiatives	6,958	—
Business combination expenses	—	(174)
Share-based compensation	624	—
Product redesign initiatives	740	—
Adjusted EBITDA	$ 5,296	$ 2,618
Adjusted EBITDA margin (percentage of net sales)	3.3%	1.9%

Reconciliation of Free Cash Flow to Adjusted Free Cash Flow
(Unaudited)

(in thousands of dollars)	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016
Net cash used in operating activities	$ (33,808)	$ (32,206)
Cash paid for fixed assets	(3,449)	(2,956)
Free cash flow	$ (37,257)	$ (35,162)
Cash paid for operational transformation initiatives	(4,674)	—
Cash paid for product redesign initiatives	(740)	—
Cash paid for business combination expenses	—	(313)
Adjusted free cash flow	(31,843)	(34,849)

Adjusted EPS Reconciliation

Reconciliation of Net Loss to Adjusted Loss
(Unaudited)

(in thousands of dollars)	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016
Net loss	$ (7,839)	$ (8,523)
Adjustments, net of tax benefit or expense (1)		
Operational transformation initiatives	5,219	—
Loss on debt extinguishment	—	6,491
Business combination expenses	—	(111)
Share-based compensation	468	—
Product redesign initiatives	555	—
Discontinued operations (income) loss	(65)	95
Adjusted loss, non-GAAP	$ (1,663)	$ (2,048)

(1) Amounts are net of estimated statutory tax rates of 25% and 36% for the three months ended December 30, 2017 and December 31, 2016, respectively.

Reconciliation of Diluted EPS to Adjusted Diluted EPS
(Unaudited)

	Three Months Ended December 30, 2017	Three Months Ended December 31, 2016
Diluted earnings per share	$ (0.36)	$ (0.42)
One-time charge adjustments, net of tax benefit or expense	0.26	0.29
Adjusted diluted earnings per share, non-GAAP (1)	$ (0.10)	$ (0.13)
Weighted average dilutive shares outstanding	25,171,951	26,910,378

(1) Numerator is adjusted loss, non-GAAP.

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 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.

Important Disclaimers

Non-GAAP Financial Measures

This presentation may include the following non-GAAP financial measures: "Adjusted EBITDA," "Adjusted Net Income," "Adjusted Diluted Earnings per Share," "Free Cash Flow" and "Adjusted Free Cash Flow." Adjusted EBITDA is defined as income from continuing operations prior to interest income, interest expense, income taxes, and depreciation and amortization, as adjusted to add back certain charges that we may record each year, such as stock-compensation expense and transaction costs, as these expenses are not considered an indicator of ongoing company performance. Adjusted Net Income is defined as Net Income, as adjusted to add back certain transaction costs not considered an indicator of ongoing company performance. Adjusted Diluted Earnings per Share represents adjusted income (loss) 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 operations minus cash paid for fixed assets. Adjusted Free Cash Flow represents Free Cash Flow excluding cash paid for special compensation and other business combination expenses.

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.