Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2018

Fourth Quarter and Full Year Results

Earnings Conference Call

December 6, 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**
- **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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Overview

- Achieved strong 4Q FY2018 results
  - 3,757 buses sold, up 4% and the highest 4Q sales in more than 10 years
  - Total Net Sales of $331.6M, 6% above last year
  - Adjusted EBITDA of $29.1M, $4.1M or 16% above last year and highest 4Q profit in more than 10 years
  - Adjusted Net Income of $20.1M and Adjusted Diluted EPS of 70 cents, up $5.0M and 40 cents from last year, respectively

- FY2018 results were better than or equal to guidance
  - Net Sales of $1.025B was above guidance and the first time Blue Bird has exceeded $1B in sales
  - Adjusted EBITDA of $70.4M, within guidance and up $1.5M from last year, despite impact of steel tariffs
  - Adjusted Free Cash Flow of $40.2M was $6.0M better than the high end of guidance range
  - Adjusted Net Income of $50.6M and Adjusted Diluted EPS of $1.77, up $13.5M and 70 cents, respectively, from last year

- Business fundamentals are strong
  - Preliminary FY2018 school bus industry of about 34,000 units, slightly below prior estimates but stong
  - Sold 11,649 buses in FY2018, a 3% increase over FY2017; the 7th consecutive year of growth
  - Alternative-fuel powered buses represented a record 38% of total sales, up 4 pts. versus last year
  - Successfully launched Electric and Ultra-Low NOx Propane-powered buses
  - Pricing by Blue Bird late in FY2018 is offsetting the increase in steel and other commodity costs

- Our previously-announced transformational actions to improve cost structure, efficiency, capacity and product are on track, and were the major contributor in offsetting higher commodity costs

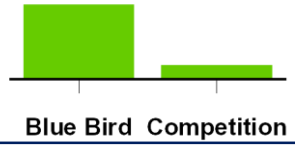
- Announcing FY2019 Guidance, with mid-point of range for Adjusted EBITDA at 18% above FY2018

- We are on track to achieve an Adj. EBITDA margin of 10%+ by FY2020

Grew unit sales, revenue and profits, increased alternative-fuel mix and introduced major product initiatives. Offset higher commodity costs through cost reduction initiatives

Significant Operating Achievements

Undisputed leader in alternative fuels with 70% market share



Alt. fuel-powered bus sales up 14% from last year

Obtained 0.02g NOx certification for Propane



Only school bus competitor with ultra-low NOx propane school bus

First major OEM with all-electric buses



Began customer deliveries; strong interest in electric

Quality
Efficiency
Capacity

Adj. EBITDA Margin

Achieved key cost savings in late FY2018; significant impact in FY2019

$1B

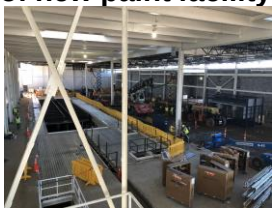
First time Blue Bird has achieved $1 billion in net revenue

Increased prices to offset impact of higher steel and freight costs



Achieving targeted acceptance of higher prices

Construction under way of new paint facility



Plans progressing to achieve substantially lower cost of production

Strong FY2018 Results

- Net Sales: $1,025 million
- Adj. EBITDA: $70 million
- Adj. FCF: $40 million

On track to deliver 10%+ EBITDA Margin by end of FY2020

Maintaining plan to deliver Adj. EBITDA Margin of 10%+ by FY2020

[1] as of 12/4/18

Full Year and 4Q Financial Results

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Bus Sales

Full Year	4Q
$962.8 Million	$315.2 Million
Up $32.0 Million	Up $18.0 Million

Total Net Sales

Full Year	4Q
$1.025 Billion	$331.6 Million
Up $34.4 Million	Up $18.9 Million

Parts Sales

Full Year	4Q
$62.2 Million	$16.4 Million
Up $2.3 Million	Up $0.9 Million

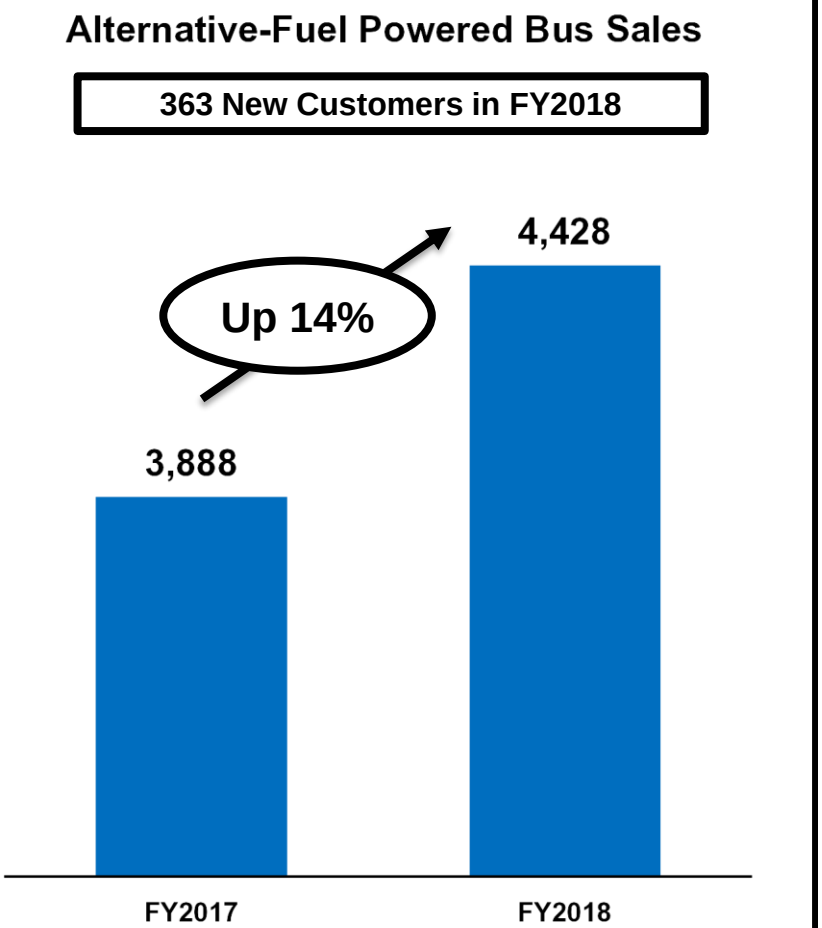
Adj. EBITDA[1]

Full Year	4Q
$70.4 Million	$29.1 Million
Up $1.5 Million	Up $4.1 Million

Strong sales growth; full year profits higher but impacted by rapid price changes in steel, other commodities and freight; 4Q benefits from cost reductions

[1]See appendix for additional detail regarding Adjusted EBITDA

Alternative-Fuel Leadership



FY2018 Highlights

- Alternative-fuel bus sales were 14% higher than prior year; achieved 70% market share
- Exclusive relationship with Roush extended until 2025
- Achieved certification from EPA and CARB at 0.02g NOx for both propane and CNG in Vision Bus; Blue Bird propane is 10x cleaner than the competition and the EPA standard
- Began delivery of electric buses to customers; strong interest and quote pipeline

Opportunities

- VW mitigation funds
  - 30 states have earmarked specific funds for school bus purchases; 20 yet to finalize plans
  - Only major OEM with all-electric and ultra-low NOx school buses available
- 10 states have requested quotes for electric
- Less than 15% of customers have purchased alternative-fuel powered buses

Blue Bird is well positioned to take a large share of purchases funded by the VW mitigation funds due to Ultra-Low NOx and Electric bus offerings

[1] as of 8/3/18 [2]Based on R.L. Polk data



Phil Tighe

CFO

FINANCIAL RESULTS & OUTLOOK

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4Q Results – Summary

($ Millions except EPS & Margin)	4Q FY2018	4Q FY2017	B/(W)
Unit Volume	3,757	3,608	149
Net Revenue	$331.6	$312.7	$18.9
Gross Margin	12.9%	12.6%	30 bps.
Net Income	$14.9	$14.5	$0.4
Adj. Net Income[1]	$20.1	$15.1	$5.0
Adj. EBITDA[1]	$29.1	$25.1	$4.1
Adj. EBITDA Margin	8.8%	8.0%	80 bps.
Diluted EPS	$0.52	$0.28	$0.24
Adj. Diluted EPS[1]	$0.70	$0.30	$0.40
Cash	$60.3	$62.6	$(2.4)
Debt	$142.1	$151.2	$9.1

Adjusted EBITDA up by 16%; improvements in all volume and financial metrics

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

Full Year Results – Summary

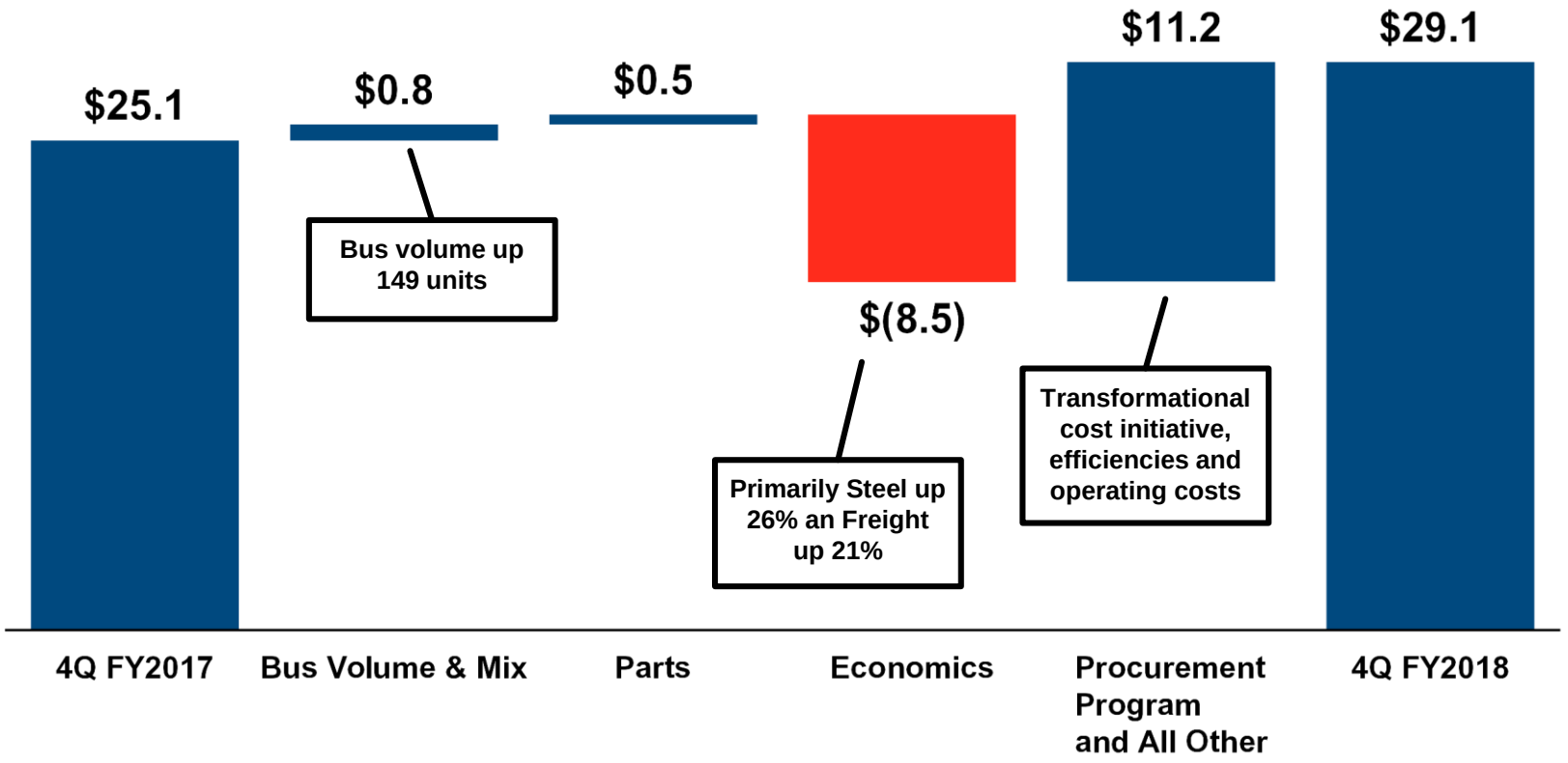
($ Millions except EPS & Margin)	FY2018	FY2017	B/(W)
Unit Volume	11,649	11,317	332
Net Revenue	$1,025.0	$990.6	$34.4
Gross Margin	11.9%	12.9%	(100) bps.
Net Income	$30.8	$28.8	$2.0
Adj. Net Income[1]	$50.6	$37.1	$13.5
Adj. EBITDA[1]	$70.4	$68.9	$1.5
Adj. EBITDA Margin	6.9%	7.0%	(10) bps.
Diluted EPS	$1.08	$0.74	$0.34
Adj. Diluted EPS[1]	$1.77	$1.07	$0.70
Cash	$60.3	$62.6	$(2.4)
Debt	$142.1	$151.2	$9.1

Full year results improved versus prior year for most measures; higher economics and adverse mix resulted in lower margins

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

4Q FY2017 to FY2018 Adj. EBITDA Walk

($ Millions)

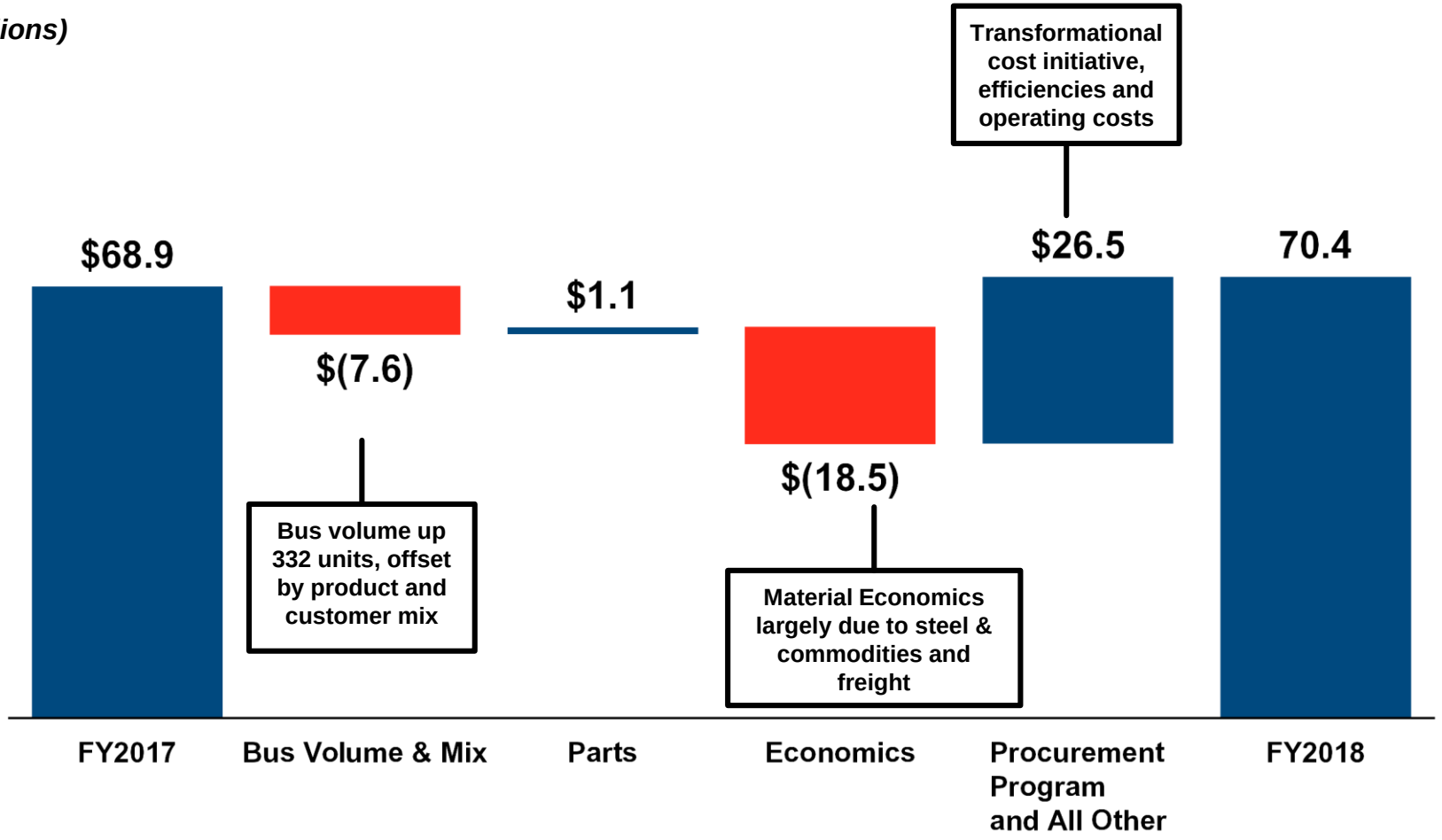


Volume improvements and significant cost reduction initiatives offset the impact of tariffs on steel and other commodities and higher freight costs due to fuel and regulatory changes

[1]See appendix for additional detail regarding Adjusted EBITDA

FY2017 to FY2018 Adj. EBITDA Walk

($ Millions)



Volume improvements and cost reductions offset the impact of adverse mix and higher material economics and freight costs. Transformational cost initiative was the majority of cost reductions

[1]See appendix for additional detail regarding Adjusted EBITDA

FY2018 Free Cash Flow

($ Millions)	4Q FY2018	4Q FY2017	Full Year FY2018	Full Year FY2017
Adjusted EBITDA	$ 29.1	$ 25.1	$ 70.4	$ 68.9
Cash Paid for Interest (Net)	(1.2)	(1.3)	(5.8)	(6.1)
Trade Working Capital[1]	14.3	26.0	7.0	(3.8)
CAPEX	(16.5)	(2.1)	(32.1)	(9.3)
Cash Taxes	—	(7.1)	(3.7)	(8.4)
Other[2]	5.0	0.1	4.4	2.2
Adjusted Free Cash Flow	$ 30.7	$ 40.7	$ 40.2	$ 43.5
Operational Transformation Initiatives/Other	(4.2)	—	(17.7)	(3.3)
Product Redesign	(1.7)	(0.8)	(6.3)	(1.8)
Free Cash Flow	$ 24.8	$ 39.8	$ 16.2	$ 38.4

[1] Inventories, accounts receivable and accounts payable

[2] Accrued expenses and other receivables

Adj. Free Cash Flow for FY2018 was $40.2M or $3.3M lower than FY2017 due to higher CapEx offset by improved TWC

Improving Net Debt, Leverage & Liquidity

($ Millions)	As of September 29, 2018
Debt	**$142.1**
Cash	**60.3**
Net Debt	**$81.9**
Net Debt / Adjusted EBITDA	**1.16x**
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 4.0x**	**1.7x**
Liquidity[1]	**153.4**

[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

Outlook & Guidance

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Outlook for FY2019

- School bus industry of about 35k, supported by continued growth in property taxes and funding from VW settlement
- Blue Bird expects substantially higher gross profit margins than FY2018 due to:
  - Pricing already implemented in June 2018 which takes full effect in FY2019, offsetting the impact of steel and other commodity price increases
  - The full-year impact of the cost reduction initiatives taken during FY2018 will yield incremental margin and further actions are planned
  - New paint shop and other facility and process improvements launching in FY2019 will increase manufacturing efficiencies
- FY2019 financial targets are consistent with our FY2020 EBITDA margin goal of 10%+



FY2019 Full Year Guidance

$ Millions	FY2018 Guidance	FY2018 Actual	FY2019 Guidance	FY2019G B/(W) FY2018
Net Sales	$1,010 - $1,020	$1,025	$990 - $1,025	$(35) - $0
Adj. EBITDA[1]	$70 - $72	$70	80-85	$10 - $15
Adj. Free Cash Flow[1]	$30 - $34	$40	$24 - $28	$(12) - $(16)

FY2019 Guidance range for Adjusted EBITDA 14% to 21% higher than FY2018, driven by improvements in net selling price and major cost reduction initiatives. Actions in place support achieving our 10%+ EBITDA margin by FY2020

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



Q&A

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Appendix

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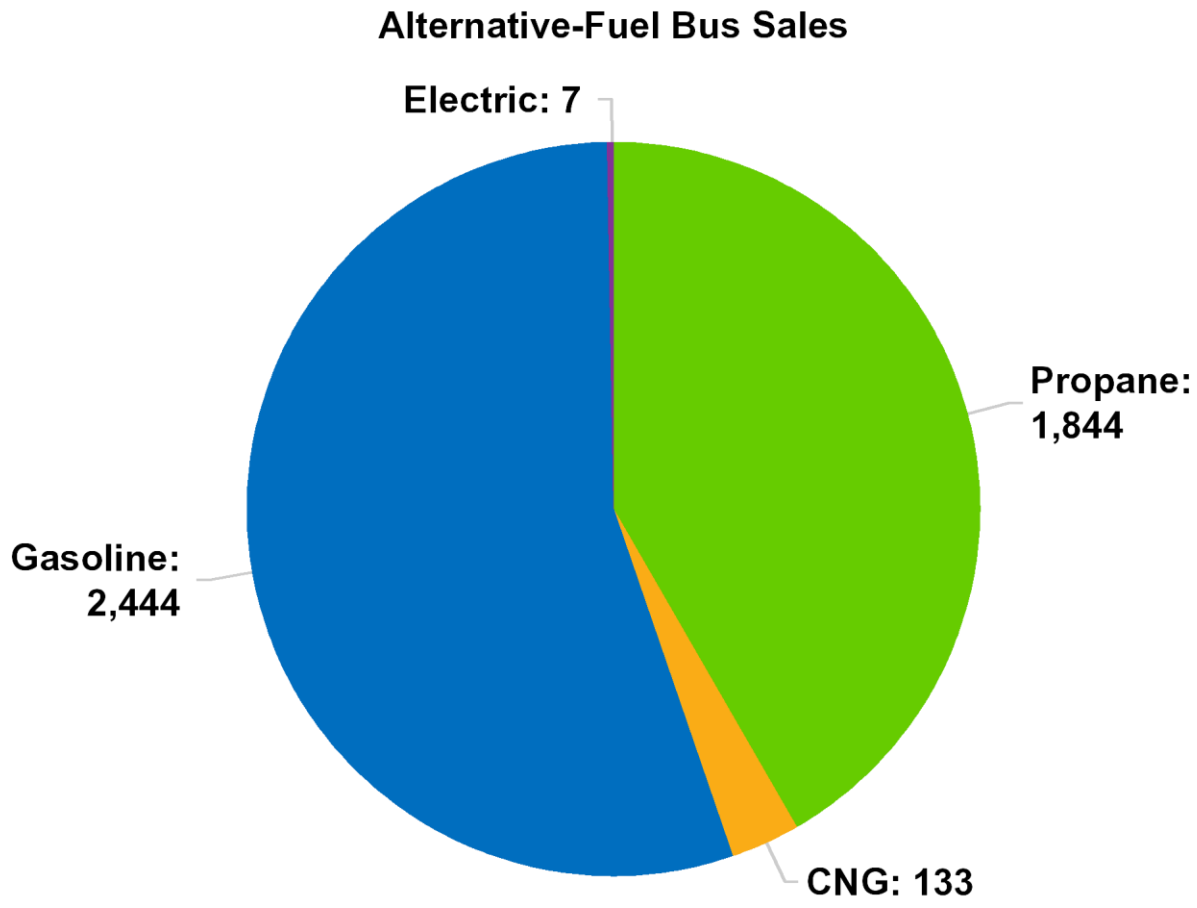
FY2018 Alternative-Fuel Bus Sales



Expected VW funds in FY2019 delayed orders for propane in FY2018

Adj. EBITDA Reconciliation

Reconciliation of Net Income to Adjusted EBITDA

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income	$ 14,932	$ 14,544	$ 30,820	$ 28,801
Adjustments:				
Discontinued operations income	—	(287)	(81)	(65)
Interest expense, net	1,521	1,373	6,591	7,111
Income tax expense (benefit)	3,042	6,130	(2,620)	11,856
Depreciation, amortization, and disposals	2,731	2,099	9,214	8,205
Loss on debt extinguishment	—	—	—	10,142
Operational transformation initiatives	4,161	—	17,708	—
Unrealized losses (gains) on foreign currency hedges	719	—	(109)	—
Share-based compensation	248	366	2,628	1,270
Product redesign initiatives	1,727	828	6,253	1,758
Other	29	—	(25)	(174)
Adjusted EBITDA	$ 29,110	$ 25,053	$ 70,379	$ 68,904
Adjusted EBITDA margin (percentage of net sales)	8.8%	8.0%	6.9%	7.0%

Free Cash Flow Reconciliation

Reconciliation of Free Cash Flow to Adjusted Free Cash Flow

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net cash provided by operating activities	$ 41,331	$ 41,890	$ 48,353	$ 47,641
Cash paid for fixed assets	(16,546)	(2,059)	(32,118)	(9,252)
Free cash flow	$ 24,785	$ 39,831	$ 16,235	$ 38,389
Cash paid for product redesign initiatives	(1,727)	(828)	(6,253)	(1,758)
Cash paid for operational transformation initiatives	(4,161)	—	(17,708)	—
Cash paid for other	—	—	—	(3,313)
Adjusted free cash flow	30,673	40,659	40,196	43,460

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	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income	$ 14,932	$ 14,544	$ 30,820	$ 28,801
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	3,121	—	13,281	—
Product initiatives	1,295	530	4,690	1,125
Loss on debt extinguishment	—	—	—	6,491
Unrealized losses (gains) on foreign currency hedges	539	—	(82)	—
Share-based compensation	186	234	1,971	813
Discontinued operations income	—	(184)	(61)	(42)
Other	22	—	(19)	(111)
Adjusted net income, non-GAAP	$ 20,095	$ 15,124	50,601	37,077
Less: preferred stock dividends	181	1,317	1,896	4,261
Less: premium paid on preferred stock	—	6,091	—	6,091
Adjusted net income available to common stockholders, non-GAAP	$ 19,914	$ 7,716	48,705	26,725

(1) Amounts are net of estimated statutory tax rates of 25% for the three months and fiscal year ended September 29, 2018 and 36% for the three months and fiscal year ended September 30, 2017.

Reconciliation of Diluted EPS to Adjusted Diluted EPS

	Three Months Ended		Fiscal Year Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Diluted earnings per share	$ 0.52	$ 0.28	$ 1.08	$ 0.74
One-time charge adjustments, net of tax benefit or expense	0.18	0.02	0.69	0.33
Adjusted diluted earnings per share, non-GAAP (1)	$ 0.70	$ 0.30	$ 1.77	$ 1.07
Weighted average dilutive shares outstanding	28,579,670	25,466,321	28,616,862	24,877,729

(1) Numerator is adjusted net income, non-GAAP for the three months and fiscal year ended 2018. Numerator is is net income available to common stockholders, non-GAAP for the three months and fiscal year ended 2017.

Important Disclaimers

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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.

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, income taxes, and depreciation, amortization, 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; or (iii) discrete expenses related to major cost cutting initiatives. We believe these expenses are non-recurring charges and 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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