Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2018

Second Quarter Results

Earnings Conference Call

May 10, 2018



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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

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2Q Overview

- Strong 2Q unit sales with 2,441 buses sold, 3% above prior year; total net sales of $216.6M, up 4%.
- Alternative-fuel powered bus sales represented 34% of our total bus sales mix, up from 22% last year; YTD sales up 56% from prior year
- Adjusted EBITDA of $10.0M, up $1.6M or 19% from last year despite significant commodity pressures
- Adjusted Net Income of $4.6M and Adjusted Diluted EPS of 15 cents, up $1.4M and 6 cents from prior year, respectively
- Net debt of $137.3M was $20.8M higher than last year, more than explained by lower cash due to our $50M stock repurchase program
- Implementing previously-announced transformational actions to improve cost structure, efficiency, capacity and product; expect 2H margin improvements
- ACT net orders are up slightly; expecting another strong 35,000+ unit industry

Solid 2Q results. On track to deliver strong 2H results and achieve guidance

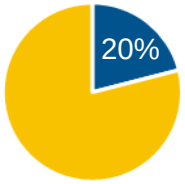
Significant Operating Achievements

1H Bus ASP 3%

YTD[1] Booked & Backlog 3%

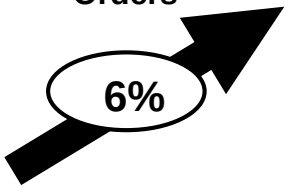
Bus ASP and total bookings and order backlog are up from last year

2Q Customers

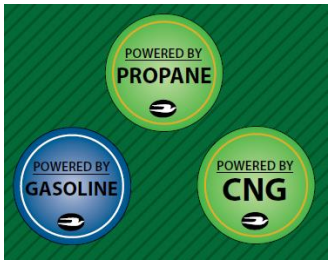


~20% of our customers were conquest accounts

Pipeline of Potential Orders



Identified potential unit orders up 6% versus this time last year[1]



Alternative fuel-powered bus orders and backlog up 7% from last year[1]

Exclusive Partnership Renewed

ROUSH CLEANTECH

Renewed exclusive agreement with Roush CleanTech

High Interest in Electric Bus



More than 200 electric buses quoted

Quality ↑
Efficiency ↑
Capacity ↑

Adj. EBITDA Margin ↑

Continued focus on transformational initiatives

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

Adj. EBITDA: $80-85M

Free Cash Flow: $40-45M

Reaffirming Full-Year Guidance

Continuing to make advances in multiple areas

[1] as of 5/9/18

2Q and YTD Financial Results

2Q Net Sales	YTD Net Sales
$216.6 Million	$379.2 Million
Up $8.0 Million	Up $33.9 Million

2Q Bus Sales	YTD Bus Sales
$201.8 Million	$349.9 Million
Up $8.0 Million	Up $33.7 Million

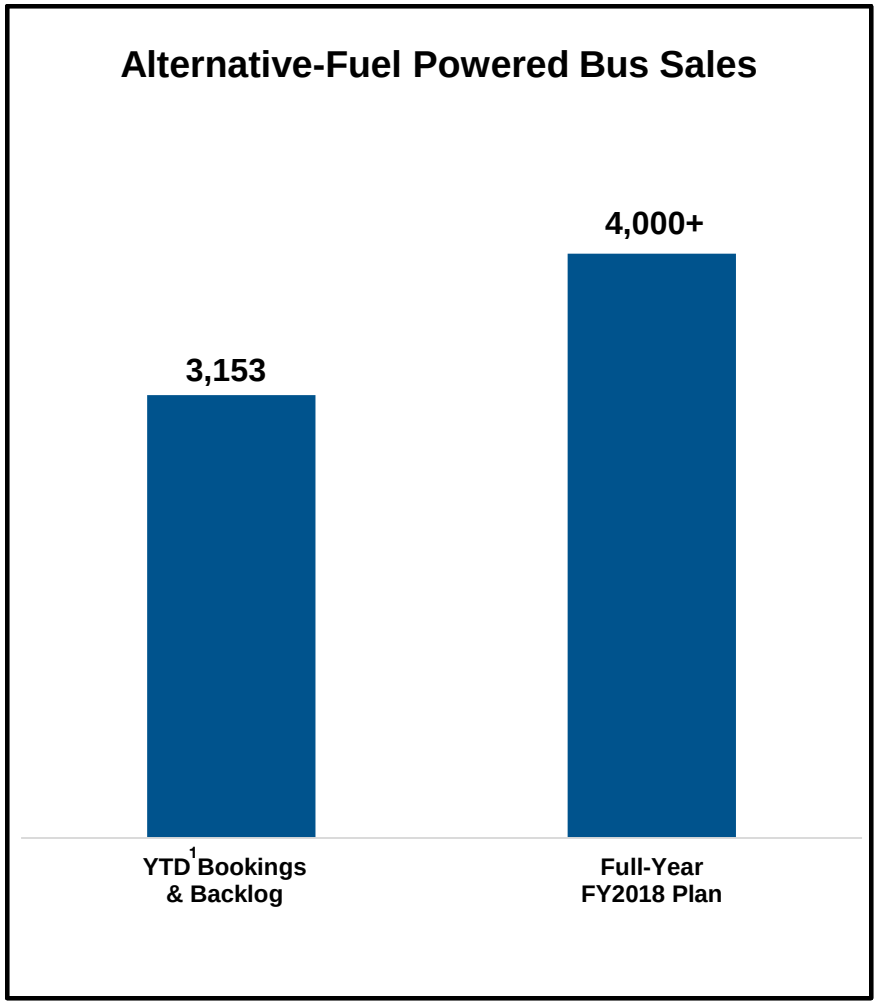
2Q Parts Sales	YTD Parts Sales
$14.9 Million	$29.3 Million
Flat	Up $0.2 Million

2Q Adj. EBITDA[1]	YTD Adj. EBITDA
$10.0 Million	$15.3 Million
Up $1.6 Million	Up $4.3 Million

Sales and profit up from last year

[1]See appendix for additional detail regarding Adjusted EBITDA

Alternative-Fuel Leadership



Highlights

- Year-to-date orders (bookings and backlog) are 7% higher than same period last year
- Exclusive relationship with Roush CleanTech extended for seven years

Opportunities

- Blue Bird's exclusive Ford/Roush CleanTech partnership provides propane, gasoline and CNG solutions with the same engine/transmission combination
- Deliveries of our exclusive electric buses will begin in late summer. "Ride and drives" and quoting are underway
- Outstanding growth potential – less than 15% of customers have purchased alternative-fuel powered buses
- VW Clean Air Act Settlement Funds to reduce NOx, beginning early FY2019

On track to deliver over 4,000 alternative-fuel vehicles in FY2018

[1] as of 5/9/18 [2] Based on R.L. Polk data



Phil Tighe

CFO

FINANCIAL RESULTS & OUTLOOK

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2Q Results – Summary

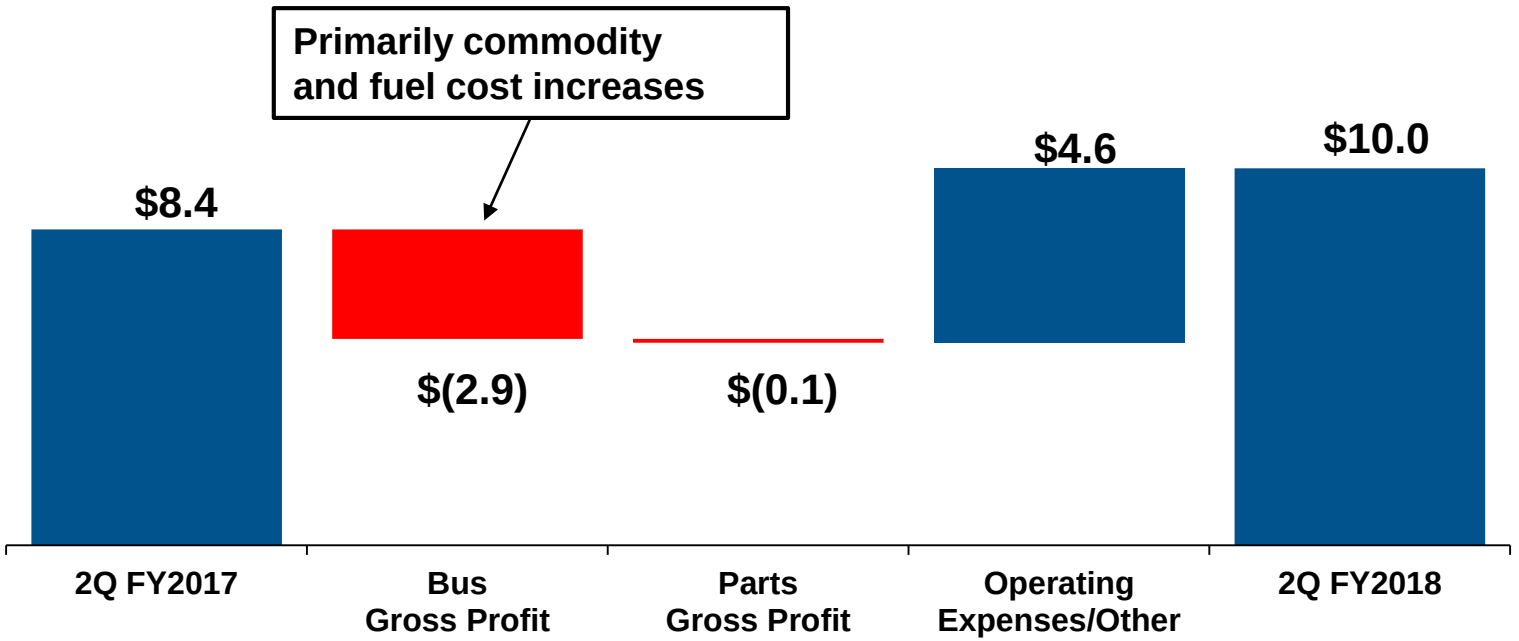
(Millions except Volume, EPS & Margin)	2Q FY2018	2Q FY2017	B/(W)
Unit Volume	2,441	2,367	74
Net Revenue	$216.6	$208.7	$8.0
Gross Margin	10.0%	11.8%	(180) bps.
Net Income	$1.8	$2.7	$(0.9)
Adj. EBITDA[1]	$10.0	$8.4	$1.6
Adj. EBITDA Margin	4.6%	4.0%	60 bps.
Diluted EPS	$0.04	$0.07	$(0.03)
Adj. Diluted EPS[1]	$0.15	$0.09	$0.06
Cash	$10.3	$38.4	$(28.1)
Debt	$147.6	$154.9	$7.3

Results support full year; gross margin improvements expected in 2H

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

2Q FY2017 to FY2018 Adj. EBITDA Walk

($ Millions)



Aggressive actions to control operating expenses more than offset increases in commodities and fuel

[1]See appendix for additional detail regarding Adjusted EBITDA

FY2018 2Q Free Cash Flow

($ Millions)	FY2018	FY2017
Adjusted EBITDA	$ 10.0	$ 8.4
Cash Paid for Interest (Net)	(1.7)	(1.4)
Trade Working Capital[1]	(1.6)	15.3
CAPEX	(3.6)	(2.2)
Cash Taxes	(3.6)	(0.7)
Other	3.8[2]	4.6
Adjusted Free Cash Flow	$ 3.3	$24.0
Cash Paid for Operational Transformation Initiatives/Other[3]	(5.7)	(3.0)
Product Redesign	(0.4)	(0.3)
Free Cash Flow	$ (2.8)	$ 20.7

[1] Inventories, accounts receivable and accounts payable

[2] Accrued expenses and other receivables

[3] FY17 Includes Business Combination expenses
FY18 Includes Product Redesign Initiatives

2Q FY2018 Adjusted Free Cash Flow was $17M below prior year primarily due to the timing of accounts receivable

Net Debt, Leverage & Liquidity

($ Millions)	As of March 31, 2018
Debt	**$ 147.6**
Cash	**10.3**
Net Debt	**$ 137.3**
Net Debt / Adjusted EBITDA	**2.0x**
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 3.75x**	**1.6X**
Liquidity[1]	**$ 78.4**

[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

FY2018 Outlook & Guidance

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Outlook for FY2018

- School bus market 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
- Continued focus on transforming our business structure to drive margin improvement
  - Significant investment in production
  - Drive down costs in all areas of our business
  - Substantial new product upgrades
- Risk of escalating commodity prices is a key concern
  - Implementing offsets including pricing



FY2018 Guidance

$ Millions	FY2017 Results	FY2018 Guidance
Net Sales	$991	$1,010-1,040 Midpoint: $1,025
Adj. EBITDA	$69	$80-85 Midpoint: $83
Adj. Free Cash Flow	$44	$40-45 Midpoint: $42

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

Reaffirming full-year guidance



Q&A

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Appendix

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Adj. EBITDA Reconciliation

Reconciliation of Net Income (Loss) to Adjusted EBITDA
(Unaudited)

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Net income (loss)	$ 1,836	$ 2,748	$ (6,003)	$ (5,775)
Adjustments:				
Discontinued operations loss (income)	6	61	(81)	188
Interest expense, net	1,824	1,709	3,261	4,390
Income tax expense	471	1,108	1,823	(2,564)
Depreciation, amortization, and disposals	2,169	2,047	4,280	4,084
Loss on debt extinguishment	—	—	—	10,142
Operational transformation initiatives	3,427	—	10,385	—
Business combination expenses	—	—	—	(174)
Unrealized gains on foreign currency hedges	(1,036)	—	(1,036)	—
Share-based compensation	886	410	1,510	410
Product redesign initiatives	399	282	1,139	282
Adjusted EBITDA	$ 9,982	$ 8,365	$ 15,278	$ 10,983
Adjusted EBITDA margin (percentage of net sales)	4.6%	4.0%	4.0%	3.2%

Free Cash Flow Reconciliation

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

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Net cash used in operating activities	$ 751	$ 22,881	$ (33,057)	$ (9,325)
Cash paid for fixed assets	(3,572)	(2,203)	(7,021)	(5,159)
Free cash flow	$ (2,821)	$ 20,678	$ (40,078)	$ (14,484)
Cash paid for operational transformation initiatives	(5,711)	—	(10,385)	—
Cash paid for product redesign initiatives	(399)	(282)	(1,139)	(282)
Cash paid for business combination expenses	—	(3,000)	—	(3,313)
Adjusted free cash flow	3,289	23,960	(28,554)	(10,889)

Adjusted EPS Reconciliation

Reconciliation of Net Income (Loss) to Adjusted Net Income
(Unaudited)

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Net income (loss)	$ 1,836	$ 2,748	$ (6,003)	$ (5,775)
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	2,570	—	7,789	—
Loss on debt extinguishment	—	—	—	6,491
Business combination expenses	—	—	—	(111)
Unrealized gains on foreign currency hedges	(777)	—	(777)	—
Share-based compensation	665	262	1,133	262
Product redesign initiatives	299	180	854	180
Discontinued operations loss (income)	5	39	(61)	120
Adjusted net income, non-GAAP	$ 4,598	$ 3,230	2,935	1,168
Less: preferred stock dividends	763	1,017	1,533	1,970
Adjusted net income (loss) available to common stockholders, non-GAAP	$ 3,835	$ 2,213	1,402	(802)

(1) Amounts are net of estimated statutory tax rates of 25% for the three and six months ended March 31, 2018 and 36% for the three and six months ended April 1, 2017.

Reconciliation of Diluted EPS to Adjusted Diluted EPS
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Diluted earnings (loss) per share	$ 0.04	$ 0.07	$ (0.32)	$ (0.34)
One-time charge adjustments, net of tax benefit or expense	0.11	0.02	0.38	0.30
Adjusted diluted earnings (loss) per share, non-GAAP (1)	$ 0.15	$ 0.09	$ 0.06	$ (0.04)
Weighted average dilutive shares outstanding (2)	25,127,082	24,590,905	25,161,770	22,822,416

(1) Numerator is adjusted net income available to common stockholders, non-GAAP.
(2) The diluted loss per share calculations for the six months ended March 31, 2018 excluded 1,249,861 shares as their effect would be anti-dilutive, but were included in the adjusted diluted earnings (loss) 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 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.



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