Blue Bird Corporation
(Nasdaq: BLBD)

Fiscal 2018
Third Quarter Results

Earnings Conference Call
August 8, 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

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

3Q Overview

BLUE BIRD

- Strong 3Q unit sales with 3,746 buses sold, 53% above prior quarter and only 100 below record achieved last year and 53% above prior quarter. Total net sales of $314.2M, down $18.4M from last year
- Adjusted EBITDA of $23.7M, was $9.2M lower than last year mainly due to significantly higher steel and freight costs in 3Q, although $11.9M higher than 2Q. Action taken to offset these costs going forward
- Adjusted Net Income of $25.8M and Adjusted Diluted EPS of 91 cents, up $5.1M and 21 cents from prior year, respectively
- Adjusted Free Cash Flow was $35.7M, an increase of $22.0M over last year
- Our production schedule is full for 4Q and we are starting to build a strong backlog of orders for FY2019
- For the Full Year, alternative-fuel powered bus sales will be about 39% of our total bus sales mix, up from 34% last year. Deliveries of our new electric school buses to customers will begin in 4Q
- Blue Bird increased prices on all of its buses during 3Q in response to recent price increases on steel and other commodities. Positive impact will be realized in late 4Q as prices for our order backlog are guaranteed and open quotes for bids are valid for 90 days
- Our previously-announced transformational actions to improve cost structure, efficiency, capacity and product are on track, although the recent tariff-related economic increases have impacted our gross profit margins for FY2018. Significant procurement-related cost reduction initiatives are being implemented, however, leading to margin improvement in 4Q and substantial gains in FY2019
- We are lowering our Full Year guidance to reflect the sudden adverse economics, but expect to restore profitability levels in 4Q and beyond as our pricing and focused cost reduction actions take hold. Our revised Adjusted EBITDA guidance of $70 - $72 million is slightly above last year despite the commodity cost increases

Economic increases have reduced 3Q and Full Year.
We remain on target for our outlook for 4Q and beyond

Significant Operating Achievements

Obtained 0.02g NOx certification for Propane



Lowest NOx propane school bus in the market; broadest product range

Started production of our new electric buses



Deliveries commence in 4Q; strong customer interest in Blue Bird

Commenced construction of new paint facility

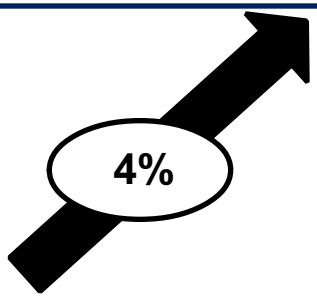


Plans progressing to achieve substantially lower cost of production

Increased prices to offset impact of higher steel and freight costs



Full-effect expected to impact FY2019 orders



Total bookings and order backlog up 4% from last year[1]



Alt. fuel-powered bus shipments and backlog up 16% from last year[1]

Quality ↑
Efficiency ↑
Capacity ↑

Adj. EBITDA Margin ↑

Achieving key cost reductions in late FY2018; significant gains in FY2019

Net Sales: $1,010 - $1,020

Adj. EBITDA: $70 - $72

Free Cash Flow: $30 - $34

Profits slightly above prior year level despite substantial cost increases

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

[1] as of 8/3/18

3Q and YTD Financial Results

BLUE BIRD

3Q Net Sales	YTD Net Sales
$314.2 Million	$693.4 Million
Down $18.4 Million	Up $15.4 Million

3Q Bus Sales	YTD Bus Sales
$297.7 Million	$647.5 Million
Down $19.7 Million	Up $14.0 Million

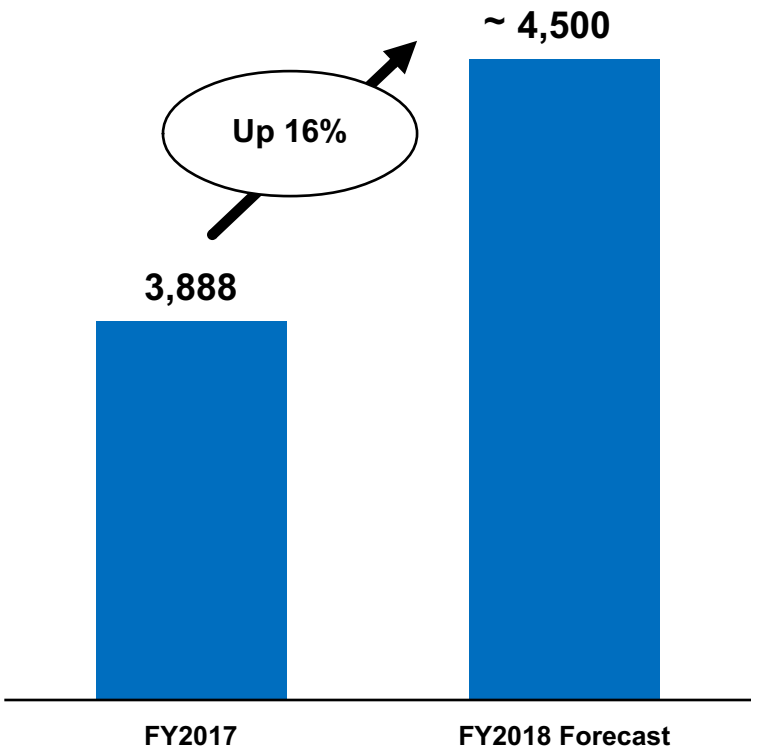
3Q Parts Sales	YTD Parts Sales
$16.5 Million	$45.8 Million
Up $1.3 Million	Up $1.4 Million

3Q Adj. EBITDA[1]	YTD Adj. EBITDA
$23.7 Million	$39.4 Million
Down $9.2 Million	Down $4.4 Million

Sales in line with expectation; profits impacted by rapid change in steel prices and freight

[1]See appendix for additional detail regarding Adjusted EBITDA

Alternative-Fuel Leadership



Highlights

- Year-to-date orders (bookings and backlog) are 16% higher than same period last year
- Exclusive relationship with Roush extended for another 7 years
- Achieved certification with EPA and CARB at 0.02g NOx; Blue Bird propane is 10x cleaner than the competition

Opportunities

- Well-positioned to capitalize on the VW mitigation funds that are starting to become available to school districts
- Launched exclusive Electric Type C & Type D buses. Commencing delivery to customers in 4Q
- Outstanding growth potential – less than 15% of customers have purchased alternative-fuel powered buses

Alternative-fuel mix expected to be nearly 40% in FY2018, up from 34% last year; sales up 16% from last year

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



Phil Tighe
CFO

FINANCIAL RESULTS & OUTLOOK

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

3Q Results – Summary

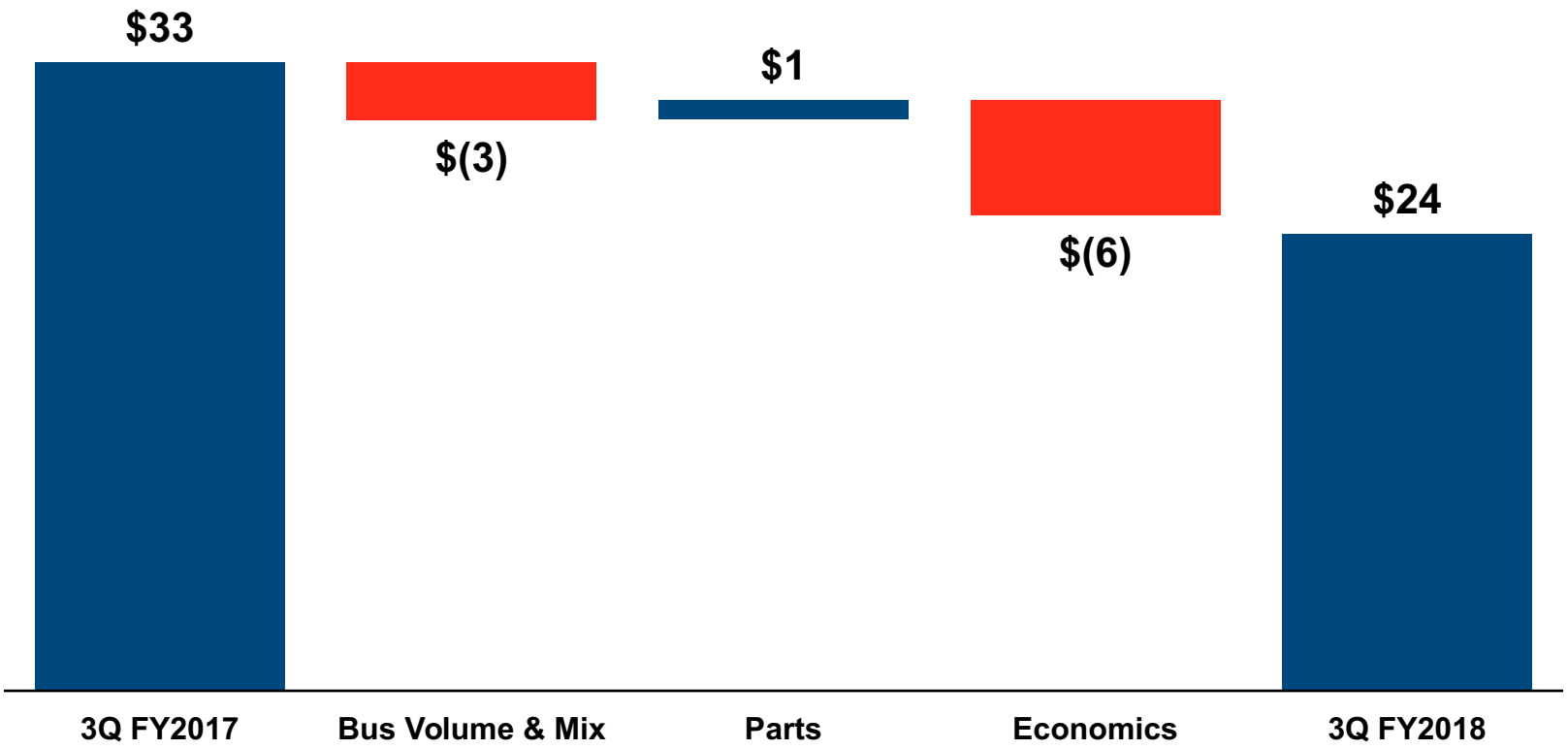
($ Millions except EPS)	2Q FY2018	3Q FY2018	3Q FY2017	B/(W)
Unit Volume	2,441	3,746	3,849	(103)
Net Revenue	$216.6	$314.2	$332.6	$(18.4)
Gross Margin	10.0%	11.8%	13.5%	(170) bps.
Net Income	$1.8	$21.9	$20.0	$1.9
Adj. Net Income[1]	$4.6	$25.8	$20.8	$5.1
Adj. EBITDA[1]	$10.0	$23.7	$32.9	$(9.2)
Adj. EBITDA Margin	4.6%	7.5%	9.9%	(230) bps.
Diluted EPS	$0.04	$0.77	$0.68	$0.09
Adj. Diluted EPS[1]	$0.15	$0.91	$0.70	$0.20
Cash	$10.3	$41.9	$50.3	$(8.4)
Debt	$147.6	$145.8	$153.0	$(7.2)

Gross Margin and Adj. EBITDA down due to economics; cash down due to lower profit, CAPEX for facility upgrades and share buy-back

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

3Q FY2017 to FY2018 Adj. EBITDA Walk

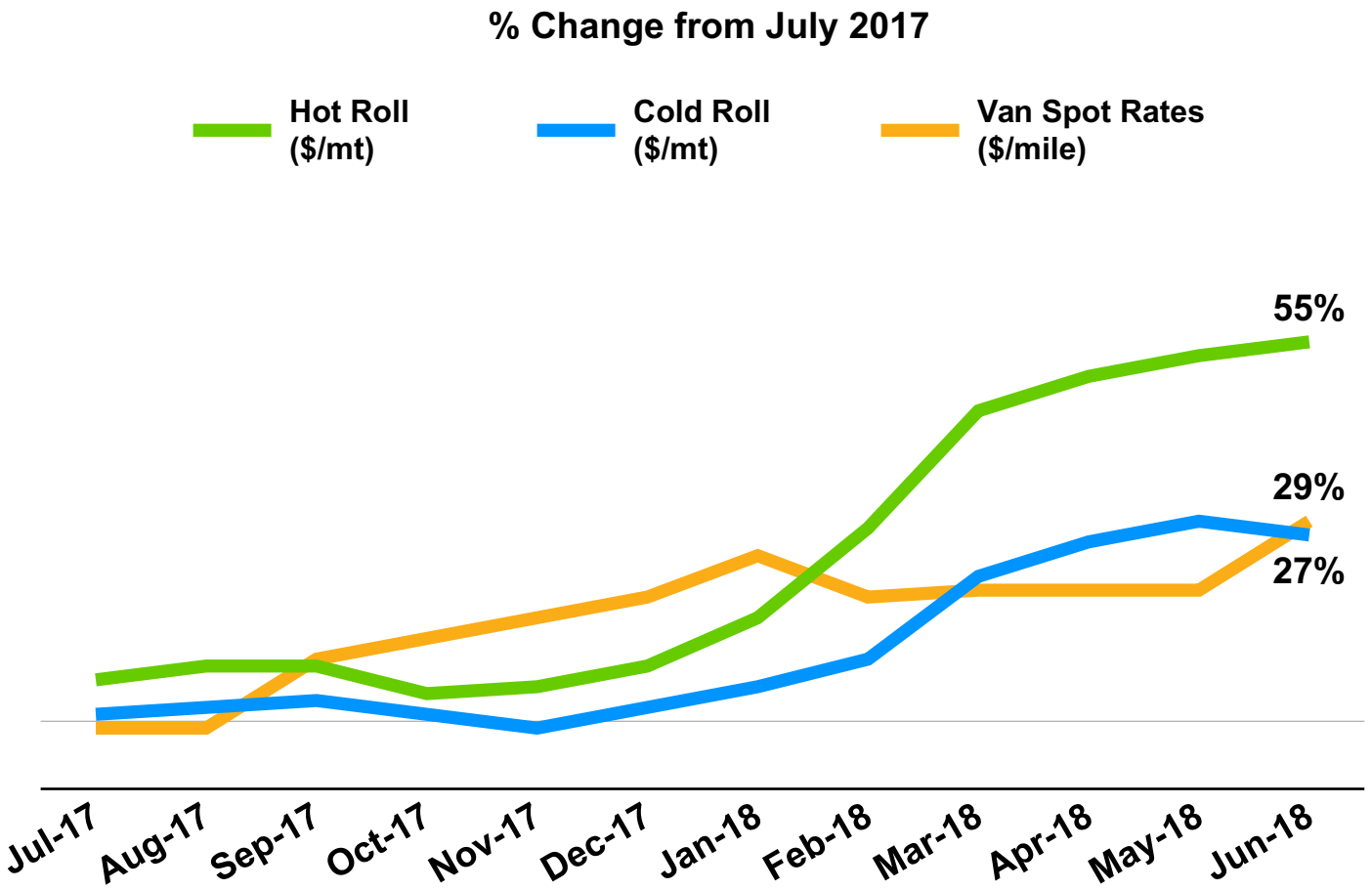
($ Millions)



Volume was lower as expected; steel and other cost increases will be offset by pricing taken in June that will impact sales late in 4Q

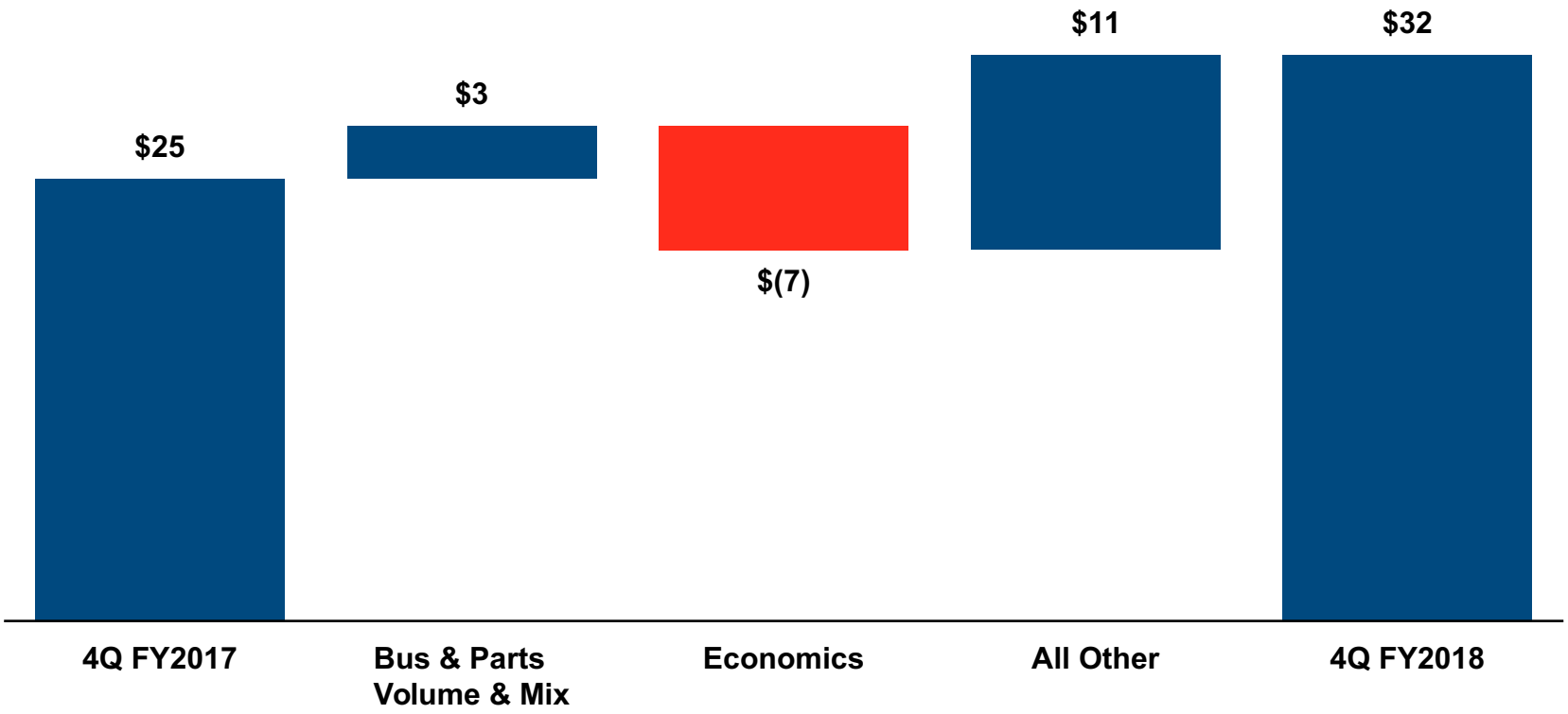
[1]See appendix for additional detail regarding Adjusted EBITDA

Steel and Freight Cost Increases



Substantial increases in commodity prices, led by tariff-related steel

4Q FY2017 to FY2018 Adj. EBITDA Walk



Economics partially offsets the positive growth in volume and other initiatives

FY2018 3Q Free Cash Flow

($ Millions)	FY2018	FY2017
Adjusted EBITDA	$ 23.7	$ 32.9
Cash Paid for Interest (Net)	(1.6)	(1.5)
Trade Working Capital[1]	14.8	(17.6)
CAPEX	(8.6)	(2.0)
Cash Taxes	(0.1)	(0.1)
Other[2]	7.5	2.0
Adjusted Free Cash Flow	$ 35.7	$ 13.7
Cash Paid for Operational Transformation Initiatives/Other[3]	(3.2)	—
Product Redesign	(1.0)	(0.6)
Free Cash Flow	$ 31.5	$ 13.0

[1] Inventories, accounts receivable and accounts payable
[2] Accrued expenses and other receivables
[3] FY17 Includes Business Combination expenses
FY18 Includes Product Redesign Initiatives

3Q FY2018 Adjusted Free Cash Flow $22M better than FY2017 primarily due to favorable working capital

Improving Net Debt, Leverage & Liquidity

($ Millions)	As of June 30, 2018
Debt	$145.8
Cash	41.9
Net Debt	103.9
Net Debt / Adjusted EBITDA	1.6x
Net Leverage Ratio Compared with minimum bank Net Leverage Ratio covenant of 3.75x	1.9x
Liquidity[1]	110.0

[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

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Outlook for FY2018

- On track for another strong 35,000+ unit industry, about equal to last year
- Despite the expectation of a relatively flat industry, Blue Bird expects sales growth of ~3%
- Second half margins will be better than first half, but lower than previously expected in 3Q and Full Year as a result of the significant tariff-related increase in steel costs and higher freight costs
- Cost-recovery pricing and cost reduction actions should restore margins and profitability in 4Q, with significant benefits to be realized in FY2019
- Blue Bird is focused on transforming its business structure to drive margin improvement:
  - Significant investment in production
  - Drive down costs in all areas of our business
  - Substantial new product upgrades

- Finally, our Board has approved a $50M share repurchase. We expect to initiate this with a tender offer in mid-September utilizing a combination of new debt and cash, offering shareholders a premium to market price



FY2018 4Q Outlook and Full-Year Guidance

$ Millions	FY2018 Year-to-Date	FY2018 4Q Forecast	FY2018 Revised Guidance	Memo: FY2017 4Q
Net Sales	$693	$317 - $327	$1,010 - $1,020	$313
Adj. EBITDA	$39	$31 - $33	$70 - $72	$25
Adj. Free Cash Flow	$8	$22 - $26	$30 - $34	$41

- 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

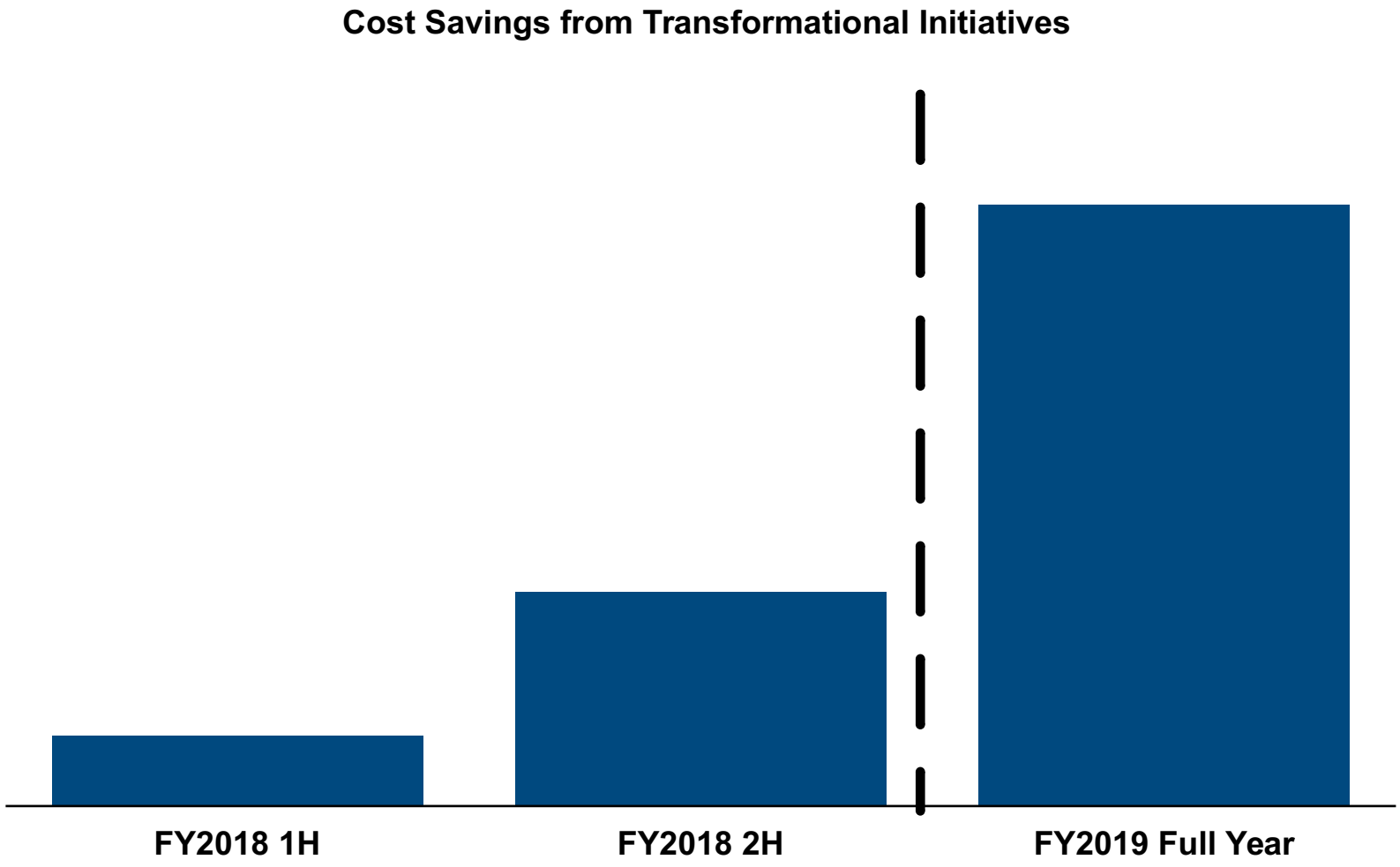
Revising FY2018 guidance due to steel cost headwind; well-positioned for FY2019 with pricing and cost savings initiatives implemented

FY2019 Outlook

- **Blue Bird expects substantially higher gross profit margins than FY2018 due to:**
  - **Pricing already implemented in June 2018 will take full effect in FY2019 and offset the impact of steel price and other commodity increases**
  - **The full-year impact of the cost reduction initiatives taken during FY2018 will yield incremental margin**
  - **New paint shop and other facility and process improvements launching in FY2019 will increase manufacturing efficiencies**
- **Financial targets for FY2019 will be consistent with our FY2020 EBITDA margin goal of 10%+**
- **Details of FY2019 objectives and guidance will be provided at Blue Bird's 4Q FY2018 earnings call in December**

Plans are in place to deliver significant margin improvements

FY2019: Improving Margins Through Cost Reductions



FY2019 saving will be about double FY2018

Wrap-Up

- Steel price escalation resulted in lower 3Q FY2018 profits and Full Year guidance has been lowered. Little ability to recover within the quarter
- Action has been taken to address the commodity headwinds and we expect a record Fourth Quarter profit as the actions take hold
- Many positives including continued strong industry, alternative fuel leadership, higher bookings and order backlog, transformational initiatives on track, new customers choosing Blue Bird, strong cash flow
- Exiting the year in a favorable position with run rate from pricing and cost reductions boosting fiscal 2019 outlook
- Committed to 10%+ EBITDA margin by 2020; FY2019 guidance will support this
- Board approved a $50M tender offer, with launch expected by mid-September

Plans in place to deliver significant margin improvements and shareholder value



Q&A

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.



Appendix

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Adj. EBITDA Reconciliation

Reconciliation of Net Income to Adjusted EBITDA
(Unaudited)

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income	$ 21,891	$ 20,032	$ 15,888	$ 14,257
Adjustments:				
Discontinued operations loss (income)	—	34	(81)	222
Interest expense, net	1,809	1,348	5,070	5,738
Income tax (benefit) expense	(7,485)	8,290	(5,662)	5,726
Depreciation, amortization, and disposals	2,203	2,022	6,483	6,106
Loss on debt extinguishment	—	—	—	10,142
Operational transformation initiatives	3,169	—	13,547	—
Unrealized losses (gains) on foreign currency hedges	208	—	(828)	—
Share-based compensation	870	494	2,380	904
Product initiatives	1,037	648	2,697	930
Other	(10)	—	(54)	(174)
Adjusted EBITDA	$ 23,692	$ 32,868	$ 39,440	$ 43,851
Adjusted EBITDA margin (percentage of net sales)	7.5%	9.9%	5.7%	6.5%

Free Cash Flow Reconciliation

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

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net cash provided by operating activities	$ 40,079	$ 15,076	$ 7,022	$ 5,751
Cash paid for fixed assets	(8,551)	(2,034)	(15,572)	(7,193)
Free cash flow	$ 31,528	$ 13,042	$ (8,550)	$ (1,442)
Cash paid for operational transformation initiatives	(3,169)	—	(13,547)	—
Cash paid for product initiatives	(1,037)	(648)	(2,697)	(930)
Cash paid for other	—	—	—	(3,313)
Adjusted free cash flow	35,734	13,690	7,694	2,801

Adjusted EPS Reconciliation

BLUE BIRD

Reconciliation of Net Income to Adjusted Net Income
(Unaudited)

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net income	$ 21,891	$ 20,032	$ 15,888	$ 14,257
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	2,377	—	10,160	—
Product initiatives	778	415	2,023	595
Loss on debt extinguishment	—	—	—	6,491
Unrealized losses (gains) on foreign currency hedges	156	—	(621)	—
Share-based compensation	653	316	1,785	579
Discontinued operations loss (income)	—	22	(61)	142
Other	(8)	—	(41)	(111)
Adjusted net income, non-GAAP	$ 25,847	$ 20,785	29,134	21,952

(1) Amounts are net of estimated statutory tax rates of 25% for the three and nine months ended June 30, 2018 and 36% for the three and nine months ended July 1, 2017.

Reconciliation of Diluted EPS to Adjusted Diluted EPS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Diluted earnings per share	$ 0.77	$ 0.68	$ 0.55	$ 0.46
One-time charge adjustments, net of tax benefit or expense	0.14	0.02	0.47	0.30
Adjusted diluted earnings per share, non-GAAP (1)	$ 0.91	$ 0.70	$ 1.02	$ 0.76
Weighted average dilutive shares outstanding (2)	28,556,914	29,527,612	28,600,959	28,968,222

(1) Numerator is adjusted net income, non-GAAP.
(2) The diluted loss per share calculations for the nine months ended June 30, 2018 and July 1, 2017 excluded 2,791,468 and 4,314,064 shares, respectively, as their effect would be anti-dilutive, but were included in the adjusted diluted earnings per share, non-GAAP calculation as their effect was dilutive.

Important Disclaimers

BLUE BIRD

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 (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**

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

BLUE BIRD

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.

Important Disclaimers

Additional Information Regarding the Tender Offer

The tender offer described in this document (the "Offer") has not yet commenced and may not be commenced. This press release is for informational purposes only. This document is not a recommendation to buy or sell Blue Bird common stock or any other securities, and it is neither an offer to purchase nor a solicitation of an offer to sell Blue Bird common stock or any other securities. Should Blue Bird decide to proceed with the Offer, Blue Bird will file a tender offer statement on Schedule TO-I, including an offer to purchase, letter of transmittal and related materials, with the SEC on the commencement date of the Offer. The Offer will only be made pursuant to the offer to purchase, letter of transmittal and related materials filed as a part of the Schedule TO-I. Stockholders should read carefully the offer to purchase, letter of transmittal and related materials if and when they become available because they would contain important information, including the various terms of, and conditions to, the Offer. When the Offer is commenced, stockholders will be able to obtain a free copy of the tender offer statement on Schedule TO-I, the offer to purchase, letter of transmittal and other documents that Blue Bird files with the SEC at the SEC's website at www.sec.gov or from the investor relations section of Blue Bird's website at www.blue-bird.com.



END

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.