Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2019

Full Year and Fourth Quarter Results

Earnings Conference Call

December 11, 2019



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BUILT TO TAKE ON TOMORROW.

Agenda

- **Introductions & Forward-Looking Statements**
  - **Mark Benfield – Executive Director, Profitability & 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 highest 4Q profit in more than 10 years**
  - Adjusted EBITDA of $33.4M, $4.3M or 15% above last year
  - 3,726 buses sold, second highest 4Q in past 10 years; down by 31 units from last year
  - Total Net Sales of $343.5M, 4% above last year
- **FY2019 results equal to or better than guidance; highest full year profit in more than 20 years**
  - Adjusted EBITDA of $81.8M, was within guidance and up $11.4M or 16% from last year
  - Total Net Sales of $1.019B was above the mid-point of guidance
  - Sold 11,017 buses in FY2019, a 5% decrease over FY2018, as we managed margins
  - Adjusted Free Cash Flow of $35.5M was $7.5M above guidance range
  - Adjusted Net Income of $43.5M and Adjusted Diluted EPS of $1.61, down $7.1M and 4 cents, respectively, from last year
- **Business fundamentals are strong**
  - Preliminary FY2019 school bus industry of about 34,000 units and holding
  - Alternative-fuel powered buses represented a record 48% of Full Year unit sales, up 10 pts. from last year
  - Took annual pricing of 2% in late FY2019 to offset ongoing impact of economics
  - Transformational Initiatives to improve cost structure are on track; significant cost reductions achieved
  - Full Year Gross profit Margin of 13.1%, up 1.2 pts. from last year
- **Announcing FY2020 Guidance, with mid-point of range for Adjusted EBITDA at 12% above FY2019**
- **We are on track to achieve a Full Year Adjusted EBITDA margin run rate of 10%+ by end of FY2020**

Grew profits, increased alternative-fuel mix and continued major transformational initiatives. Guidance for FY2020 in line with previously-announced margin objective

Significant Operating Achievements

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Quality ↑
Costs ↓
Capacity ↑

Adj. EBITDA Margin ↑

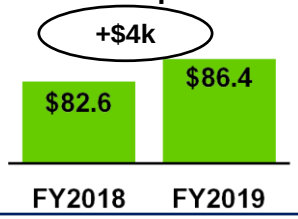
Transformational initiatives on track

Robotic Paint Facility



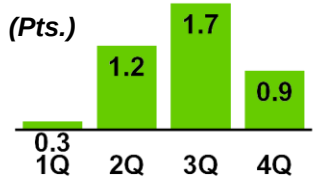
Fully operational and in-line with plan

Significant gains in revenue per bus



Bus Rev./Unit up 5% from last year

Year-Over-Year Increase in Adj. EBITDA Margin



Grew Adj. EBITDA Margin every quarter in FY2019

Alternative Fuels Mix is

48%

of total bookings and order backlog compared with 38% last year



Alt. fuel-powered bus sales up 21% from last year

Strong interest in all-electric buses



Delivered 56 buses in FY2019. 70 buses in backlog

Profit Growth Outlook

- Net Sales: $1020- $1,050M
- Adj. EBITDA: $90 - $95M
- Adj. FCF: $30 - $35M

Announcing FY2020 Full-Year Guidance

Continuing to make advances in multiple areas; focused on product, quality, pricing and cost

Full Year and 4Q Financial Results

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Bus Sales

Full Year	4Q
$952.2M	$325.8M
Down $10.5M	Up $10.6M

Total Net Sales

Full Year	4Q
$1,018.9M	$343.5M
Down $6.1M	Up $11.9M

Parts Sales

Full Year	4Q
$66.6M	$17.7M
Up $4.4M	Up $1.4M

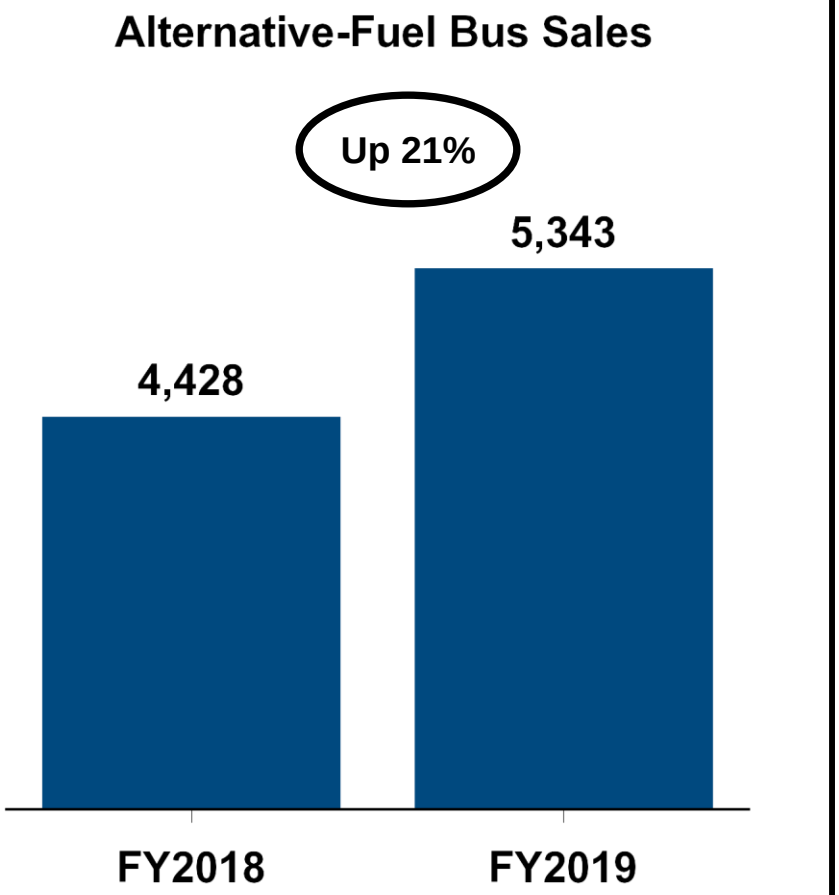
Adj. EBITDA[1]

Full Year	4Q
$81.8 Million	$33.4 Million
Up $11.5M	Up $4.3M

Full Year revenue and profit in line with guidance; very strong 4Q for revenue and profit

[1]See appendix for additional detail regarding Adjusted EBITDA

Alternative-Fuel Leadership



Record Sales in FY2019

- Full Year sales 21% above last year
- Record Full Year sales mix at 48%
- 54% sales mix achieved in 2H
- Propane sales 41% above last year

Opportunities

- VW mitigation funds
  - 50 states have finalized mitigation plans
  - Approximately $600M carved out for school buses; about $150M spent to date
  - Only major OEM with all-electric and ultra-low NOx school buses available
- Electric bus interest remains strong
- Less than 15% of customers have purchased alternative-fuel powered buses

Blue Bird is the only OEM presently producing Ultra-Low NOx Propane, CNG and electric buses; uniquely placed to take advantage of VW mitigation funds

Transformational Initiatives Drive Down Cost

FY2018

Phase 1

Purchased Material
- Commercial
- Sourcing

FY2019

Phase 2

Purchased Material
- Commercial
- Sourcing
- Initial design

Build and Launch New Paint Facility
- Test and validate
- Prepare for production
- Plant rearrangements

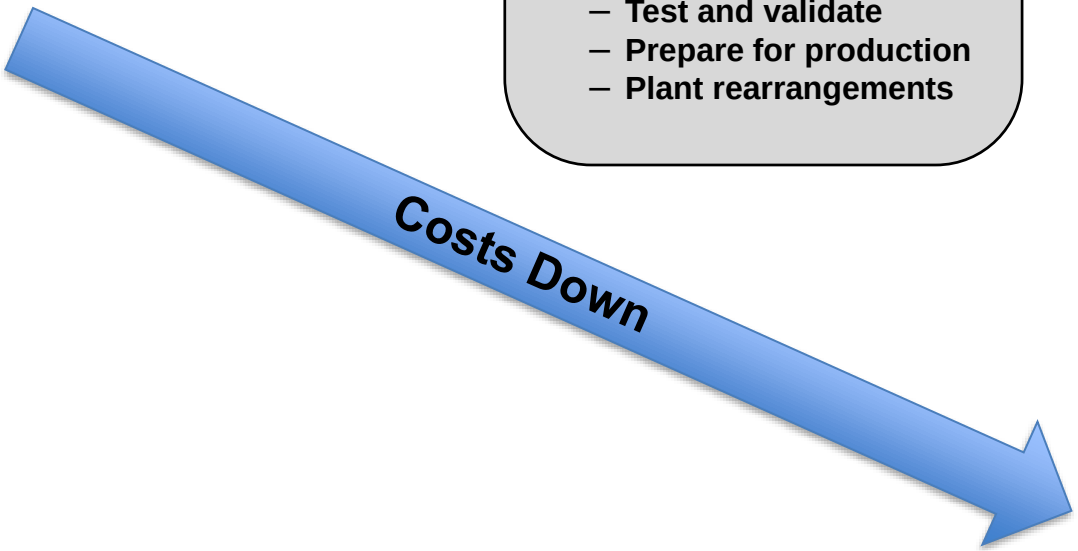
FY2020+

Phase 3

Purchased Material
- Commercial
- Sourcing
- Design

New Paint Facility Fully Operational
- High first-time pass rate
- Greater capacity
- Less paint usage
- Lower labor cost
- Lower warranty expense

Plant Productivity
- Optimize time per station
- Labor efficiencies
- Break bottlenecks
- Design-for-manufacturing
- Improve quality/rework
- Material setup to line



Material & operating cost initiatives are ongoing; new paint facility fully operational; other major productivity initiatives progressing to full implementation by FY2020+



Phil Tighe

CFO

FINANCIAL RESULTS & OUTLOOK

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4Q Results – Summary

($ Millions unless noted)	4Q FY2019	4Q FY2018	B/(W)
Unit Volume	3,726	3,757	(31)
Net Revenue	$343.5	$331.6	$11.9
Bus Rev./Unit ($000's)	*$87.4*	*$83.9*	*$3.5*
Gross Margin	13.6%	12.9%	70 bps.
Net (Loss) Income	$11.6	$14.9	$(3.3)
Adj. Net Income[1]	$20.0	$20.1	$(0.1)
Adj. EBITDA[1]	$33.4	$29.1	$4.3
Adj. EBITDA Margin	9.7%	8.8%	94 bps.
Diluted EPS ($'s)	$0.43	$0.52	$(0.09)
Adj. Diluted EPS[1] ($'s)	$0.74	$0.70	$0.04
Cash	$71.0	$60.3	$10.7
Debt	$183.1	$142.1	$(41.0)

Achieved 10+ year record Adj. EBITDA in the fourth quarter
Bus unit revenue, gross margin and cash were all substantially better than FY2018

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

Full Year Results – Summary

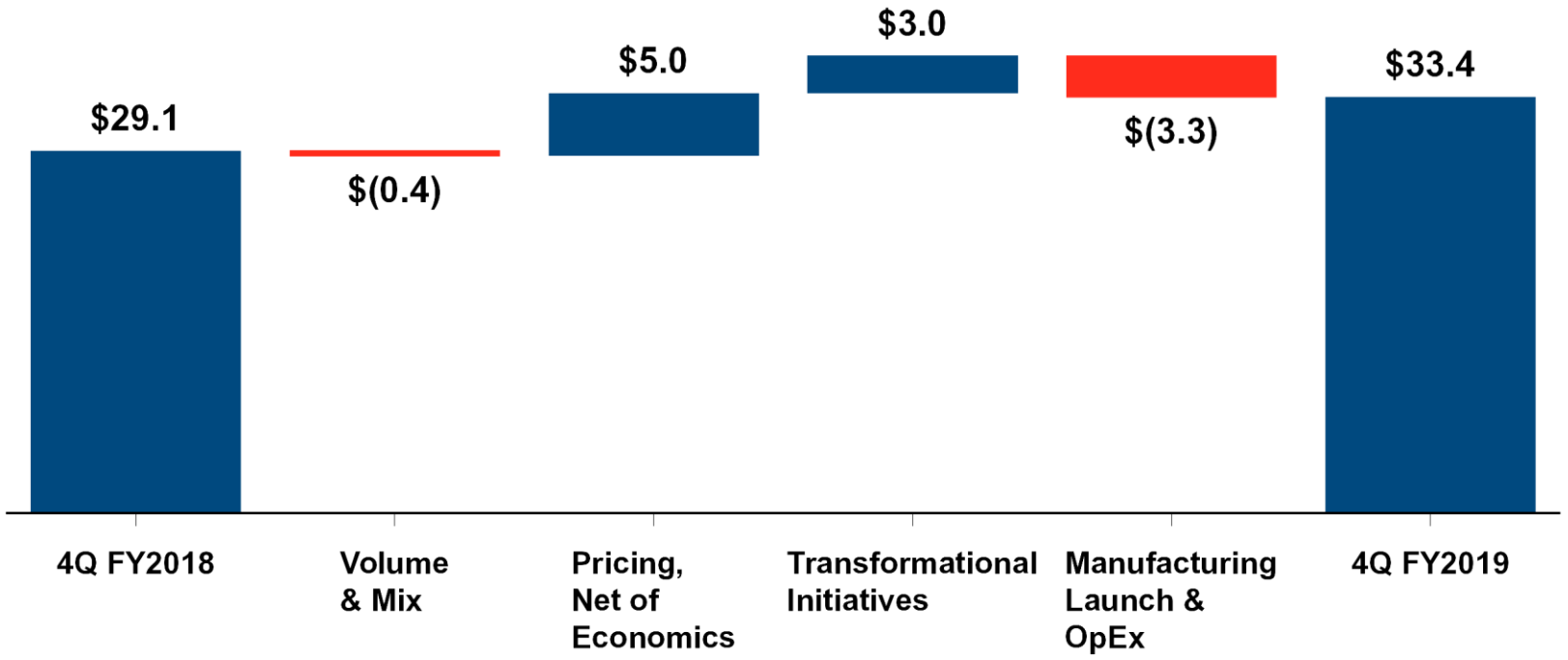
($ Millions except EPS & Margin)	FY2019	FY2018	B/(W)
Unit Volume	11,017	11,649	(632)
Net Revenue	$1,018.9	$1,025.0	$(6.1)
Bus Rev./Unit ($000's)	*$86.4*	*$82.6*	*$3.8*
Gross Margin	13.1%	11.9%	120 bps.
Net Income	$24.3	$30.8	$(6.5)
Adj. Net Income[1]	$43.5	$50.6	$(7.1)
Adj. EBITDA[1]	$81.8	$70.4	$11.5
Adj. EBITDA Margin	8.0%	6.9%	120 bps.
Diluted EPS	$0.90	$1.08	$(0.18)
Adj. Diluted EPS[1]	$1.61	$1.77	$(0.16)
Cash	$71.0	$60.3	$10.7
Debt	$183.1	$142.1	$(41.0)

Highest profit in 10+ years;
Bus unit revenue, gross margin and cash all substantially higher than FY2018

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

4Q FY2018 to FY2019 Adj. EBITDA Walk

($ Millions)

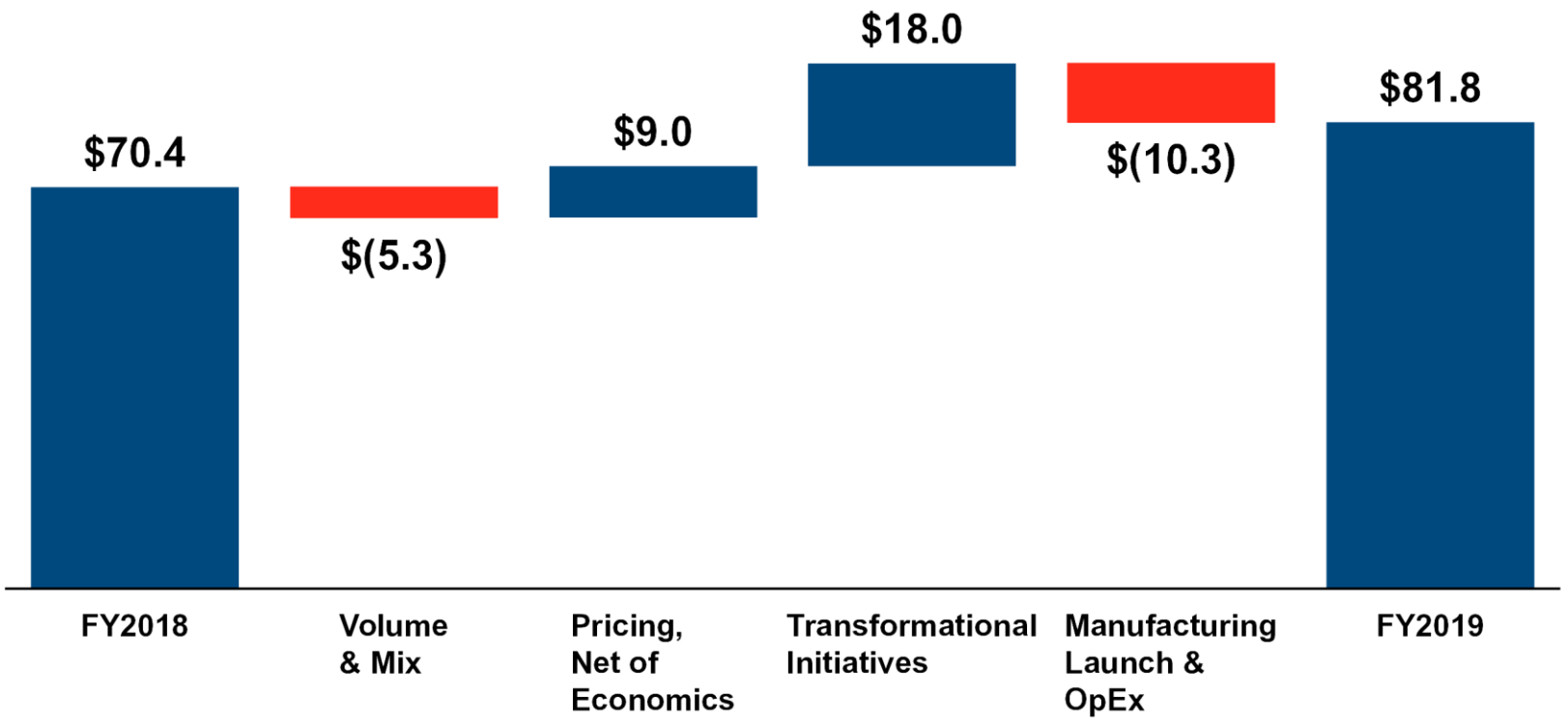


Pricing and cost reductions through Transformational Initiatives drive higher profits despite slightly lower volume, higher economics and manufacturing launch costs

See appendix for additional detail regarding Adjusted EBITDA

FY2018 to FY2019 Adj. EBITDA Walk

($ Millions)



Pricing and transformational initiatives more than offset the impact of lower volume, material economics and manufacturing launch costs

See appendix for additional detail regarding Adjusted EBITDA

FY2019 Free Cash Flow

($ Millions)	4Q FY2019	4Q FY2018	Full Year FY2019	Full Year FY2018
Adjusted EBITDA	$ 33.4	$ 29.1	$ 81.8	$ 70.4
Cash Paid for Interest (Net)	(2.5)	(1.2)	(10.4)	(5.8)
Trade Working Capital[1]	55.4	14.3	(1.6)	7.0
CAPEX	(5.4)	(16.5)	(35.5)	(32.1)
Cash Taxes	(2.2)	—	(4.6)	(3.7)
Other[2]	(1.5)	5.0	5.8	4.4
Adjusted Free Cash Flow	$ 77.2	$ 30.7	$ 35.5	$ 40.2
Operational Transformation Initiatives/Other	(6.4)	(4.2)	(10.6)	(17.7)
Product Redesign	(1.4)	(1.7)	(4.7)	(6.3)
Free Cash Flow	$ 69.5	$ 24.8	$ 20.2	$ 16.2

[1] Inventories, accounts receivable and accounts payable

[2] Accrued expenses and other receivables

FY2019 Adj. Free Cash Flow was $4.7M lower than FY2018 primarily reflecting higher CapEx and inventory levels, partially offset by higher Adj. EBITDA

Improving Net Debt, Leverage & Liquidity

($ Millions)	As of September 28, 2019
Debt	**$183.1**
Cash	**71.0**
Net Debt	**$112.2**
Net Debt / Adjusted EBITDA	**1.4x**
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 3.75x**	**2.1x**
Liquidity[1]	**$164.1**

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

Net Leverage Ratio remains well below threshold



Phil Horlock
President & CEO

Outlook & Guidance

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FY2020 Outlook – Continuing Our Margin Growth Plan

- **School bus industry outlook at about 34k, the same level as prior two years, supported by continued growth in property taxes, high mix of buses that are more than 15 years old and VW settlement and other funding to replace aging diesel buses**

- **In FY2020, Blue Bird is continuing its Plan to drive overall profit and margin growth through three key initiatives:**
  - **Annual bus pricing to fully cover economics and product and feature upgrades**
  - **Cost reductions through our Transformational Initiatives, with material and operating cost reduction processes now institutionalized, new paint facility launched, and design and plant productivity improvements ahead to reduce total vehicle costs**
  - **Increased mix of alternative-fuel powered school buses at superior margins**

- **Committed to our Plan which drives achievement of ongoing EBITDA margin of 10%+**



Announcing FY2020 Full Year Guidance

$ Millions	FY2019 Actual	FY2020 Guidance	FY2020G B/(W) FY2019
Net Sales	$1,018	$1,020 - $1,050	$2 - $32
Adj. EBITDA[1]	$82	$90-95	$8 - $13
Adj. Free Cash Flow[1]	$36	$30 - $35	$(6) - $(1)

FY2020 Guidance mid-point for Adjusted EBITDA 13% higher than FY2019, driven by improvements in net selling price and major cost reduction initiatives.
Actions in place support achieving 10%+ EBITDA margin objective by FY2020/2021

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



Q&A

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Appendix

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Adj. EBITDA Reconciliation

Reconciliation of Net Income to Adjusted EBITDA

(in thousands of dollars)	Three Months Ended		Fiscal Year Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net income	$ 11,592	$ 14,932	$ 24,300	$ 30,820
Adjustments:				
Discontinued operations income	—	—	—	(81)
Interest expense, net (1)	2,737	1,521	13,279	6,591
Income tax expense (benefit)	4,740	3,042	7,573	(2,620)
Depreciation, amortization, and disposals (2)	3,112	2,731	11,102	9,214
Operational transformation initiatives	6,401	4,161	10,594	17,708
Foreign currency hedges	—	719	109	(109)
Share-based compensation	1,127	248	4,273	2,628
Product redesign initiatives	3,663	1,727	10,540	6,253
Other	(3)	29	59	(25)
Adjusted EBITDA	$ 33,369	$ 29,110	$ 81,829	$ 70,379
Adjusted EBITDA margin (percentage of net sales)	9.7%	8.8%	8.0%	6.9%

(1) Includes $0.1 million and $0.4 million for the three months and fiscal year ended September 28, 2019, representing interest expense on lease liabilities, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.

(2) Includes $0.2 million and $0.7 million for the three months and fiscal year ended September 28, 2019, representing amortization charges on right-to-use lease assets, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.

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 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net cash provided by operating activities	$ 74,819	$ 41,331	$ 55,706	$ 48,353
Cash paid for fixed and acquired intangible assets	(5,360)	(16,546)	(35,514)	(32,118)
Free cash flow	$ 69,459	$ 24,785	$ 20,192	$ 16,235
Cash paid for product redesign initiatives	(1,386)	(1,727)	(4,740)	(6,253)
Cash paid for operational transformation initiatives	(6,401)	(4,161)	(10,594)	(17,708)
Adjusted free cash flow	77,246	30,673	35,526	40,196

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 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net income	$ 11,592	$ 14,932	$ 24,300	$ 30,820
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	4,801	3,121	7,946	13,281
Product redesign initiatives	2,747	1,295	7,905	4,690
Foreign currency hedges	—	539	82	(82)
Share-based compensation	845	186	3,205	1,971
Discontinued operations income	—	—	—	(61)
Other	(2)	22	44	(19)
Adjusted net income, non-GAAP	$ 19,983	$ 20,095	43,481	50,601
Less: preferred stock dividends	—	181	—	1,896
Adjusted net income available to common stockholders, non-GAAP	$ 19,983	$ 19,914	43,481	48,705

(1) Amounts are net of estimated statutory tax rates of 25%.

Reconciliation of Diluted EPS to Adjusted Diluted EPS

	Three Months Ended		Fiscal Year Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Diluted earnings per share	$ 0.43	$ 0.52	$ 0.90	$ 1.08
One-time charge adjustments, net of tax benefit or expense	0.31	0.18	0.71	0.69
Adjusted diluted earnings per share, non-GAAP (1)	$ 0.74	$ 0.70	$ 1.61	$ 1.77
Weighted average dilutive shares outstanding	26,904,766	28,579,670	27,043,814	28,616,862

(1) Numerator is adjusted net income, non-GAAP for all periods presented

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**
- **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.

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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 including the component of lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our GAAP financial statements) that represents interest expense on lease liabilities, income taxes, depreciation and amortization including the component of lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our GAAP financial statements) that represents amortization charges on right-to-use lease assets, 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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