Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2019
Second Quarter Results

Earnings Conference Call

May 9, 2019



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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**
- **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

- **Strong 2Q result with Adjusted EBITDA up 22% from last year**
  - Adjusted EBITDA of $12.2M, $2.2M above last year and second best result in 12 years
  - 2,271 buses sold, 170 buses lower than last year, due to supplier production shortage
  - Total Net Sales of $211.6M, $5.0M below last year; bus revenue up $3,200 per unit
  - Adjusted Free Cash Flow was $14.4 million, $13.4 million higher than last year
  - Adjusted Diluted EPS of 15 cents, same as last year

- **Business fundamentals are strong**
  - FY2019 industry outlook of ~35,000 school buses is unchanged
  - Record 2Q mix of alternative-fuel powered buses at 42% of total sales, up from 34% last year
  - Average bus selling price substantially higher; significant cost reductions being achieved
  - 2Q Gross Profit Margin of 12.3%, 2.3 pts higher than last year

- **Transformational actions on track – improving cost, efficiency, capacity and product**
  - Benefiting from cost reductions implemented from mid-year 2018; continuing to drive savings
  - New paint facility launches next month; production ramp up through the year
  - Substantial efficiency improvements planned in assembly operations
  - Significant new product and feature upgrades are under development for future launch

- **Reaffirming Guidance; mid-point of range for Adj. EBITDA at $83M, 18% above FY2018**

- **On track to achieve Adjusted EBITDA margin of 10%+ by FY2020**

Increased profit from pricing and cost reductions; Gross Profit Margin up 2.3 pts

Significant Operating Achievements

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Quality ↑
Cost ↓
Capacity ↑

Gross Profit Margin ↑
Adj. EBITDA Margin

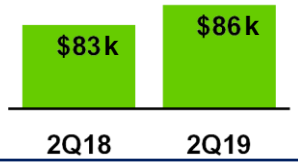
Transformational initiatives on track

All-New Paint Facility



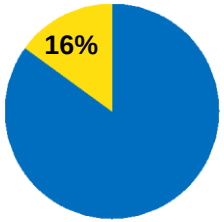
Equipment is installed; testing commenced; first bus to be painted 6/6/19

Increased prices to offset impact of higher steel and freight costs



Bus Rev./Unit is 4% higher than last year

2Q Customers



16% of our customers were conquest accounts

Alternative Fuels Mix is

46%

of total bookings and order backlog compared with 34% last year[1]



Alt. fuel-powered bus unit sales and backlog up 24% from last year[1]

Strong interest in all-electric buses



Received orders[1] for over 100 electric buses

Net Sales: $990 - $1,025M

Adj. EBITDA: $80 - 85M

Adj. FCF: $24 - $28M

Reaffirming Full-Year Guidance

Continuing to make advances in multiple areas to drive profit and margin growth

[1] as of 5/5/19

YTD and 2Q Financial Results

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Bus Sales	
YTD	2Q
$334.3M	$195.1M
Down $15.6M	Down $6.7M

Total Net Sales	
YTD	2Q
$366.6M	$211.6M
Down $12.6M	Down $5.0M

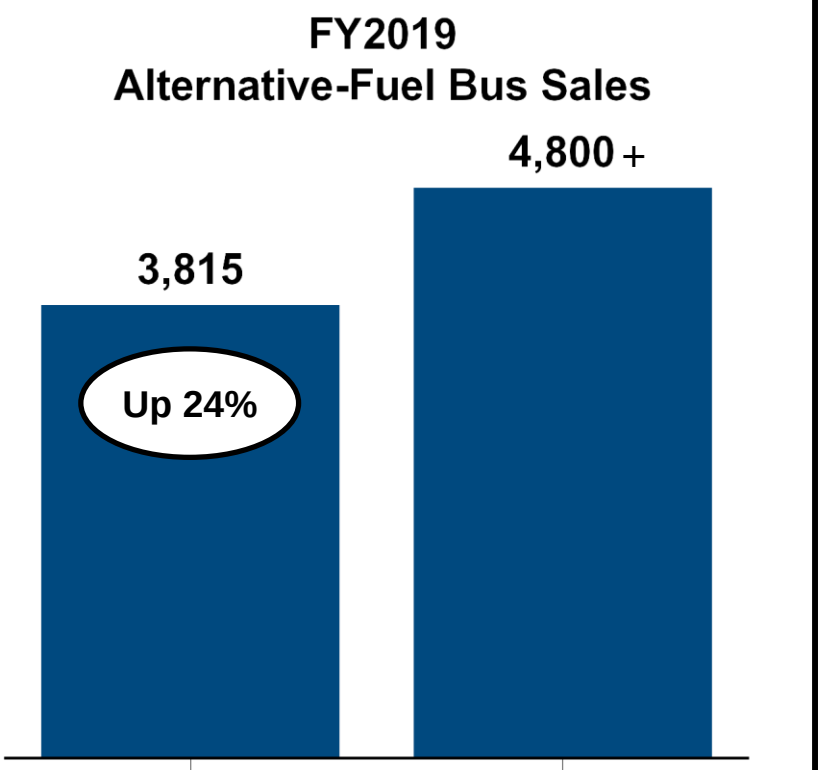
Parts Sales	
YTD	2Q
$32.3M	$16.6M
Up $3.0M	Up $1.7M

Adj. EBITDA[1]	
YTD	2Q
$19.4M	$12.2M
Up $2.3M	Up $2.2M

Bus sales shortfall in 2Q will be recovered in 2H;
profits up due to bus pricing and cost reductions, and parts growth

[1]See appendix for additional detail regarding Adjusted EBITDA

Alternative-Fuel Leadership



FY2019 2Q Highlights

- Alternative-fuel bus sales 15% above prior year
- YTD [1] sales and order backlog up 24%; record 46% mix of total sales
- Strong electric bus interest; 100+ units ordered

Opportunities

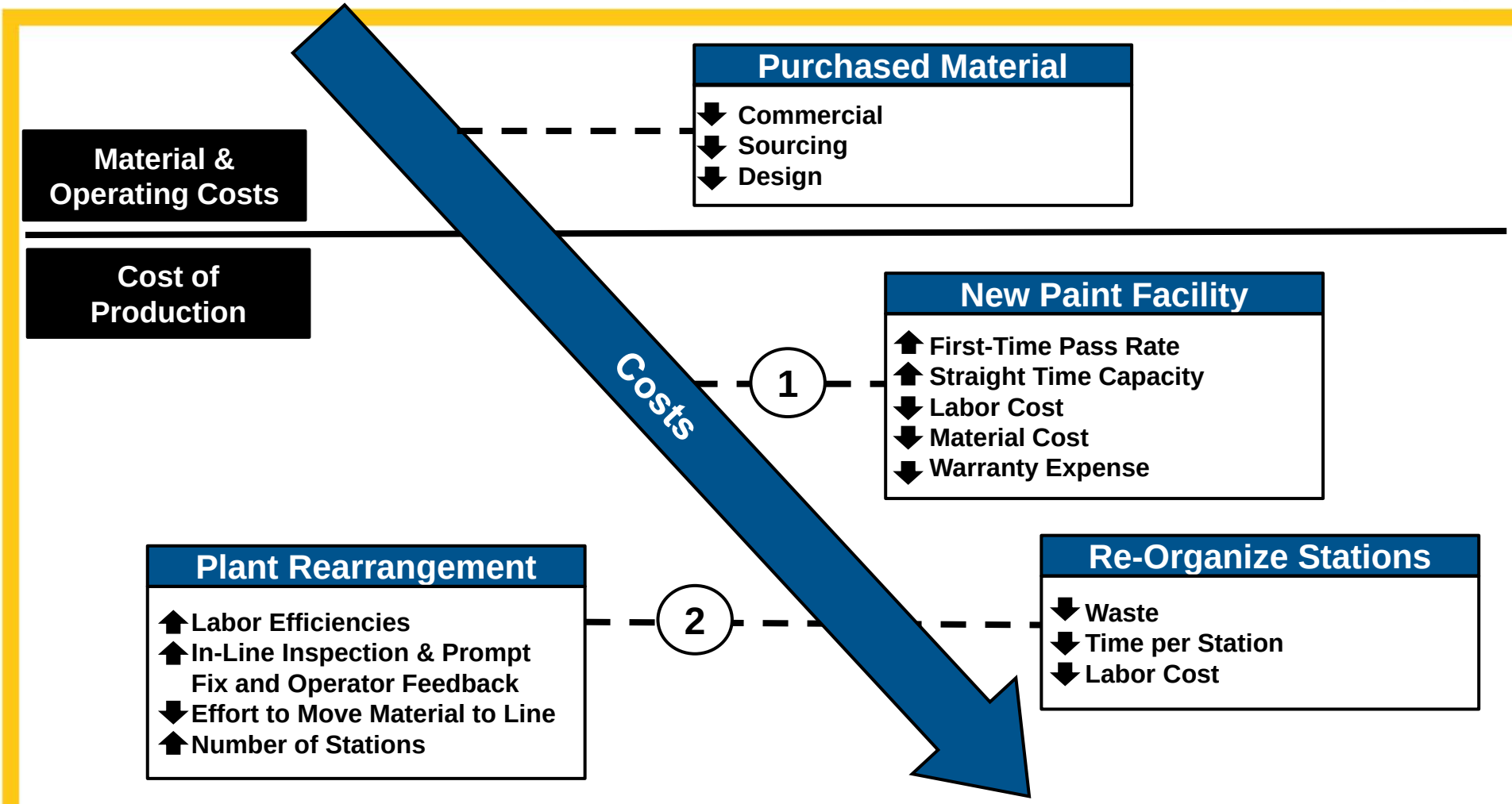
- VW mitigation funds
  - 30 states earmarked specific funds for school bus purchases; major opportunity ahead
  - Only major OEM with all-electric and ultra-low NOx school buses available
  - Capitalizing on exclusive, class-leading Ford/Roush CleanTech range of engines
- Less than 15% of customers have purchased alternative-fuel powered buses



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

[1] as of 5/5/19

Driving Down Total Costs



Transformational Initiatives are driving down total costs and improving quality; paint facility an enabler to broader plant efficiency improvements



Phil Tighe

CFO

FINANCIAL RESULTS & OUTLOOK

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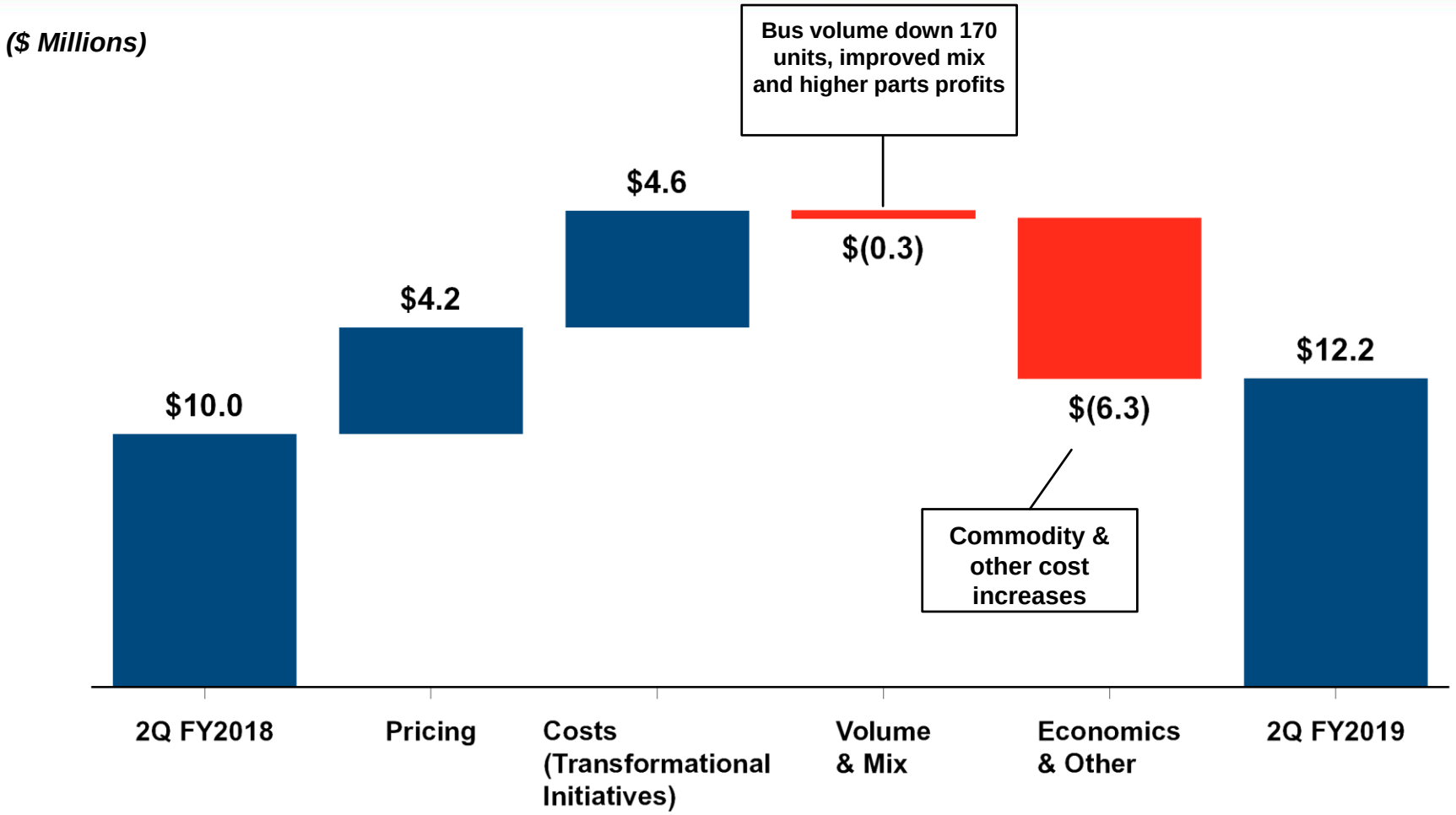
2Q Results – Summary

($ Millions unless noted)	2Q FY2019	2Q FY2018	B/(W)
Unit Volume	2,271	2,441	(170)
Net Revenue	$211.6	$216.6	$(5.0)
Bus Rev./Unit ($000's)	*$85.9*	*$82.7*	*$3.2*
Gross Margin	12.3%	10.0%	2.3 pts.
Net (Loss) Income	$(0.7)	$1.8	$(2.5)
Adj. Net Income[1]	$3.9	$4.6	$(0.7)
Adj. EBITDA[1]	$12.2	$10.0	$2.2
Adj. EBITDA Margin	5.8%	4.6%	1.2 pts.
Diluted EPS ($'s)	$(0.03)	$0.04	$(0.07)
Adj. Diluted EPS[1] ($'s)	$0.15	$0.15	$0
Cash	$25.6	$10.3	$15.3
Debt	$207.6	$147.6	$(60.0)

Improving unit revenue, gross margin, profits and Adj. EBITDA Margin, as well as higher cash

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

2Q FY2018 to FY2019 Adj. EBITDA Walk



Pricing to offset economics and cost reductions through Transformational Initiatives drove higher profits

[1]See appendix for additional detail regarding Adjusted EBITDA

2Q FY2019 Free Cash Flow

($ Millions)	2Q FY2019	2Q FY2018
Adjusted EBITDA	$ 12.2	$ 10.0
Cash Paid for Interest (Net)	(2.6)	(1.7)
Trade Working Capital[1]	5.0	(1.5)
CAPEX	(11.9)	(3.6)
Cash Taxes	(2.3)	(3.6)
Other[2]	14.0	1.5
Adjusted Free Cash Flow	$ 14.4	$ 1.1
Operational Transformation Initiatives/Other	(3.3)	(3.4)
Product Redesign	(1.7)	(0.5)
Free Cash Flow	$ 9.5	$ (2.8)

[1] Inventories, accounts receivable and accounts payable

[2] Accrued expenses and other receivables

Improved cash flow due to higher profits, lower TWC, lower cash taxes and other. Higher CapEx due to new paint shop was a partial offset

Improving Net Debt, Leverage & Liquidity

($ Millions)	As of March 30, 2019
Debt	$207.6
Cash	25.6
Net Debt	$182.0
Net Debt / Adjusted EBITDA	2.5x
Net Leverage Ratio Compared with minimum bank Net Leverage Ratio covenant of 4.0x	2.5x
Liquidity[1]	$98.7

[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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Profit and Margin Growth Targeted for FY2019

- School bus market on track for another strong ~35,000 unit industry, supported by continued growth in property taxes, age of the fleet and funding from VW Settlement
- Blue Bird expects substantially higher gross profit margins than FY2018 due to:
  - Pricing already implemented in late FY2018 is taking full effect in FY2019, offsetting the impact of steel and other commodity price increases
  - The full-year benefit from the transformational cost reductions we saw in the Second Half of FY2018, and further actions are planned
  - New paint shop and other facility and process improvements launching in FY2019 will increase manufacturing efficiencies and improve quality
- FY2019 financial targets are consistent with our FY2020 EBITDA margin goal of 10%+



Reaffirming FY2019 Full Year Guidance

$ Millions	FY2018 Actual	FY2019 Guidance	FY2019G B/(W) FY2018	Memo: FY2019 2H	FY2019 2H B/(W) FY2018 2H
Net Sales	$1,025	$990 - $1,025	$(35) - $0	$623 - $658	$(23) - $12
Adj. EBITDA[1]	$70	$80 - $85	$10 - $15	$61 - $66	$8 - $13
Adj. Free Cash Flow[1]	$40	$24 - $28	$(12) - $(16)	$66 - $70	$(1) - $3

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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Adj. EBITDA Reconciliation

Reconciliation of Net (Loss) Income to Adjusted EBITDA

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
Net (loss) income	$ (673)	$ 1,836	$ (1,893)	$ (6,003)
Adjustments:				
Discontinued operations loss (income)	—	6	—	(81)
Interest expense, net (1)	4,102	1,824	7,070	3,261
Income tax (benefit) expense	(179)	471	(415)	1,823
Depreciation, amortization, and disposals (2)	2,833	2,169	5,240	4,280
Operational transformation initiatives	3,270	3,420	3,514	10,378
Foreign currency hedges	—	(1,036)	109	(1,036)
Share-based compensation	1,193	886	2,045	1,510
Product redesign initiatives	1,652	455	3,802	3,029
Other	4	17	(53)	(44)
Adjusted EBITDA	$ 12,202	$ 10,048	$ 19,419	$ 17,117
Adjusted EBITDA margin (percentage of net sales)	5.8%	4.6%	5.3%	4.5%

(1) Includes $0.1 million and $0.2 million for the three and six months ended March 30, 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 $0.3 million for the three and six months ended March 30, 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		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
Net cash provided by (used in) operating activities	$ 21,436	$ 751	$ (26,772)	$ (33,057)
Cash paid for fixed and acquired intangible assets	(11,919)	(3,572)	(22,706)	(7,021)
Free cash flow	$ 9,517	$ (2,821)	$ (49,478)	$ (40,078)
Cash paid for product redesign initiatives	(1,652)	(455)	(3,802)	(3,029)
Cash paid for operational transformation initiatives	(3,270)	(3,420)	(3,514)	(10,378)
Adjusted free cash flow	14,439	1,054	(42,162)	(26,671)

Adjusted EPS Reconciliation

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Reconciliation of Net (Loss) Income to Adjusted Net Income

(in thousands of dollars)	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
Net (loss) income	$ (673)	$ 1,836	$ (1,893)	$ (6,003)
Adjustments, net of tax benefit or expense (1)				
Operational transformation initiatives	2,453	2,565	2,636	7,784
Product redesign initiatives	1,239	341	2,852	2,272
Foreign currency hedges	—	(777)	82	(777)
Share-based compensation	895	665	1,534	1,133
Discontinued operations loss (income)	—	5	—	(61)
Other	3	13	(40)	(33)
Adjusted net income, non-GAAP	$ 3,916	$ 4,647	5,170	4,314
Less: preferred stock dividends	—	763	—	1,533
Adjusted net income available to common stockholders, non-GAAP	$ 3,916	$ 3,884	5,170	2,781

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

Reconciliation of Diluted EPS to Adjusted Diluted EPS

	Three Months Ended		Six Months Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
Diluted (loss) earnings per share	$ (0.03)	$ 0.04	$ (0.07)	$ (0.32)
One-time charge adjustments, net of tax benefit or expense	0.18	0.11	0.26	0.44
Adjusted diluted earnings per share, non-GAAP (1)	$ 0.15	$ 0.15	$ 0.19	$ 0.12
Weighted average dilutive shares outstanding (2)	26,915,502	25,127,082	27,023,021	23,911,909

(1) Numerator is adjusted net income, non-GAAP for the three and six months ended March 30, 2019. Numerator is adjusted net income available to common stockholders, non-GAAP for the three and six months ended March 31, 2018.
(2) Weighted average dilutive shares outstanding excluded 320,222 and 573,949 shares for the three and six months ended March 30, 2019, respectively, and 1,249,861 for the six months ended March 31, 2018 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

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

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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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