

Blue Bird Corporation

(Nasdaq: BLBD)

Craig-Hallum Alpha Select Conference

New York

November 16, 2016

BLUE BIRD

A heritage of looking ahead.

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 in this press release 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 Hennessy Capital Acquisition Corp. or 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.

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Non-GAAP Financial Measures

This presentation includes 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 net income prior to interest income, interest expense and other expense, net and income taxes, and depreciation and amortization, as adjusted to add back certain charges recorded 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) from continuing operations divided by diluted weighted average common shares outstanding. Adjusted Net Income from continuing operations and Adjusted Diluted Earnings per Share are calculated net of taxes. Free cash flow represents net cash provided by continuing 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. This presentation includes schedules that reconcile Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted Earnings per Share to GAAP measures.

Narrowing Guidance

- We are confirming and narrowing our fiscal 2016 guidance to the following ranges (in millions):
  - Revenue: $931-935 (midpoint $933)
  - Adj. EBITDA: $70-72 (midpoint $71)
  - Free Cash Flow: $32-34 (midpoint $33)

- All 2016 dollar figures in this presentation represent the mid-point of our narrowed guidance range

- Out latest 2016 guidance as of 3Q was provided as follows:
  - Revenue: $930-950
  - Adj. EBITDA: $70-72
  - Free Cash Flow: $30-35

Agenda

- Industry Overview
- Blue Bird Overview
- Product Focus
- Financials
- Future Growth & Profit Drivers
- Why Invest
- Q&A



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.



Industry Overview

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Industry Overview

School buses are America's largest mass transit system

550,000
school buses in operation in the U.S. and Canada transporting
26 MILLION KIDS
to school on a daily basis

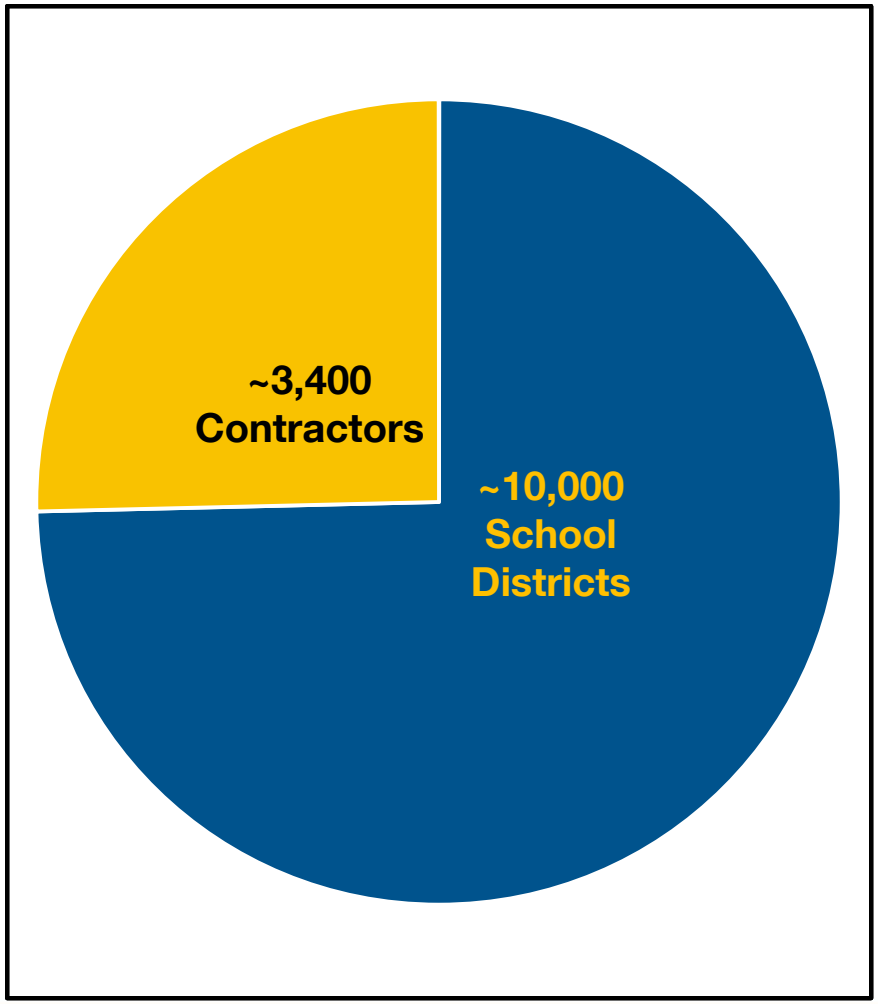


- 26 million students daily represents just over 50% of total enrollment
- Average passengers per bus is about 50
- Conservative estimate is that each bus replaces at least 20 cars per day (each way) or over 20 million trips per day
- School buses ensure that students have a reliable and safe way to get to school, every day

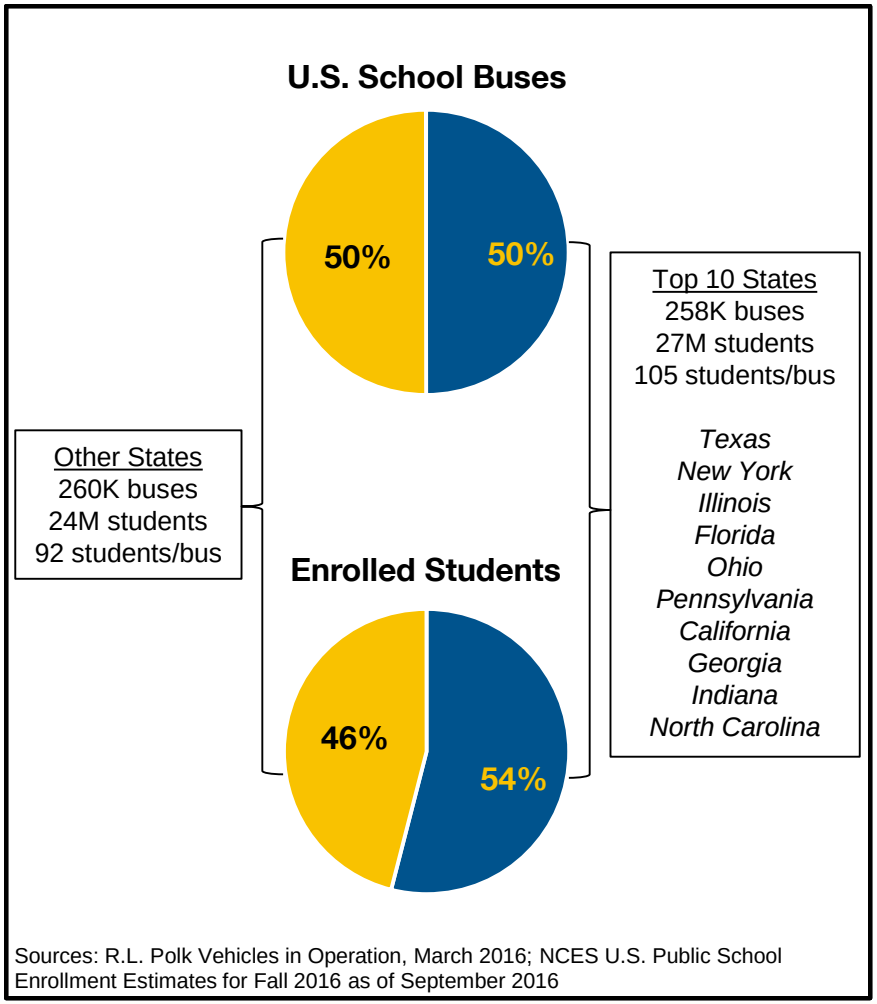
School buses are an important part of America's infrastructure

Industry Overview

School Bus Customers



U.S. School Bus and Student Population

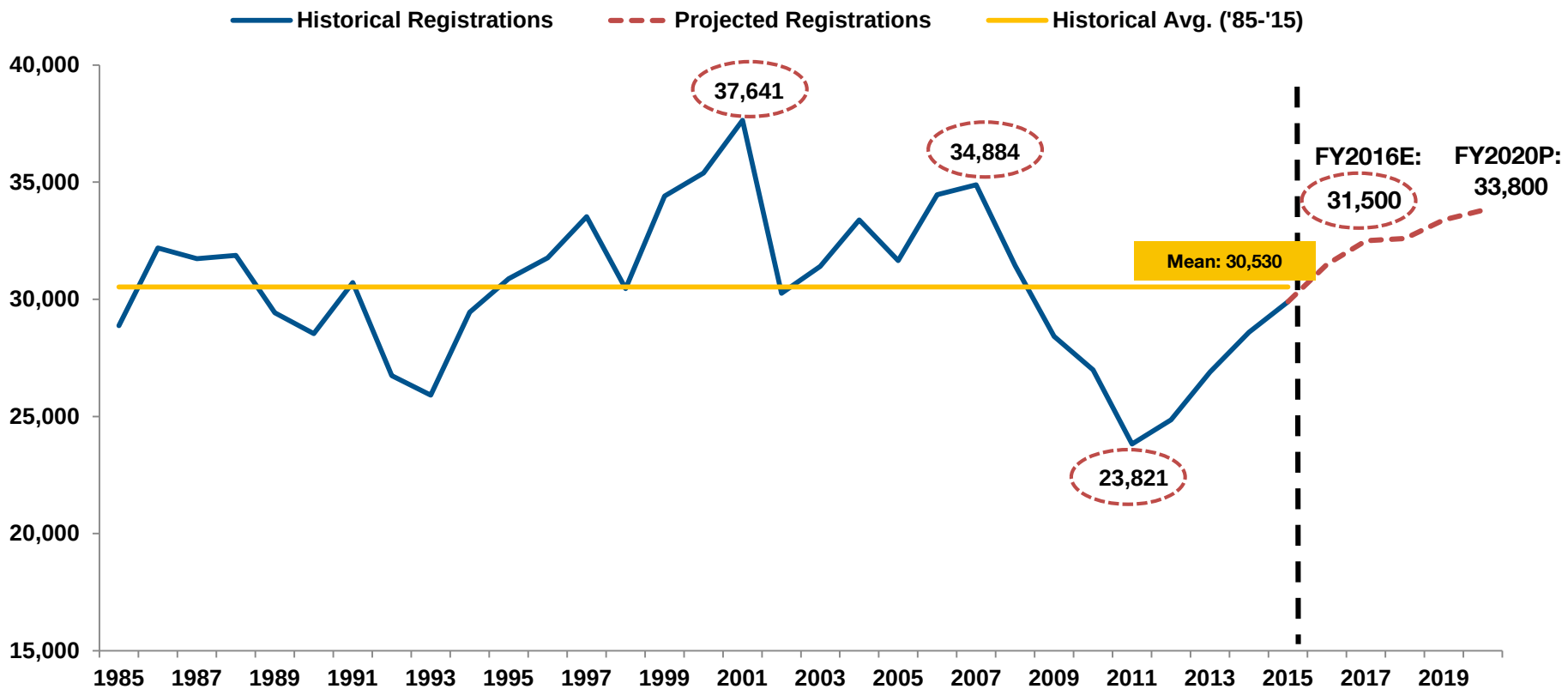


Sources: R.L. Polk Vehicles in Operation, March 2016; NCES U.S. Public School Enrollment Estimates for Fall 2016 as of September 2016

Large number of independent customers with 50% of buses and about 54% of students in 10 key states

Market Recovery

Type C/D School Bus Recovery

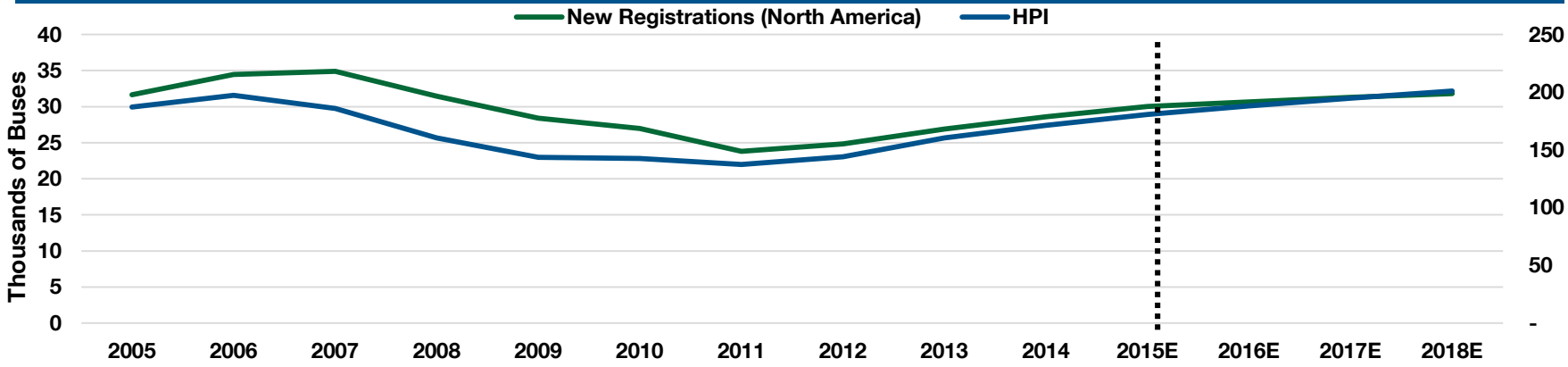


Source: Historical results are based on RL Polk vehicle registration data, and the estimated 2014-2016 periods are based on Blue Bird management's forecast model, which takes into account RL Polk vehicle registration data, population of school age children forecasts from the National Center for Education Statistics and bus ridership data collected and published by an industry magazine (School Transportation News)

FY2016 tracking ahead of prior estimates; final result available mid December

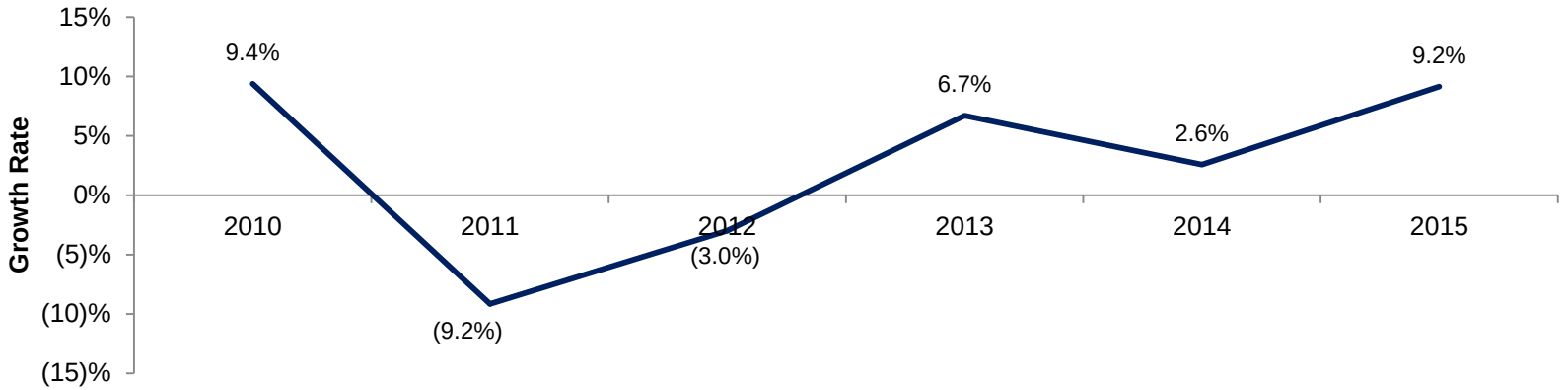
Positive Outlook

New School Bus Registrations vs. CoreLogic Housing Price Index



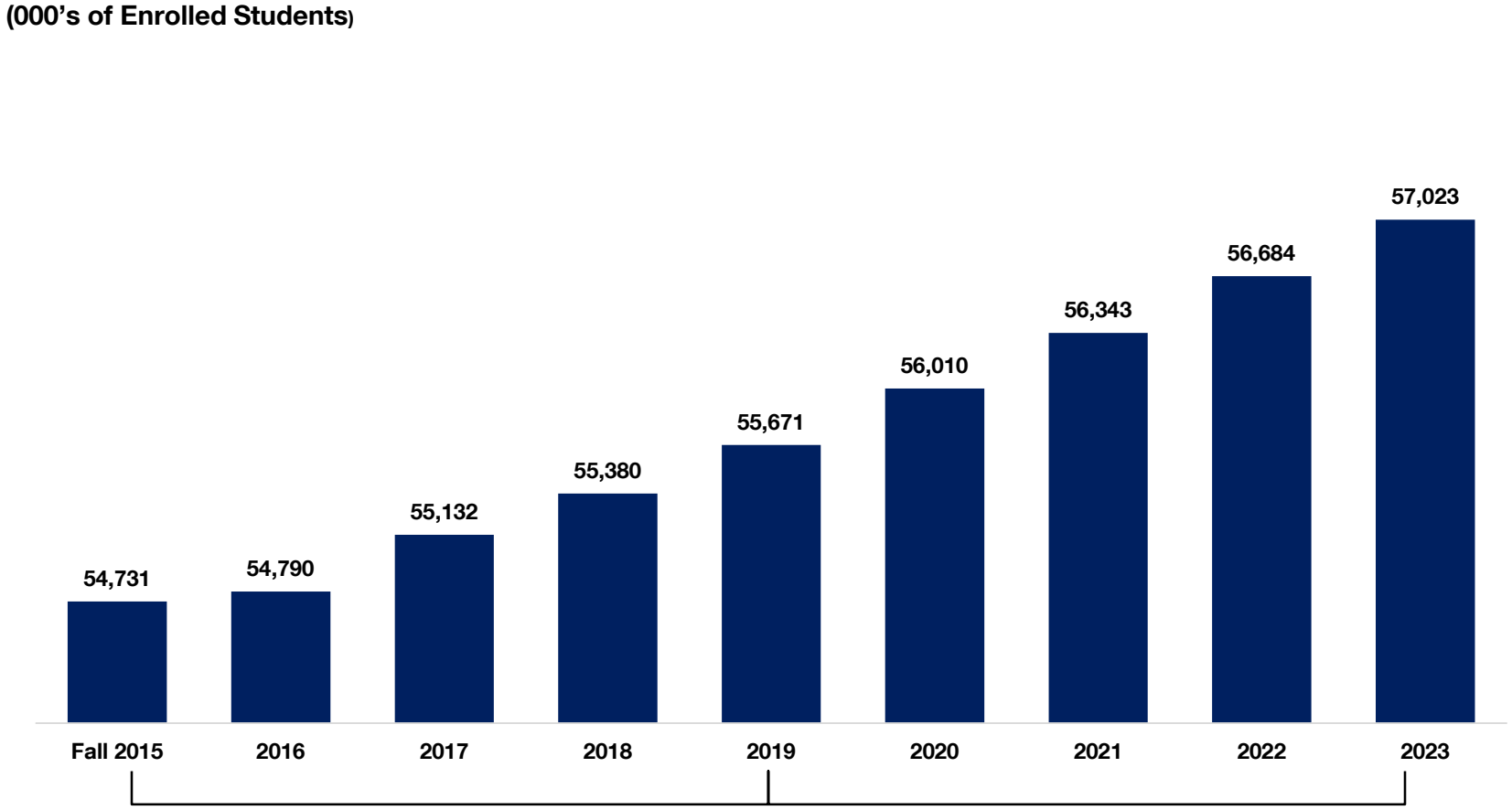
Source: HPI data from CoreLogic, normalized to Jan of 2005

U.S. Property Tax Revenue Growth



Bus sales and house price index track closely; property taxes provide majority of funds for school bus purchases

Total Projected U.S. Enrollment

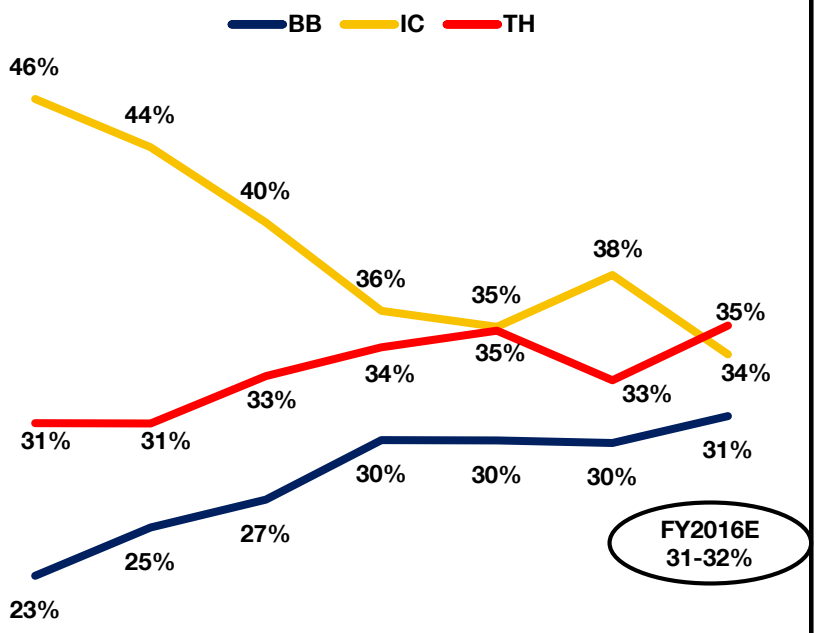


Source: Enrollment data from NCES project

Student enrollment growing; supporting incremental demand

Market Share Growth

Market Share



Source: R.L. Polk Registrations

Drivers

- Bus focused dealers; strong customer relationships
- Upgrading dealers where required
- Reduced complexity and substantial quality gains
- Clear leader in alternative fuel
- Propane growth since FY2012 brings conquest share
- Gas bus introduced in late FY2016 will drive growth
- Other new products introduced in FY2016 and FY2017

Substantial share growth since FY2010



Blue Bird Overview

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Blue Bird Highlights

- Leading Brand With Focus on Innovation
- First-Mover Advantage in High Growth Propane Segment
- Favorable Industry Dynamics
- Strong Free Cash Flow Generation and Liquidity
- Strong Distribution Model
- Experienced and Committed Management Focused on Optimizing Business

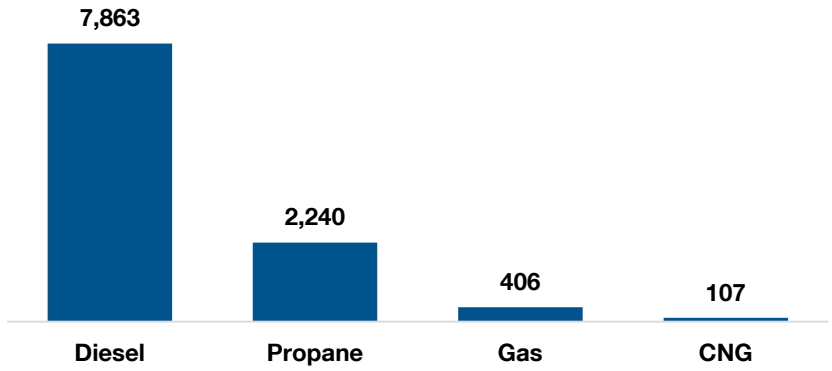
Blue Bird FY2016 Highlights

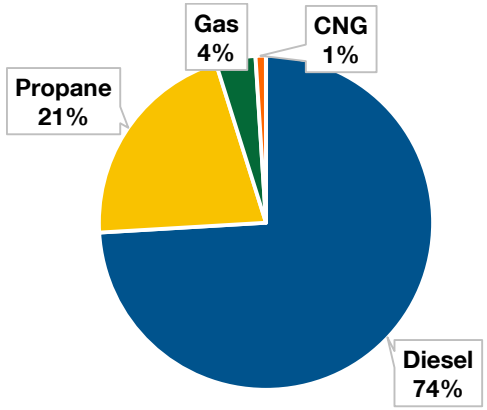
- **Launched second shift**
  - Achieved 70 units-per-day production, up TBD units-per-day compared with FY2012
- **First to market with gas-powered Type C offering**
  - Commenced shipping in September, selling over 400 units in the month
  - Very promising product – customer interest remains high
- **First to market with Cummins ISV V8 Diesel**
- **Introduced Type C CNG**
- **Introduced Eaton 7-speed transmission**
- **Introduced Blue Bird Commercial vehicles**

We design, build, sell and service the world's finest school bus

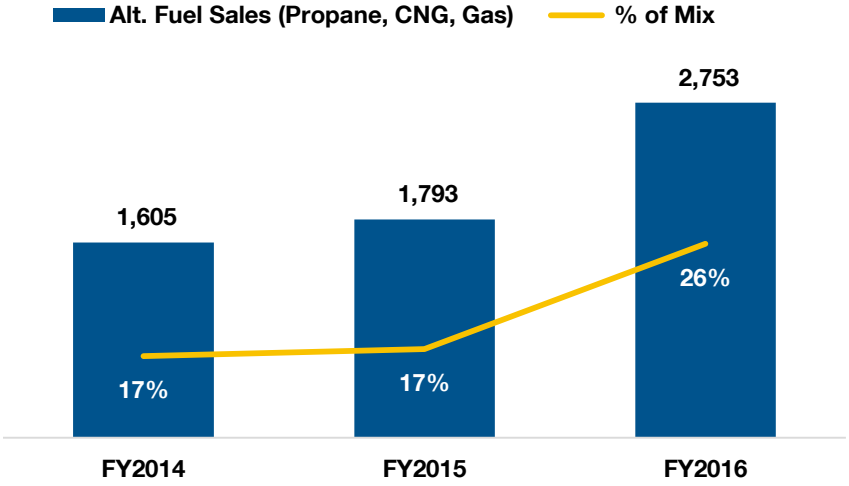
Blue Bird Alternative Fuels

FY2016 Units Sales





Alternative Fuels Growth



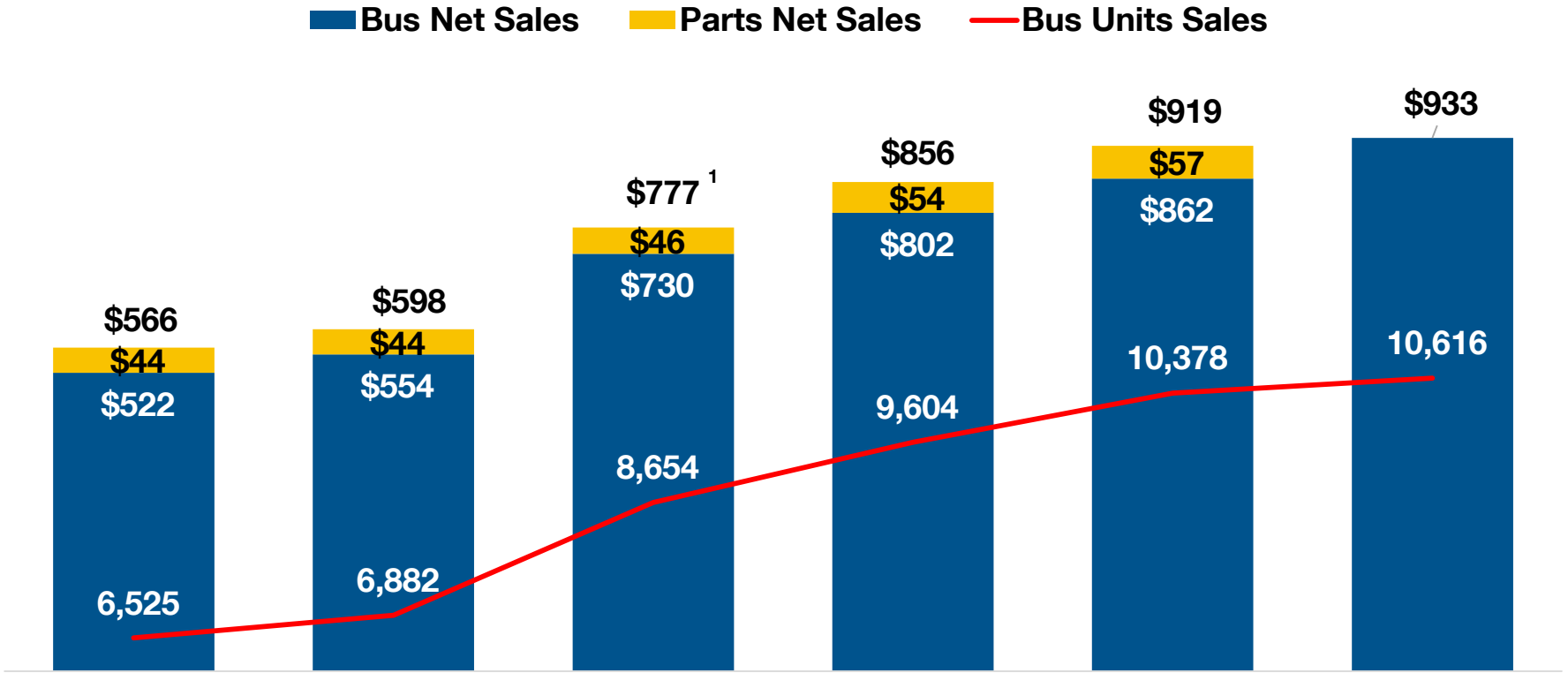
Competition

- IC entered propane market in 2016
  - Offering: Power Solutions Inc. (PSI)
- Thomas entered in 2015
  - Offering: Powertrain Integrators (PTI)
- Blue Bird maintains dominant share of the business with superior Ford/ROUSH offering

Solid business with a track record of growing and delivering results

Track Record of Growing Sales

($ in millions)



Memo ASP: *($ in thousands)*						
Total:	$87	$87	$90	$89	$89	$88
Bus Only:	$80	$81	$84	$84	$83	

Delivering solid revenue growth

[1] Total does not sum precisely due to rounding



Product Focused

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Product-Focused Company

Full Product Range



Type C Buses
66% Net Sales
Diesel
Propane
Gas
CNG (FY2017)



Type D Buses
22% Net Sales
Diesel
CNG

Aftermarket Parts
6% Net Sales



Type A Buses[1]
Diesel
Propane
Gas

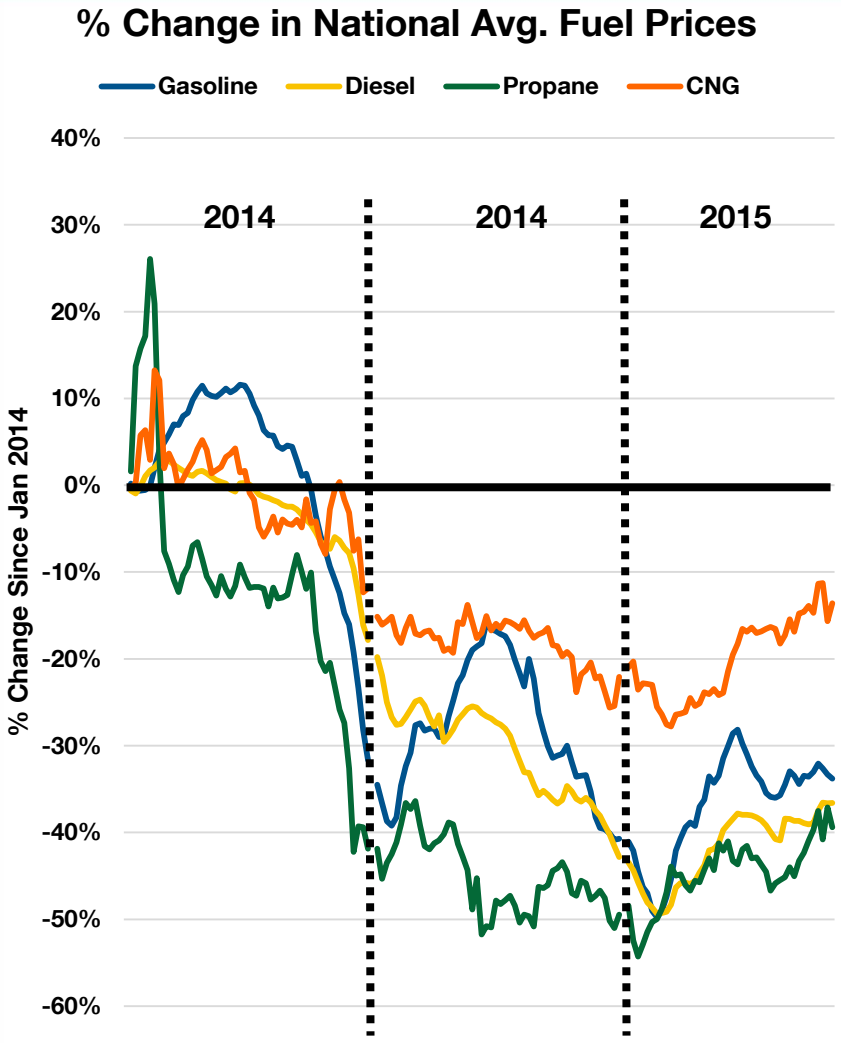


Specialty Buses
5% Net Sales
Diesel

[1] Unconsolidated Joint Venture
Note: Based on FY2015 sales. Total does not sum precisely due to rounding

Broadest product range with many exclusive features

Positive Press on Propane Cost Savings



"Broward County saves over $600,000 with Blue Bird propane-powered buses"

School Transportation News
August 14, 2015

"Washingtonville Central School District maintenance costs drop 30% with propane-powered buses"

New York State School Boards Association
April 27, 2015

"DeKalb County adds environmentally-friendly propane school buses"

- *Propane is much cheaper (than diesel), at 89 cents a gallon*
- *District hopes to transition all buses over to propane*

News Channel 15 wane.com
August 4, 2015



Propane prices have fallen more quickly than diesel since 2014 – down nearly 40%

Source: U.S. Energy Information Administration (EIA)

Launched Four New Powertrains

Gasoline Engine



BUILT Ford TOUGH™ ROUSH CLEANTECH

- Blue Bird is the only manufacturer to offer a Type C gasoline-powered school bus
- Lower acquisition cost than other fuel types
- Maintenance and service is simpler for technicians
- Strong cold-weather starting capability
- Utilizes Ford's modern 6.8L V10 gasoline engine
- Blue Bird exclusive

V8 Diesel Engine



- Blue Bird is the only manufacturer to offer the Cummins ISV 5.0L V8 diesel in a school bus
- Lower acquisition cost than other diesel offerings
- Improved fuel economy
- Quietest diesel engine on the road
- Better serviceability

CNG Engine



BUILT Ford TOUGH™ ROUSH CLEANTECH

- Lower acquisition cost than Type D CNG-powered school bus
- Lower fuel and maintenance cost than diesel
- Environmentally friendly
- Utilizes Ford's modern 6.8L V10 engine
- Blue Bird exclusive

Dual-Clutch 7- Speed Transmission

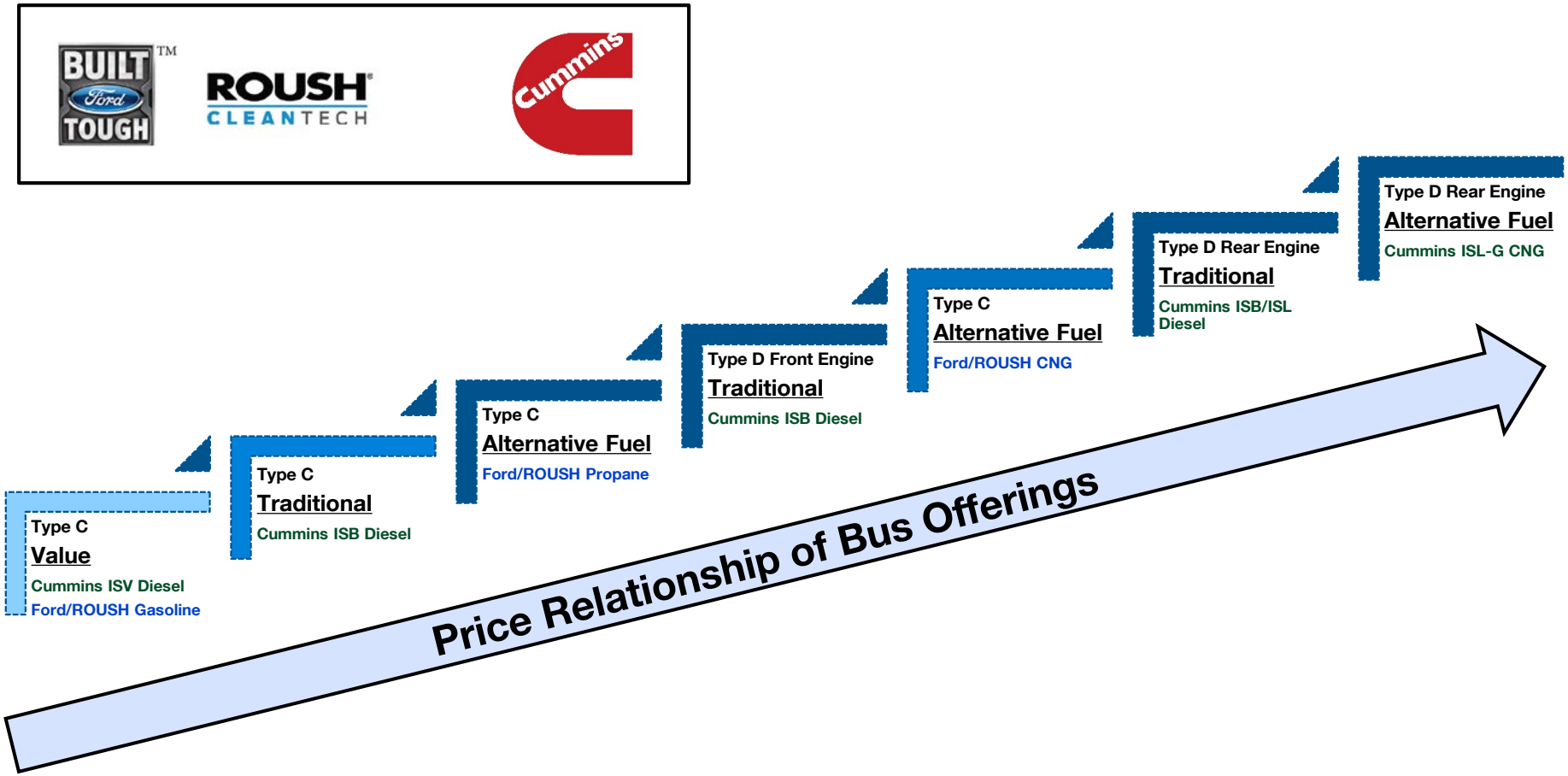


EATON

- First dual-clutch, seven-speed automatic transmission available for school buses in North America
- Electronic shifting provides optimal fuel efficiency and smooth, continuous delivery of torque
- Accelerates and optimizes shift points
- Adds features that make bus easier to drive

Industry leader in breadth of powertrain offerings

Broadest Range of Product Offerings



Already receiving orders for the new gasoline-engine bus

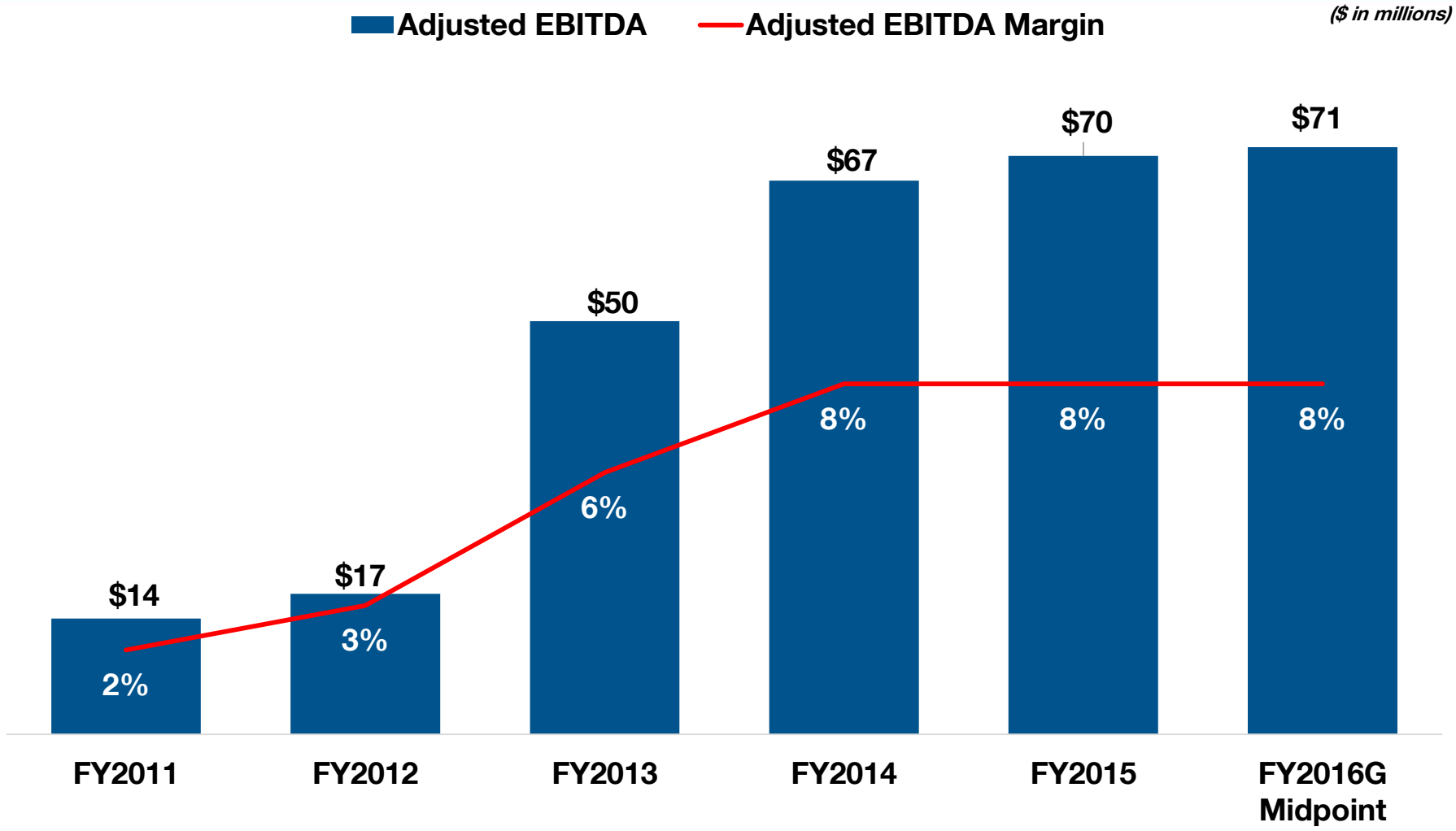


Financials

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Impressive Profit Growth

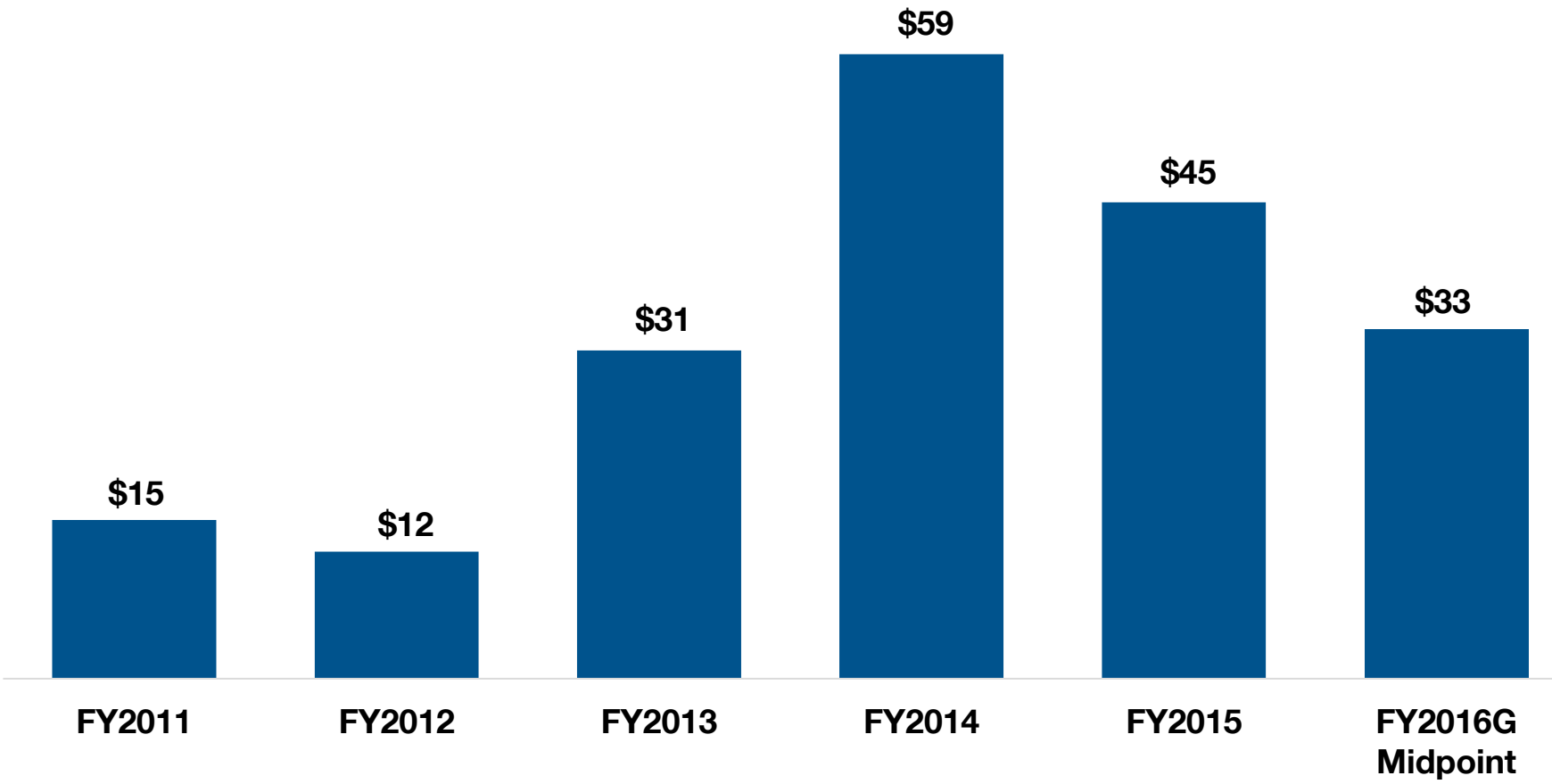


Consistent improvement with 3-5 year target of 10% of revenue

Strong Cash Flow Generation

($ in millions)

Adjusted Free Cash Flow [1]



Business generates strong free cash flow

[1]Adjusted for Business Combination and Special Compensation Payments in FY2014, FY2015 and FY2016G

Improving Net Debt, Leverage & Liquidity

($ Millions)	As of July 2, 2016
Debt	**$ 154.3**
Cash	**42.7**
Net Debt	**$111.6**
Net Debt / Adjusted EBITDA (LTM)	**1.5x**
Net Leverage Ratio **Compared with minimum bank Net Leverage Ratio covenant of 4.5x**	**1.7x**
Liquidity[1]	**$ 97.6**

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

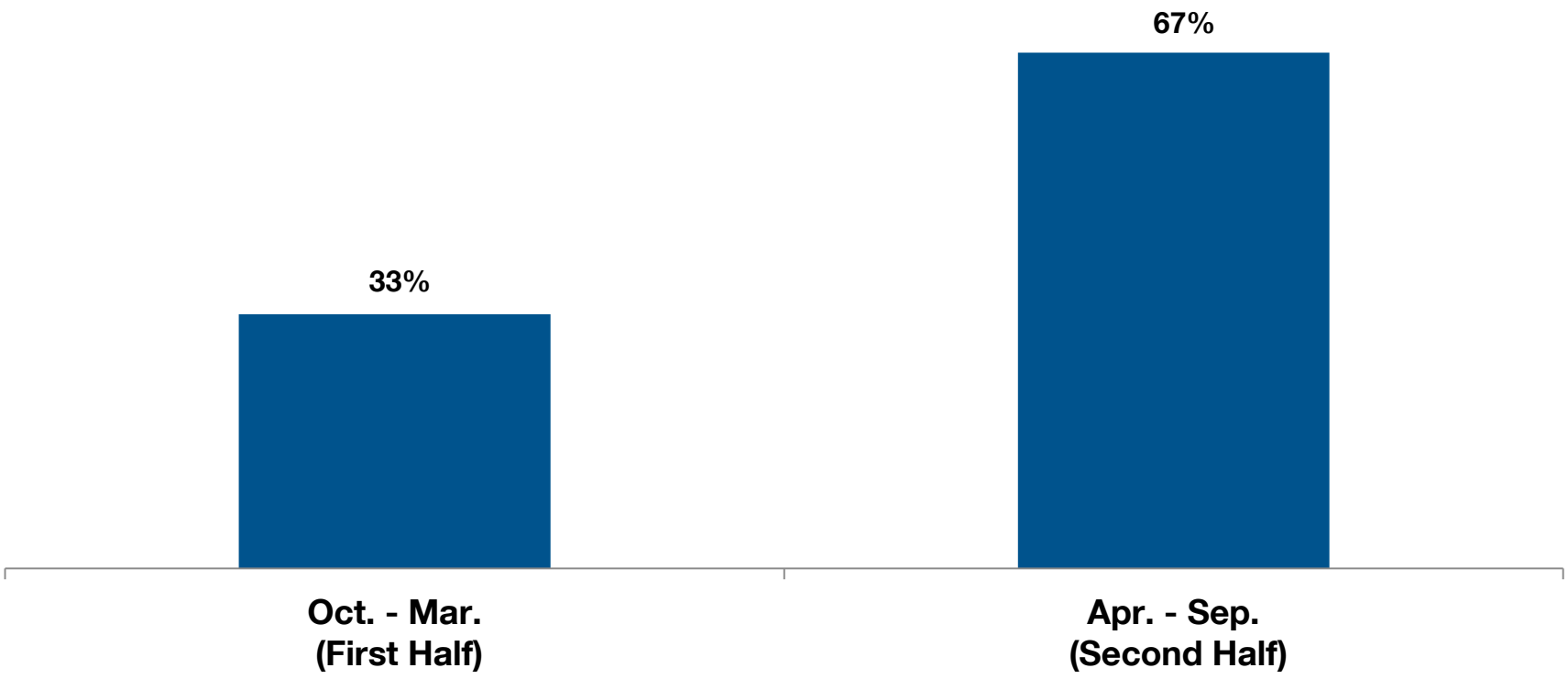
Significantly below Net Leverage Ratio covenant; liquidity strong

Very Seasonal Business

Industry New School Bus Registrations

Based on 3-Year Average

FY2013-FY2015*



School districts generally prefer to take delivery just prior to start of new school year

* RL Polk registration data



Future Growth & Profit Drivers

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Future Growth & Profit Drivers

Industry Volume Upside

Growing Student Enrollment & Improved Funding

+

Market Share Growth

Increasing Alternative Fuel Penetration
Continuous Product Enhancements
Dealer Network Improvements

+

Higher Operating Margins

Second Shift
Drive Productivity
Deliver Parts Growth

+

New Markets & Products

International & Commercial Buses

=

Future Growth & Profitability

Long-Term Financial Objective:
EBITDA 10% of Sales

Roadmap to future EBITDA growth



Summary

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Strong Outlook

- **Fundamentals are strong**
  - Industry is growing
  - Positive outlook with growing student population
  - Increasing house prices provide funding growth
  - Growing interest in replacing old buses



- **Blue Bird Advantages**
  - Acknowledged leader in propane
  - First to market with Gasoline Bus
  - First School Bus OEM with Cummins ISV diesel
  - First School Bus OEM with Eaton transmission
  - Focused on “Building the Better Bus”

- **Blue Bird Outlook**
  - Sales and share growth in North America
  - Expand customer base in international and commercial markets
  - Aggressive Parts sales program
  - Continue to grow profits and maintain strong free cash flow

Management team is focused on delivering results



Q&A

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Appendix

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Blue Bird Alternative Fuels

- **Iconic and Fastest Growing School Bus Brand**
  - Bus sales volume (units) up more than 60% since 2010
  - North American market share of 30% in 2015 is up 7 percentage points since 2010
- **Undisputed Leader in Alternative Fuel-Powered Bus Sales**
  - Sold ~6x more alternative-fuel buses than all competitors combined since 2010
  - Propane-powered buses is the fastest growing powertrain segment in market and Blue Bird is the clear leader
  - Achieved double-digit sales growth of propane-powered buses in FY2015
- **Significant Upside Potential**
  - Mid-stage of school bus industry rebound following trough in 2011
  - Big growth opportunity with propane-powered buses as less than 500 customers out of over 10,000 have purchased propane to date
  - Significant momentum on product with focus on affordable and exclusive differentiation
  - Longer term opportunity to achieve more substantial international and commercial sales
- **Experienced and committed management team that delivers results**

Solid business with a track record of growing and delivering results

Blue Bird Key Facts

- Leading independent designer and manufacturer of school buses
- Over 1,800 Employees
  - Fabrication and assembly plants in Fort Valley, GA
  - Service parts distribution center in Delaware, OH
  - Type A small bus joint venture in Drummondville, Quebec
- Almost 90% of volume is sold through an exclusive dealer network
  - ~250 service locations throughout the U.S. and Canada
- Three Primary Brands in Market
  - Blue Bird
  - IC Bus (division of Navistar)
  - Thomas Built Bus (division of Freightliner)
- Financial Snapshot
  - FY2015 total revenue was $919 million with Adjusted EBITDA of $70 million
  - Buses: 94% of revenue with 11%+ gross margin
  - Parts: 6% of revenue with 36%+ gross margin

We design, build, sell and service the world's finest school bus

Key Senior Executives

Name	Position	Key Prior Experience	Years Experience	
			Auto Industry	Blue Bird
Phil Horlock	*President & Chief Executive Officer*	Ford	38	7
Phil Tighe	*Chief Financial Officer*	Ford	39	4
John Kwapis	*Chief Operating Officer*	GM, Johnson Controls, accenture	30	6
Tom Roberts	*Chief Administrative Officer*	Sidley Austin LLP, Cerberus Capital Management, L.P.	6	6
Mark Terry	*Chief Commercial Officer*	Yancey Bus Sales & Service, CAT	37	8
Mike McCurdy	*VP HR & External Affairs*	olan mills	16	16
Paul Yousif	*VP Legal Affairs & Treasurer*	Visteon	15	9

Iconic History



Blue Bird #1 Built by Company Founder Albert L. Luce Sr.



1927



1948
First All American Forward Engine Bus

1937
First All-Steel Body School Bus





1951
First All American on Proprietary Chassis



1957
Redesign of Conventional Bus



1975
First Micro Bird®



1957
Construction of Current Manufacturing Facility



1967
Upgrade of Conventional Bus



1988
First TC2000 Type D Bus

1991
First CNG-Powered All American Type D Bus

1992
First Generation Propane-Powered Conventional Type C Bus

1992
Acquired by Merrill Lynch Capital Partners

1994
First Electric-Powered TC2000 Type D Bus



1997
Acquired by Henlys Group





2013
First Sigma Type D Bus for Colombia



2015
First Micro Bird T-Series Type A Bus



2015

2016
Became Public and Started Trading on Nasdaq



2012
Third Generation Propane-Powered Vision Type C Bus

2008
Established Joint Venture with Girardin to Produce Type A Buses



American Securities becomes majority shareholder



2012
Redesign of All American Type D Bus

2007
Second Generation Propane-Powered Vision Type C Bus

2006
Acquired by Cerberus Capital Management

2003
First Vision Type C Bus on Proprietary Chassis



89 Years of Innovation

Customer View of Blue Bird

Product Attributes Ranked in Order of Importance[1]	Blue Bird	Competitor A	Competitor B
#1 Safety	●	--	--
#2 Quality, Reliability and Durability	●	--	--
#3 Operating Costs	●	--	--
#4 Acquisition Cost	--	✓	--
#5 How the Bus Drives	●	--	--

[1] Checkmarks/Corporate Logo indicate leadership in category

Blue Bird viewed as the leader in four of the five top attributes

Source: Freedonia Custom Research, Inc. 9/4/2013 (study commissioned by Blue Bird)

FY2015 Year-End Balance Sheet

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands except for share data)	As of October 3, 2015	As of September 27, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 52,861	$ 61,137
Accounts receivable, net	13,746	21,215
Inventories	49,180	71,300
Other current assets	3,960	4,353
Deferred tax asset	9,150	6,057
Total current assets	$ 128,897	$ 164,062
Property, plant and equipment, net	28,933	29,949
Goodwill	18,825	18,825
Intangible assets, net	60,378	62,240
Equity investment in affiliate	12,505	9,871
Deferred tax asset	15,466	4,073
Other assets	2,899	2,913
Total assets	$ 267,903	$ 291,933
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 79,333	$ 94,294
Accrued warranty costs	7,418	6,594
Accrued expenses	22,980	37,319
Deferred warranty income	4,862	4,117
Other current liabilities	7,072	5,668
Current portion of senior term debt	11,750	11,750
Total current liabilities	$ 133,415	$ 159,742
Long-term liabilities		
Long-term debt	$ 176,596	$ 211,118
Accrued warranty costs	10,243	8,965
Deferred warranty income	9,283	7,886
Other liabilities	13,169	12,136
Accrued pension liability	46,427	40,881
Total long-term liabilities	$ 255,718	$ 280,986
Guarantees, commitments and contingencies (Note 11)		
Stockholders' deficit		
Series A preferred stock, $.0001 par value, 10,000,000 shares authorized, 500,000 issued at October 3, 2015 and liquidation preference of $50,000	$ 50,000	$ —
Common stock, $0.0001 par value, 100,000,000 shares authorized, 20,874,882 and 22,000,000 issued and outstanding at October 3, 2015 and September 27, 2014, respectively.	2	2
Additional paid-in capital	15,887	—
Accumulated deficit	(135,345)	(102,229)
Accumulated other comprehensive loss	(51,774)	(46,568)
Total stockholders' deficit	$ (121,230)	$ (148,795)
Total liabilities and stockholders' deficit	$ 267,903	$ 291,933

FY2015 Income Statement

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)

	For the fiscal year		
(in thousands except for share data)	**2015**	**2014**	**2013**
Net sales	$ 919,128	$ 855,735	$ 776,558
Cost of goods sold	798,733	746,362	684,109
Gross profit	$ 120,395	$ 109,373	$ 92,449
Operating expenses			
Selling, general and administrative expenses	84,561	91,445	65,332
Operating profit	$ 35,834	$ 17,928	$ 27,117
Interest expense	(19,078)	(6,156)	(2,371)
Interest income	113	102	214
Other income, net	—	72	96
Income before income taxes	$ 16,869	$ 11,946	$ 25,056
Income tax (expense) benefit	(4,442)	(10,441)	27,544
Equity in net income of non-consolidated affiliate	2,634	1,210	1,767
Income from continued operations	$ 15,061	$ 2,715	$ 54,367
(Loss) income from discontinued operations, net of tax	(129)	42	(159)
Net income	$ 14,932	$ 2,757	$ 54,208
Defined benefit pension plan (loss) gain, net of tax of $3,045, $2,326 and $5,709, respectively	(5,206)	(4,150)	10,196
Comprehensive income (loss)	$ 9,726	$ (1,393)	$ 64,404
Net income (from above)	$ 14,932	$ 2,757	$ 54,208
Preferred stock dividend	$ (2,247)	$ —	$ —
Net income available to common stockholders	$ 12,685	$ 2,757	$ 54,208
Earnings per share:			
Basic weighted average shares outstanding	21,182,885	22,000,000	22,000,000
Basic earnings per share	$ 0.60	$ 0.13	$ 2.46
Diluted weighted average shares outstanding	25,497,602	22,000,000	22,000,000
Diluted earnings per share	$ 0.59	$ 0.13	$ 2.46

FY2015 Consolidated Statement of Cash Flows

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the fiscal year 2015	2014	2013
Cash flows from operating activities			
Net income	$ 14,932	$ 2,757	$ 54,208
Loss (income) from discontinued operations, net of tax	129	(42)	159
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,790	9,898	11,808
Debt amortization/ Non-cash interest expense	3,010	1,301	1,526
Share-based compensation	1,622	—	—
Equity in net income of affiliate	(2,634)	(1,210)	(1,767)
Loss (gain) on disposal of fixed assets	510	(67)	36
Deferred taxes	(8,626)	3,239	(27,611)
Recognition of uncertain tax position	—	6,390	—
Provision for bad debt	34	(9)	21
Amortization of deferred actuarial pension losses	3,567	2,804	4,233
Changes in assets and liabilities			
Accounts receivable	7,435	(7,713)	(4,178)
Inventories	22,120	(8,697)	(7,244)
Other assets	(137)	(1,415)	1,315
Accounts payable	(12,905)	18,080	6,889
Accrued expenses, pension and other liabilities	(14,352)	12,096	(3,414)
Total adjustments	$ 8,434	$ 34,697	$ (18,386)
Net cash provided by continuing operations	$ 23,495	$ 37,412	$ 35,981
Net cash used in discontinued operations	(129)	(568)	(661)
Total cash provided by operating activities	$ 23,366	$ 36,844	$ 35,320
Cash flows from investing activities			
Change in net investment in discounted leases	$ —	$ 778	$ 563
Cash paid for fixed assets	(5,190)	(5,535)	(4,945)
Proceeds from sale of assets	—	102	—
Restricted cash	—	1,206	—
Total cash used in investing activities	$ (5,190)	$ (3,449)	$ (4,382)
Cash flows from financing activities			
Net borrowings under the senior credit facility	$ —	$ (71)	$ 71
Borrowings under the senior term loan	—	235,000	12,988
Repayments under the senior term loan	(36,750)	(13,000)	(35,000)
Cash paid for capital leases	(142)	(535)	(907)
Cash paid for debt costs	(3,110)	(12,647)	(111)
Contribution from majority stockholder	13,550	—	—
Payment of dividend	—	(226,821)	—
Change in advances collateralized by discounted leases	—	(778)	(563)
Total cash used in financing activities	$ (26,452)	$ (18,852)	$ (23,522)
Change in cash and cash equivalents	(8,276)	14,543	7,416
Cash and cash equivalents at beginning of period	61,137	46,594	39,178
Cash and cash equivalents at end of period	$ 52,861	$ 61,137	$ 46,594

FY2015 Cash Flow Reconciliations

The following table sets forth the reconciliations of both Free Cash Flow and Adjusted Free Cash Flow for fiscal years 2013, 2014 and 2015:

(in thousands of dollars)	2015	2014	2013	Memo: 4Q2015
Net cash provided by continuing operations	$ 23,495	$ 37,412	$ 35,981	$ 55,129
Cash paid for fixed assets	(5,190)	(5,535)	(4,945)	(1,763)
Free cash flow	$ 18,305	$ 31,877	$ 31,036	$ 53,366
Cash paid for special compensation payment	13,788[1]	24,679	-	-
Cash paid for business combination expenses	12,545	2,326	-	-
Adjusted free cash flow	$ 44,638	$ 58,882	$ 31,036	$ 53,366

[1]Primarily funded by a $13.6 million capital contribution from our majority stockholder at the Business Combination

FY2015 Adjusted EBITDA Reconciliation

The following table sets forth a reconciliation of Net Income to Adjusted EBITDA for the three-month and years ended October 3, 2015 and September 27, 2014:

(in thousands of dollars)	Three Months Ended October 3, 2015	Three Months Ended September 27, 2014	Twelve Months Ended October 3, 2015	Twelve Months Ended September 27, 2014
Net income	$ 15,972	$ (875)	$ 14,932	$ 2,757
(Loss) income from discontinued operations, net of tax	(125)	180	(129)	42
Income from continuing operations	$ 16,097	$ (1,055)	$ 15,061	$ 2,715
Interest expense, net	4,531	4,888	18,965	6,054
Income tax expense	4,432	1,726	4,442	10,441
Depreciation and amortization	2,144	2,501	8,790	9,898
Special compensation payment	—	—	13,788	24,679
Management incentive compensation	—	1,384	—	3,271
Business combination expenses	316	9,153	5,318	9,326
Share-based compensation	1,148	—	1,635	—
Public company expenses	340	—	1,356	—
Other*	—	407	469	407
Adjusted EBITDA	$ 29,008	$ 19,004	$ 69,824	$ 66,791
Adjusted EBITDA margin (percentage of net sales)	9.4%	6.9%	7.6%	7.8%

*Fiscal year 2015 amount reflects a loss on disposal of fixed assets. Fiscal year 2014 amount reflects an immaterial out-of-period adjustment increasing cost of goods sold.

FY2015 Net Income to Adjusted Net Income

The following table sets forth a reconciliation of GAAP Net Income to Non-GAAP Adjusted Net Income from Continuing Operations Available to Common Stockholders for the three-month and years-ended October 3, 2015 and September 27, 2014:

(in thousands of dollars)	Three Months Ended October 3, 2015	Three Months Ended September 27, 2014	Twelve Months Ended October 3, 2015	Twelve Months Ended September 27, 2014
Net income	$ 15,972	$ (875)	$ 14,932	$ 2,757
Less: Preferred stock dividend	(1,008)	—	(2,247)	—
Net income (loss) available to common stockholders	$ 14,964	$ (875)	$ 12,685	$ 2,757
Adjustments net of tax impact				
Special compensation payment	—	—	8,962	16,041
Management incentive compensation (a)	—	900	—	2,126
Discontinued operations	(125)	180	(129)	42
Business combination	205	5,950	3,457	6,062
Public company expenses	221	—	881	—
Loss on disposal of fixed assets	—	—	305	—
Total adjustments	$ 301	$ 7,030	$ 13,476	$ 24,271
Adjusted net income from continuing operations available to common stockholders	$ 15,265	$ 6,155	$ 26,161	$ 27,028
Adjusted net income from continuing operations available to common stockholders - Diluted EPS numerator	$ 16,273	$ 6,155	$ 28,408	$ 27,028

Note: Marginal tax rate of 35%

(a) Represents incentive compensation paid to officers in excess of a related accrual (typically recorded at 100% target level) due to over-performance relative to budget. This adjustment excludes the amount of the accrual above 200% of the target level.

FY2015 Adjusted Non-GAAP Diluted EPS

The following table sets forth a reconciliation of GAAP Diluted EPS to Non-GAAP Adjusted Diluted EPS for the three-month and years ended October 3, 2015 and September 27, 2014:

	Three Months Ended October 3, 2015	Three Months Ended September 27, 2014	Twelve Months Ended October 3, 2015	Twelve Months Ended September 27, 2014
GAAP diluted earnings (loss) per share	$ 0.63	$ (0.04)	$ 0.59	$ 0.13
Add Preferred Stock dividend	*	—	*	—
Adjustments net of tax impact				
Special compensation payment	—	—	0.35	0.73
Management incentive compensation (a)	—	0.04	—	0.10
Discontinued operations	—	0.01	(0.01)	—
Business combination	0.01	0.27	0.14	0.28
Public company expenses	0.01	—	0.03	—
Loss on disposal of fixed assets	—	—	0.01	—
Adjusted non-GAAP diluted earnings per share	$ 0.65	$ 0.28	$ 1.11	$ 1.24
Shares used in computing adjusted diluted earnings per share	25,453,687	22,000,000	25,497,602	22,000,000

*Already included in the diluted earnings per share numerator in this period

(a) Represents incentive compensation paid to officers in excess of a related accrual (typically recorded at 100% target level) due to over-performance relative to budget. This adjustment excludes the amount of the accrual above 200% of the target level.

FY2015 Segment Revenue and Gross Profit

Net Sales by Segment	2015	$ and % Increase (Decrease)		2014
Bus	$ 861,665	$ 59,828	7.5 %	$ 801,837
Parts	57,463	3,565	6.6 %	53,898
Total	$ 919,128	$ 63,393	7.4 %	$ 855,735

Gross Profit by Segment:	2015	$ and % Increase (Decrease)		2014
Bus	$ 99,341	$ 10,026	11.2 %	$ 89,315
Parts	21,054	996	5.0 %	20,058
Total	$ 120,395	$ 11,022	10.1 %	$ 109,373

FY2016 3Q Balance Sheet

(in thousands except for share data)	July 2, 2016 (unaudited)	October 3, 2015 (unaudited)
Assets		
Current assets		
Cash and cash equivalents	$ 42,702	$ 52,861
Accounts receivable, net	19,754	13,746
Inventories	101,412	49,180
Other current assets	9,006	3,960
Deferred tax asset	7,381	9,150
Total current assets	$ 180,255	$ 128,897
Property, plant and equipment, net	30,672	28,933
Goodwill	18,825	18,825
Intangible assets, net	58,976	60,378
Equity investment in affiliate	11,561	12,505
Deferred tax asset	7,377	15,466
Other assets	2,586	1,721
Total assets	$ 310,252	$ 266,725
Liabilities and Stockholder's Deficit		
Current liabilities		
Accounts payable	$ 129,445	$ 79,333
Accrued warranty costs—current portion	7,586	7,418
Accrued expenses	25,214	22,980
Deferred warranty income—current portion	5,467	4,862
Other current liabilities	8,364	7,072
Current portion of senior term debt	11,750	11,750
Total current liabilities	$ 187,826	$ 133,415
Long-term liabilities		
Long-term debt	$ 142,577	$ 175,418
Accrued warranty costs	10,917	10,243
Deferred warranty income	10,284	9,283
Other liabilities	15,067	13,169
Accrued pension liability	42,632	46,427
Total long-term liabilities	$ 221,477	$ 254,540
Guarantees, commitments and contingencies (Note 6)		
Stockholder's deficit		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized 500,000 issued and liquidation preference of $50,000	$ 50,000	$ 50,000
Common stock, $0.0001 par value, 100,000,000 shares authorized, 21,449,954 and 20,874,882 issued and outstanding at July 2, 2016 and October 3, 2015, respectively	2	2
Additional paid-in capital	40,297	15,887
Accumulated deficit	(139,633)	(135,345)
Accumulated other comprehensive loss	(49,717)	(51,774)
Total stockholder's deficit	$ (99,051)	$ (121,230)
Total liabilities and stockholder's deficit	$ 310,252	$ 266,725

FY2016 3Q Income Statement

(in thousands except for share data)	Three Months Ended		Nine Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net sales	$ 323,055	$ 262,653	$ 645,596	$ 611,504
Cost of goods sold	276,247	225,991	554,921	532,334
Gross profit	$ 46,808	$ 36,662	$ 90,675	$ 79,170
Operating expenses				
Selling, general and administrative expenses	45,505	17,404	81,329	66,813
Operating profit	$ 1,303	$ 19,258	$ 9,346	$ 12,357
Interest expense	(4,040)	(4,577)	(12,736)	(14,473)
Interest income	7	5	118	39
Other income (expense), net	—	(33)	16	—
(Loss) income before income taxes	$ (2,730)	$ 14,653	$ (3,256)	$ (2,077)
Income tax expense	(887)	(4,513)	(2,069)	(8)
Equity in net income of non-consolidated affiliate	696	543	1,494	1,049
Net (loss) income from continuing operations	$ (2,921)	$ 10,683	$ (3,831)	$ (1,036)
Loss from discontinued operations, net of tax	(13)	—	(46)	(4)
Net (loss) income	$ (2,934)	$ 10,683	$ (3,877)	$ (1,040)
Defined benefit pension plan gain, net of tax expense of $419, $320, $1,257 and $959, respectively	777	593	2,333	1,780
Cash flow hedge loss, net of tax benefit of $33, $0, $149 and $0, respectively	(60)	—	(276)	—
Comprehensive (loss) income	$ (2,217)	$ 11,276	$ (1,820)	$ 740
Net (loss) income (from above)	$ (2,934)	$ 10,683	$ (3,877)	$ (1,040)
Preferred stock dividend	964	1,027	2,915	1,440
Net (loss) income available to common stockholders	$ (3,898)	$ 9,656	$ (6,792)	$ (2,480)
Earnings per share:				
Basic weighted average shares outstanding	21,084,878	20,712,860	20,989,737	21,306,118
Basic earnings (loss) per share	$ (0.18)	$ 0.47	$ (0.32)	$ (0.12)
Diluted weighted average shares outstanding	21,084,878	25,385,884	20,989,737	21,306,118
Diluted earnings (loss) per share	$ (0.18)	$ 0.42	$ (0.32)	$ (0.12)

FY2016 3Q Consolidated Statement of Cash Flows

(in thousands of dollars)	Nine Months Ended July 2, 2016 (unaudited)	Nine Months Ended July 4, 2015 (unaudited)
Cash flows from operating activities		
Net loss	$ (3,877)	$ (1,040)
Loss from discontinued operations, net of tax	46	4
Adjustments to reconcile net loss to net cash provided by (used in) continuing operations		
Depreciation and amortization	6,025	6,646
Amortization of debt costs	2,232	2,283
Share-based compensation	12,717	526
Unfunded portion of Phantom Equity Plan	1,355	—
Equity in net income of affiliate	(1,494)	(1,049)
Loss on disposal of fixed assets	29	495
Deferred taxes	8,461	(4,096)
Provision for bad debt	(5)	134
Amortization of deferred actuarial pension losses	3,590	2,739
Changes in assets and liabilities:		
Accounts receivable	(6,003)	(12,734)
Inventories	(52,232)	(35,220)
Other assets	(6,055)	(592)
Accounts payable	50,332	24,049
Accrued expenses, pension and other liabilities	3,870	(13,778)
Cash dividend from equity investment in affiliate	2,316	—
Total adjustments	$ 25,138	$ (30,597)
Net cash provided by (used in) continuing operations	$ 21,307	$ (31,633)
Net cash used in discontinued operations	(46)	(4)
Total cash provided by (used in) operating activities	$ 21,261	$ (31,637)
Cash flows from investing activities		
Cash paid for fixed assets	(6,511)	(3,427)
Total cash used in investing activities	$ (6,511)	$ (3,427)
Cash flows from financing activities		
Repayments under the senior term loan	(33,812)	(8,813)
Cash paid for capital leases	(168)	(114)
Cash paid for debt costs	(1,117)	(2,872)
Contributions from former majority stockholder	15,616	13,550
Payment of dividends on preferred stock	(1,917)	—
Cash paid for employee taxes on vested restricted shares	(3,511)	—
Total cash (used in) provided by financing activities	$ (24,909)	$ 1,751
Change in cash and cash equivalents	(10,159)	(33,313)
Cash and cash equivalents at beginning of period	52,861	61,137
Cash and cash equivalents at end of period	$ 42,702	$ 27,824
Non-cash investing and financing activity		
Capital expenditures funded by capital lease borrowings	100	—
Change in accounts payable for capital additions to property, plant and equipment	(220)	248
Common stock dividend on Series A preferred stock (market value of common shares)	998	1,239
Non-cash reverse merger activity		
Issuance of Common Stock	—	25,000
Issuance of Series A Preferred Stock	—	50,000
Shares assumed by legal acquirer	—	42,492
Repurchase of Common Stock from Traxis	—	100,000

FY2016 3QYTD Adjusted EBITDA

The following table sets forth a reconciliation of net income (loss) to adjusted EBITDA for the periods presented:

(in thousands of dollars)	Nine Months Ended July 2, 2016	Nine Months Ended July 4, 2015
Net income (loss)	$ (3,877)	$ (1,040)
Loss from discontinued operations, net of tax	(46)	(4)
Loss from continuing operations	$ (3,831)	$ (1,036)
Interest expense	12,736	14,473
Interest income	(118)	(39)
Income tax expense	2,069	8
Depreciation and amortization	6,025	6,646
Special compensation payment (1)	17,112	13,788
Public company expenses, non-recurring	—	2,654
Business combination expenses	239	3,364
Loss on disposal of fixed assets	—	469
One-time post-retirement benefit adjustment	896	—
Share-based compensation	12,717	526
Adjusted EBITDA	$ 47,845	$ 40,853
Adjusted EBITDA margin (percentage of net sales)	7.4%	6.7%

(1) The special compensation payments for fiscal 2016 and 2015 were primarily funded by a contribution from our former majority stockholder concurrent with the June 2016 change in control and 2015 Business Combination, respectively. An additional $1.4 million payment remains due, which will also be funded by a contribution from our former major stockholder.

FY2016 3QYTD Free Cash Flow

(in thousands of dollars)	Nine Months Ended July 2, 2016	Nine Months Ended July 4, 2015
Net cash used in continuing operations	$ 21,307	$ (31,633)
Cash paid for fixed assets	(6,511)	(3,427)
Free cash flow	$ 14,796	$ (35,060)

Reconciliation of Adjusted EBITDA to Free Cash Flow
(Unaudited)

(in thousands of dollars)	Three Months Ended July 2, 2016	Three Months Ended July 4, 2015	Nine Months Ended July 2, 2016	Nine Months Ended July 4, 2015
Adjusted EBITDA	$ 32,479	$ 23,350	$ 47,845	$ 40,853
Cash paid for interest, net	(2,370)	(3,877)	(9,542)	(16,281)
Trade working capital	9,430	(15,075)	(7,903)	(23,905)
Capital expenditures (CAPEX)	(2,574)	(1,595)	(6,511)	(3,427)
Cash paid for taxes, net	(278)	(2)	(1,074)	(361)
Other	11,326	5,377	7,977	(5,651)
Adjusted free cash flow	$ 48,013	$ 8,178	$ 30,792	$ (8,772)
Cash paid for special compensation payment	(15,757)	—	(15,757)	(13,788)
Cash paid for business combination expenses	(185)	—	(239)	(12,500)
Free cash flow	$ 32,071	$ 8,178	$ 14,796	$ (35,060)



END

BLUE BIRD

A heritage of looking ahead.