Nasdaq: BLBD

Blue Bird Corporation

Investor Presentation
February 2020



BLUE BIRD®

BUILT TO TAKE ON TOMORROW.

Agenda

- Business Summary
- School Bus Industry Overview
- Blue Bird Highlights
- Financial Overview



Business Summary

- **Continued strong outlook for school bus industry; expect ~35k buses per year over next few years**
  - Incremental school bus funding from the VW settlement will be flowing through the market over the next few years and is expected to accelerate the shift to alternative-fuel powered buses
- **Founded in 1927, Blue Bird product development, manufacturing, fabrication and headquarters located in Middle Georgia**
  - Produce up to 70 units per day on two shifts
  - Over 11,600 buses manufactured and sold last year
- **Only pure-play school bus manufacturer**
  - Product-focused and purpose-built
  - Most recognized school bus brand
- **High barriers to entry**
  - Highly specialized/custom product
  - Relationship-driven with exclusive, franchised dealer network
  - Highly seasonal market
- **Fastest growing school bus company; broadest range of product with gas, diesel, propane, CNG and electric offerings**
- **Strong free cash flow generation**
  - Operating with negative working capital over the year
  - Only build to firm orders
  - Low ongoing capital requirements
- **Undisputed leader in alternative fuels – the fastest growing segment of the school bus market**
  - Exclusive partnerships with Ford and ROUSH CleanTech
  - Nearly 40% of Blue Bird sales are non-diesel compared with less than 10% for competitors
- **Transformational Initiatives underway, supporting Adj. EBITDA Margin growth from 7% to 10%+ by FY2020**
  - Significant company-wide cost reductions, led by material costs
  - All-new, robotic paint facility
  - Efficiency gains from industrial engineering work
  - Major product changes, addressing features, quality and cost

On track to grow Adj. EBITDA Margin to 10%+ by FY2020



School Bus Industry Overview

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

School Bus Industry Products



Type C Buses
(Conventional)
Seating Capacity: 36-83
Fuel Types: Diesel, Propane, CNG, Gasoline, Electric (2019)



Type D FE Buses
(Front Engine, Transit-Style)
Seating Capacity: 54-90
Fuel Type: Diesel



Type D RE Buses
(Rear Engine, Transit-Style)
Seating Capacity: 66-84
Fuel Types: Diesel, CNG, Electric (2018)



Type A Buses
Seating Capacity: 10-30
Fuel Types: Diesel, Propane, Gasoline, Electric (2018)

Blue Bird offers most expansive range, from 10 to 90 passengers with multiple body and engine choices

Industry Highlights

School buses are America's largest mass transit system

590,000

school buses in operation in the U.S. and Canada transporting

26 MILLION KIDS

to school on a daily basis



Attractive Industry Attributes

High barriers to entry

- *Highly specialized product*
- *Dealer and service network*
- *Complex state and customer requirements*
- *Customer relationship driven business*

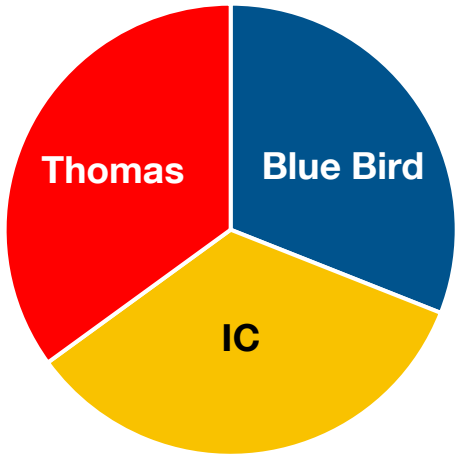
Demand Drivers

- *Population of school age children increasing*
- *Increasing average age of existing fleet*

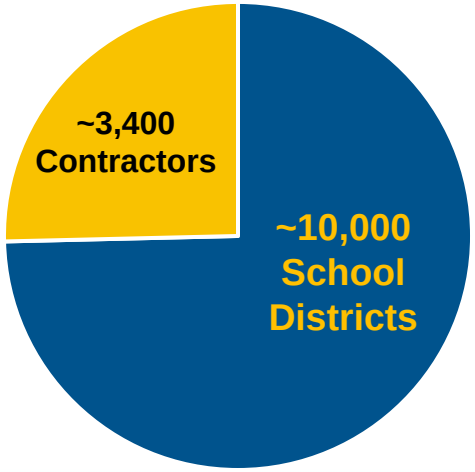
Relatively Clear Funding Sources

- *Property taxes are primary source of funding; volume tracks housing prices*

OEMs

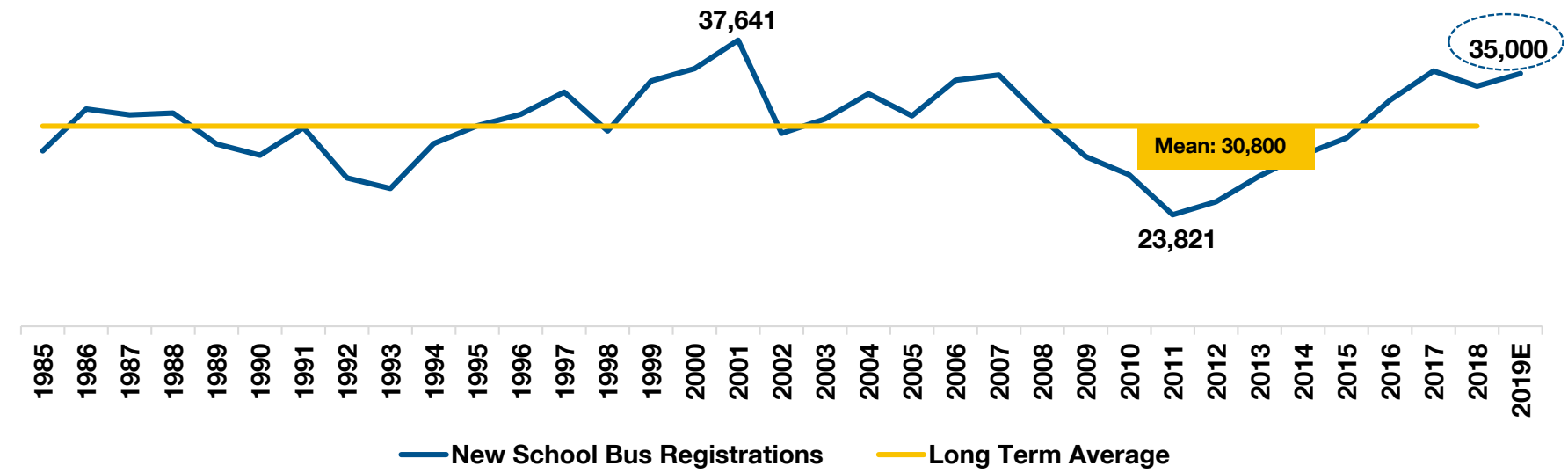


School Bus Customers



Safe and reliable transportation for over 26 million students each day

Type C & D School Bus Industry

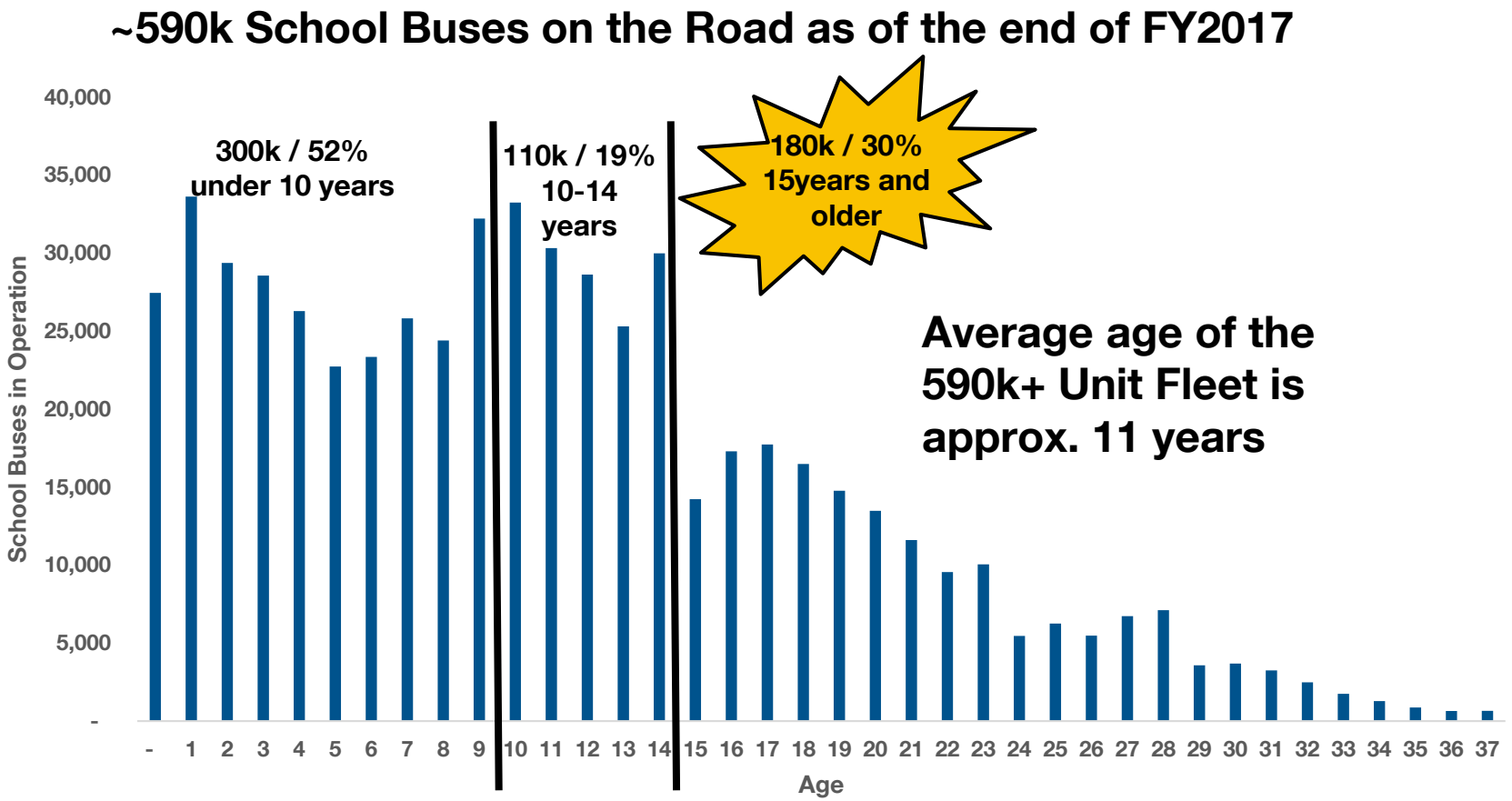


Source: R.L. Polk New Registrations, based on Type C/D school buses registered during BB fiscal year

- Industry average size is 30,800 new units annually based on RL Polk registrations
- Total fleet of school buses is ~590,000 units and average age is about 11 years
- Industry size is driven by:
  1. *Number of school age children*
  2. *Age of existing fleet – most states set 15 years as a replacement target*
  3. *Average ridership per bus*
  4. *Funding – primarily from property tax*

FY2018 industry of ~34,000, slightly below FY2017; expected to return to ~35,000 units in FY2019

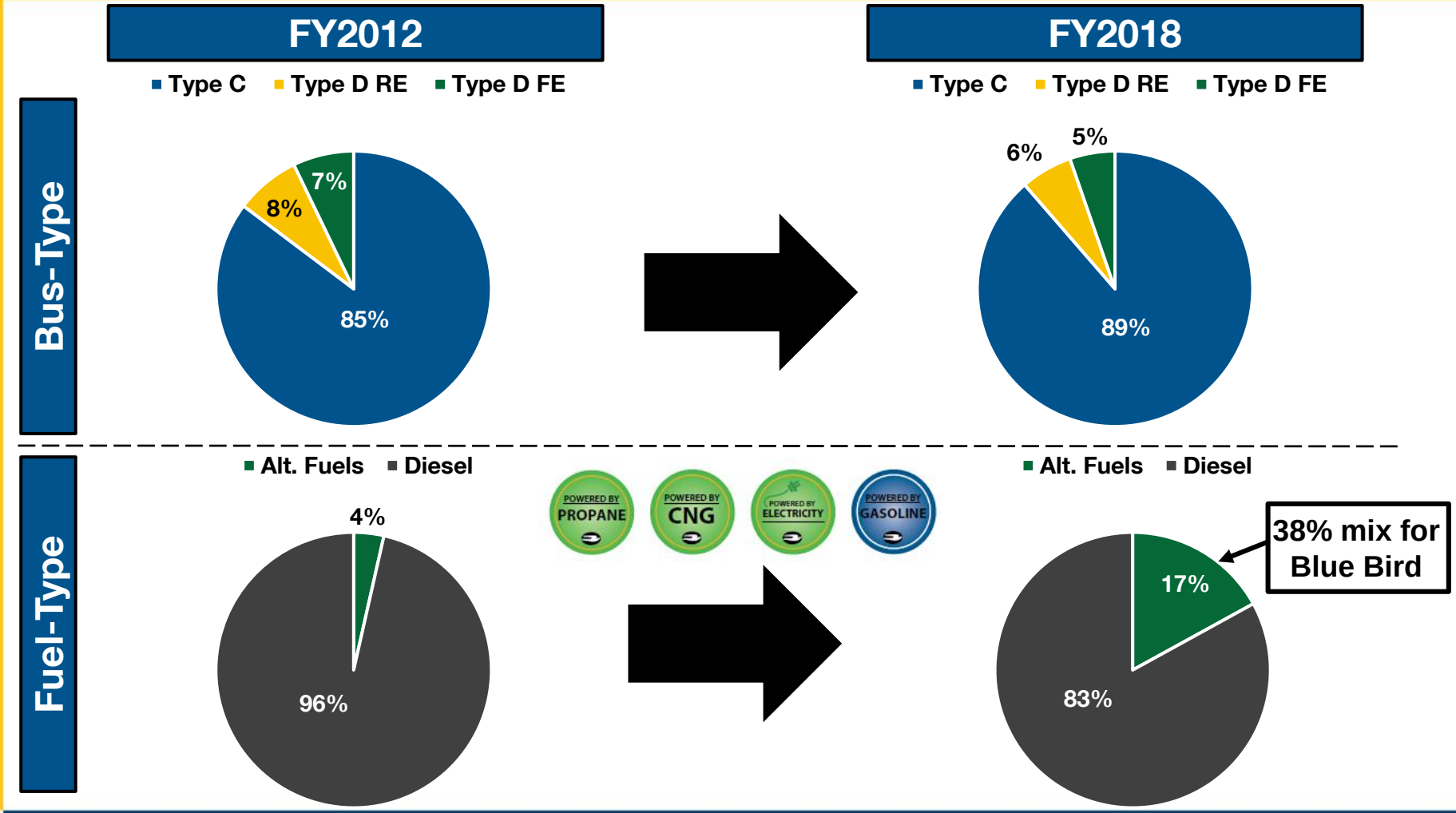
Fleet Age Profile Supports Industry Levels



~290K buses in service for more than 10 years supports high annual replacement volume. Additional funds and demand for alternative fuels further supports industry levels

Source: R.L. Polk Registrations, based on Type C/D school bus fleet at the end of BB fiscal year

Type C and Diesel Dominate; Alt. Fuels Growing Rapidly



Type C dominant body type; diesel buses were 83% of FY2018 sales; alt. fuel growth 4X since FY2012

Source: R.L. Polk New Registrations, based on Type C/D school buses registered during BB fiscal year

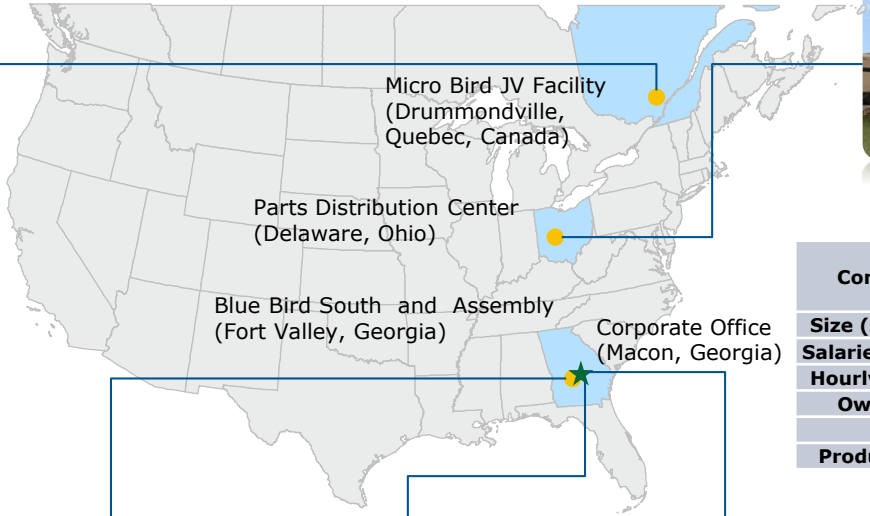


Blue Bird Highlights

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Dedicated Manufacturing Footprint







	Micro Bird JV Facility (Drummondville, Quebec)
Commentary	Design, fabrication, and assembly of Micro Bird by Girardin Type A buses
Size (Square Feet)	100,000
Salaried Headcount	150
Hourly Headcount	375
Own / Lease	Lease
Labor	Unionized
Volume / Capacity	3.1K Units / 3.9K Units

	Parts Distribution Center (Delaware, Ohio)
Commentary	Electronically guided, houses and distributes parts for current and past models
Size (square feet)	200,000
Salaried Headcount	4
Hourly Headcount	26
Own / Lease	Lease
Labor	Non-Unionized
Product Breadth	32,000 SKUs







	Blue Bird South (Fort Valley, Georgia)
Commentary	Fabrication facility that manufactures parts for Type C/D vehicles assembled at HQ
Size (square feet)	340,000
Salaried Headcount	11
Hourly Headcount	305
Own / Lease	Own
Labor	Non-Unionized
Product Breadth	5,900 active SKUs

	Corporate Office (Macon, Georgia)
Commentary	New headquarters in 2nd Floor of Highridge Centre
Size (square feet)	50,000
Salaried Headcount	200
Hourly Headcount	0
Own / Lease	Lease
Labor	Non-Unionized

	Assembly (Fort Valley, Georgia)
Commentary	Centralized manufacturing, engineering, and support functions
Size (square feet)	900,000
Salaried Headcount	87
Hourly Headcount	1,631
Own / Lease	Own
Labor	Non-Unionized
Volume / Capacity	11.5K Units / 13K Units

Two production centers – Type C & D in Fort Valley, Georgia and Type A in Drummondville, Quebec. Parts warehouse in Ohio

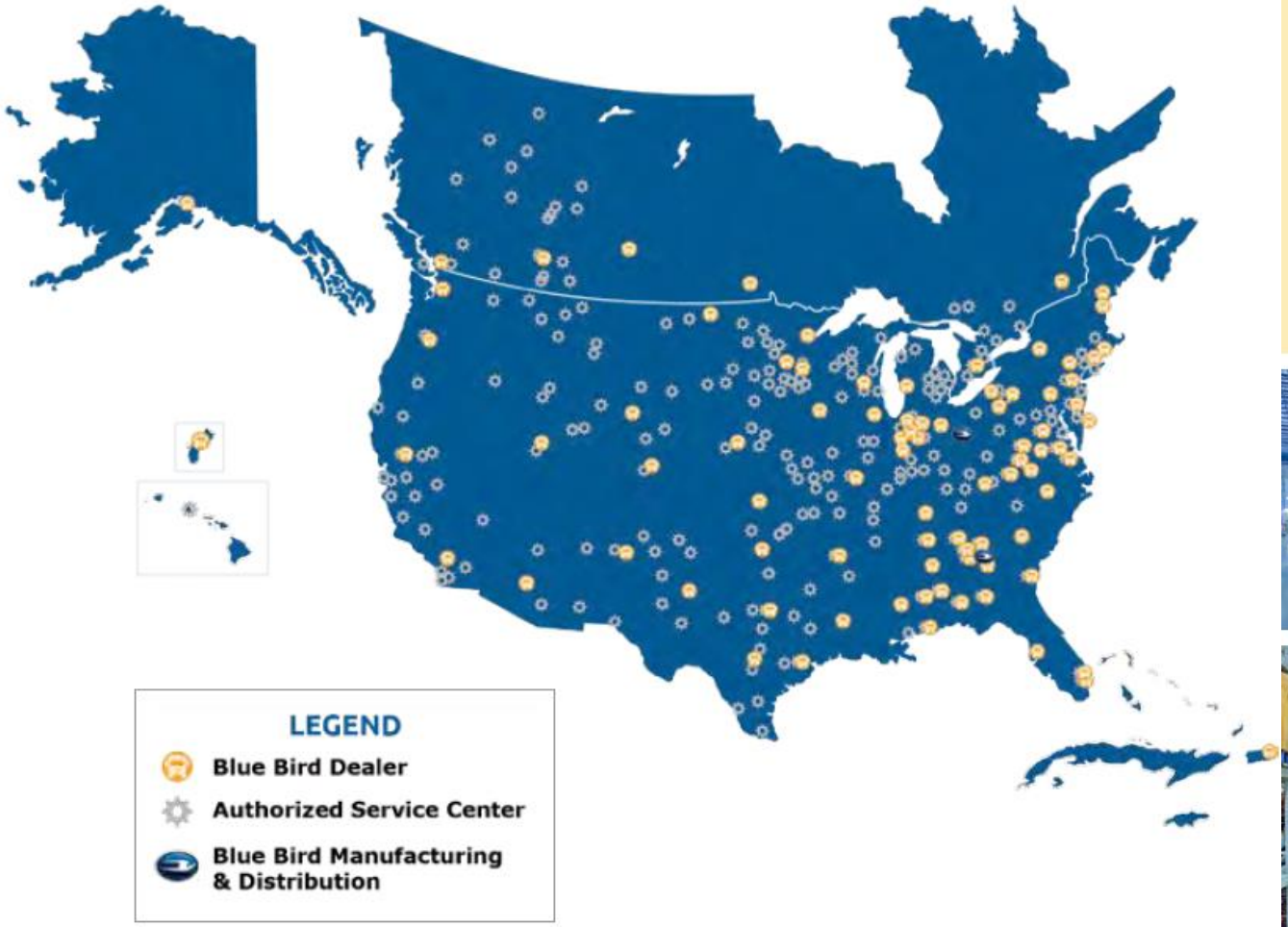
Leader in Key Attributes Our Customers Value

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	✓	--	--

Blue Bird viewed as the leader in four of the five top attributes – 2017 introduction of gasoline is game changer in Acquisition Cost

Source: Freedonia Custom Research, Inc. 9/4/2013 (study commissioned by Blue Bird) [1] Checkmarks/Corporate Logo indicate leadership in category

Our Exclusive Franchised Dealer Network



50+
Dealers Worldwide

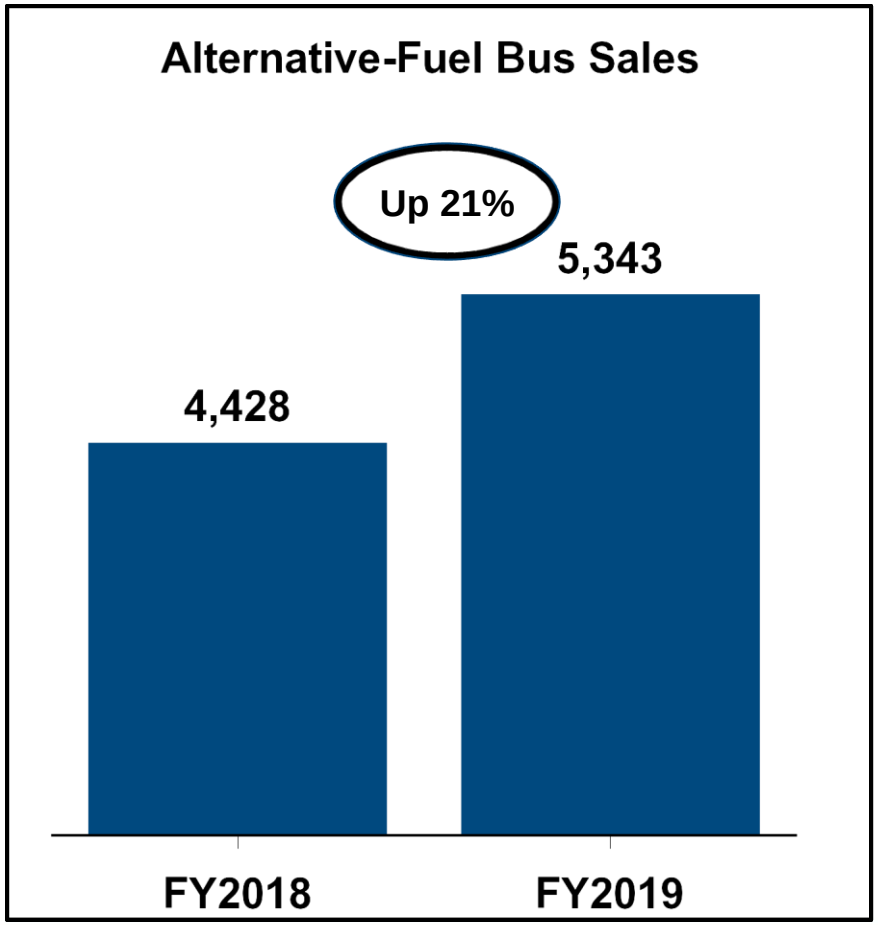
250+
Service Centers





More than 85% of Blue Bird dealers dedicated to bus sales and service

Alternative-Fuel Leadership



Record Sales in FY2019

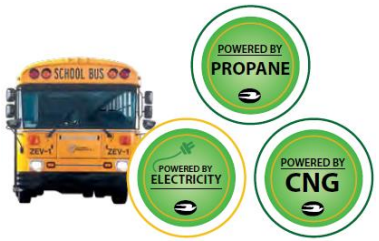
- Full Year sales 21% above last year
- Record Full Year sales mix at 48%
- 54% sales mix achieved in 2H
- Propane sales 41% above last year

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

Iconic Brand: History of Industry Innovation



1991–1994 First Propane, CNG and Electric Blue Bird Buses

2007 Gen 2 Propane Launched





2012 Exclusive Partnership with ROUSH CleanTech and Ford Established to Launch Gen 3 Propane Vision and Micro Bird



2016 Exclusive ROUSH CleanTech and Ford Vision Gasoline and Vision CNG Launched



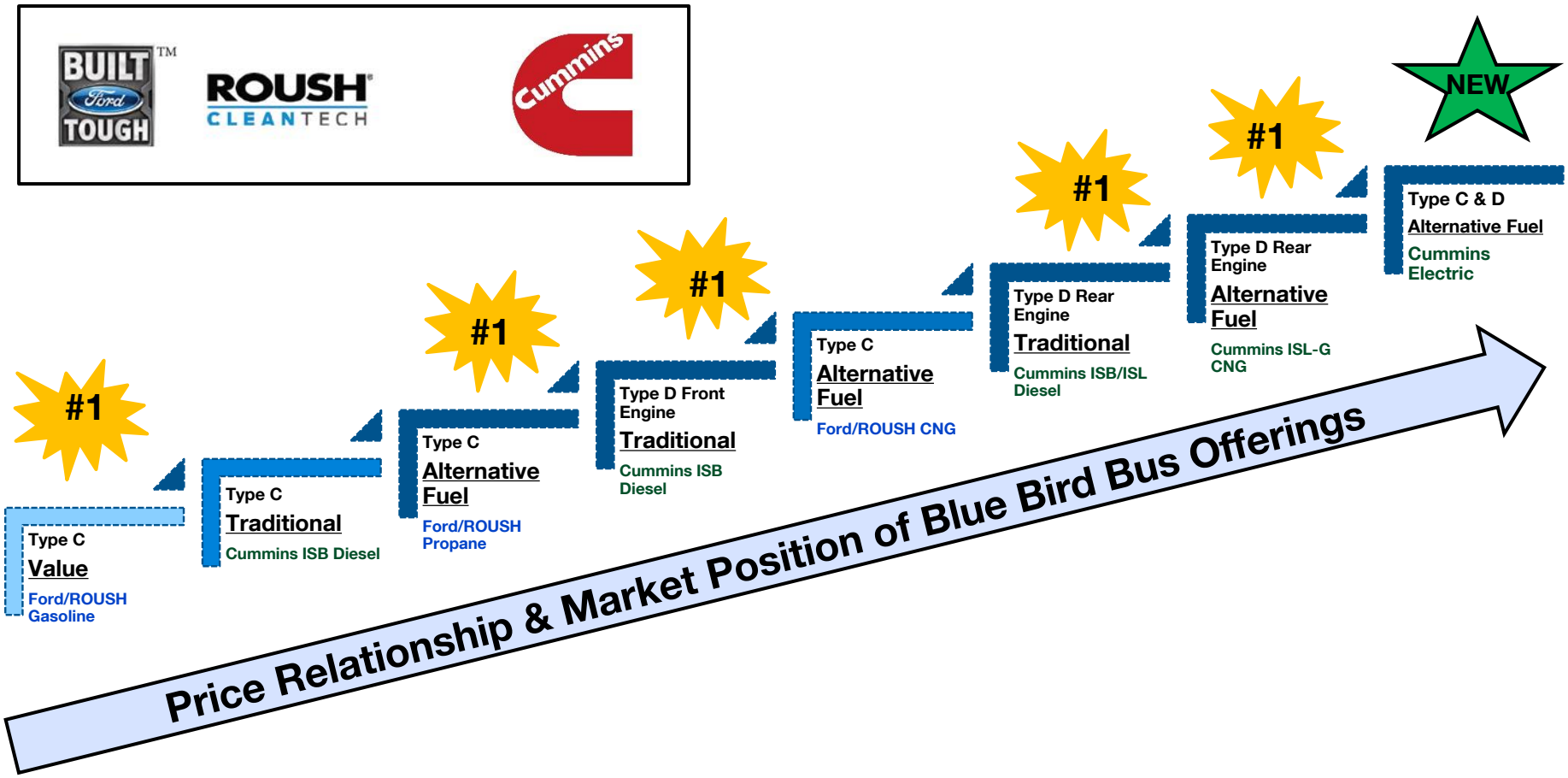
2017 Exclusive ROUSH CleanTech and Ford Gen 4 Low NOx Propane Launched



2018 Electric All-American, Vision and Micro Bird

Industry pioneer introducing alternative-fueled powertrains

Broadest Range of Product Offerings



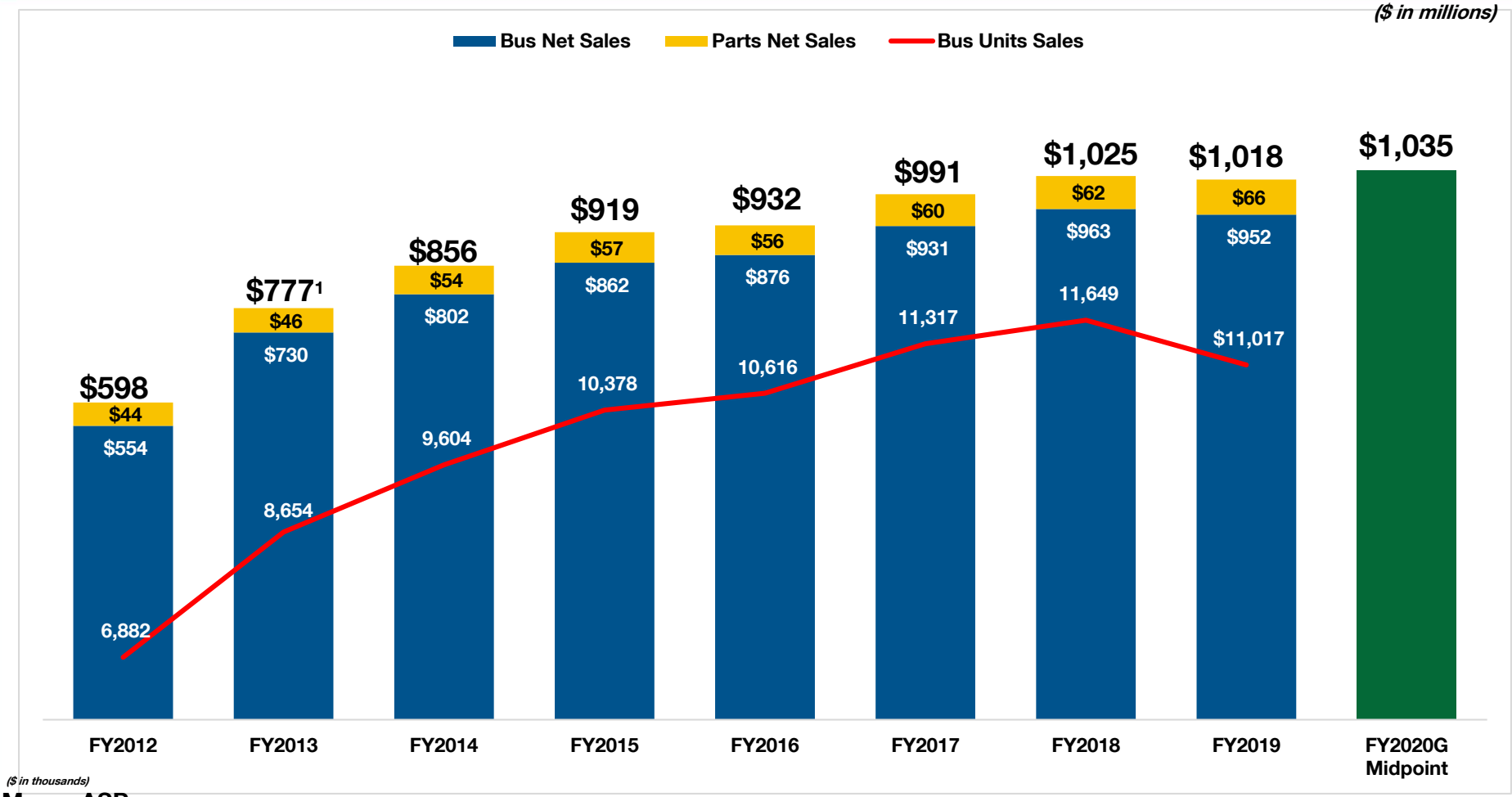
Broadest and most successful range; delivering electric buses



Financial Overview

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

Track Record of Growing Sales



($ in thousands)

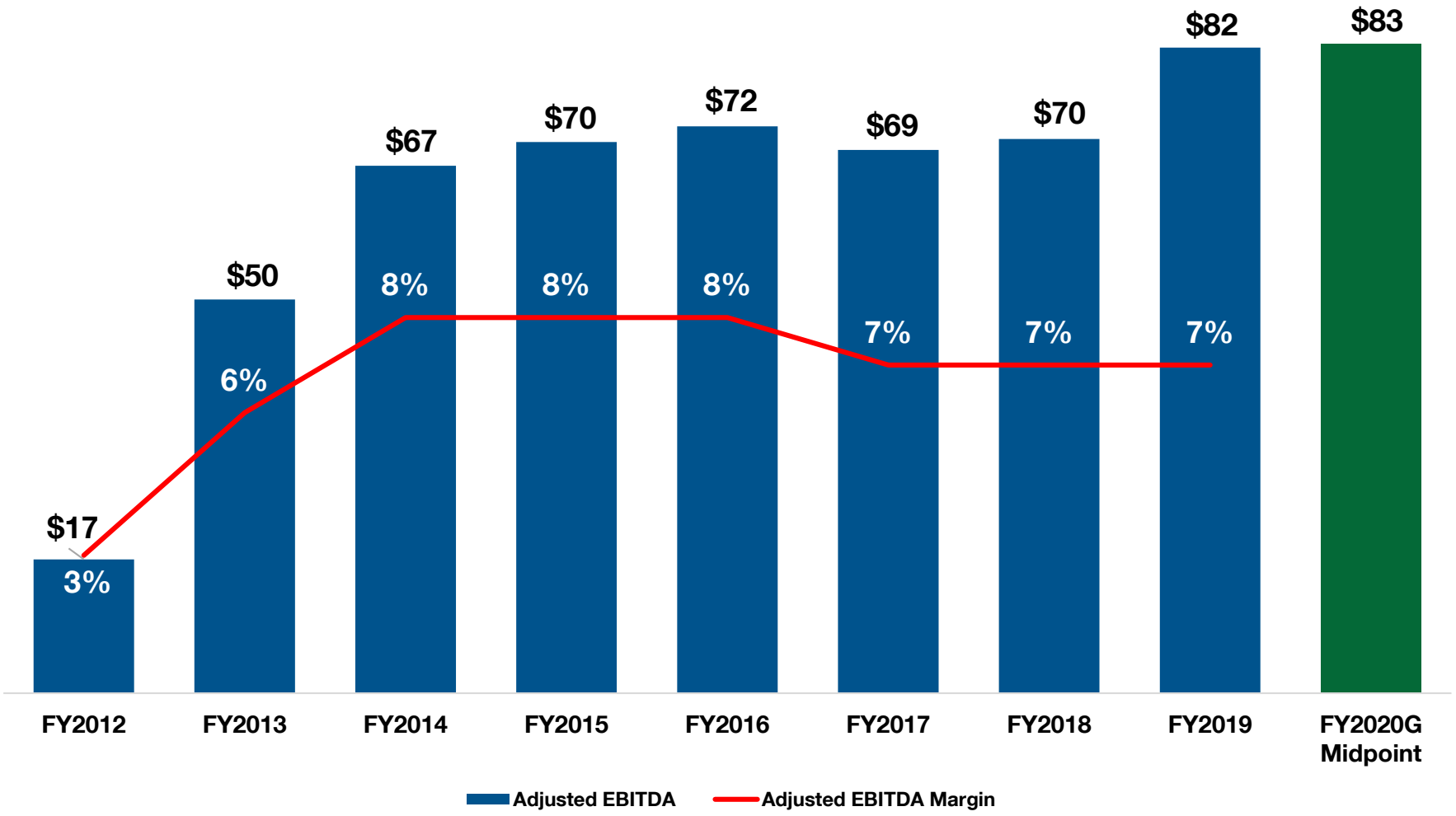
Memo ASP:							
Bus Only:	$81	$84	$84	$83	$83	$82	$83

Delivering solid revenue growth

[1] Total does not sum precisely due to rounding

Increasing Profitability

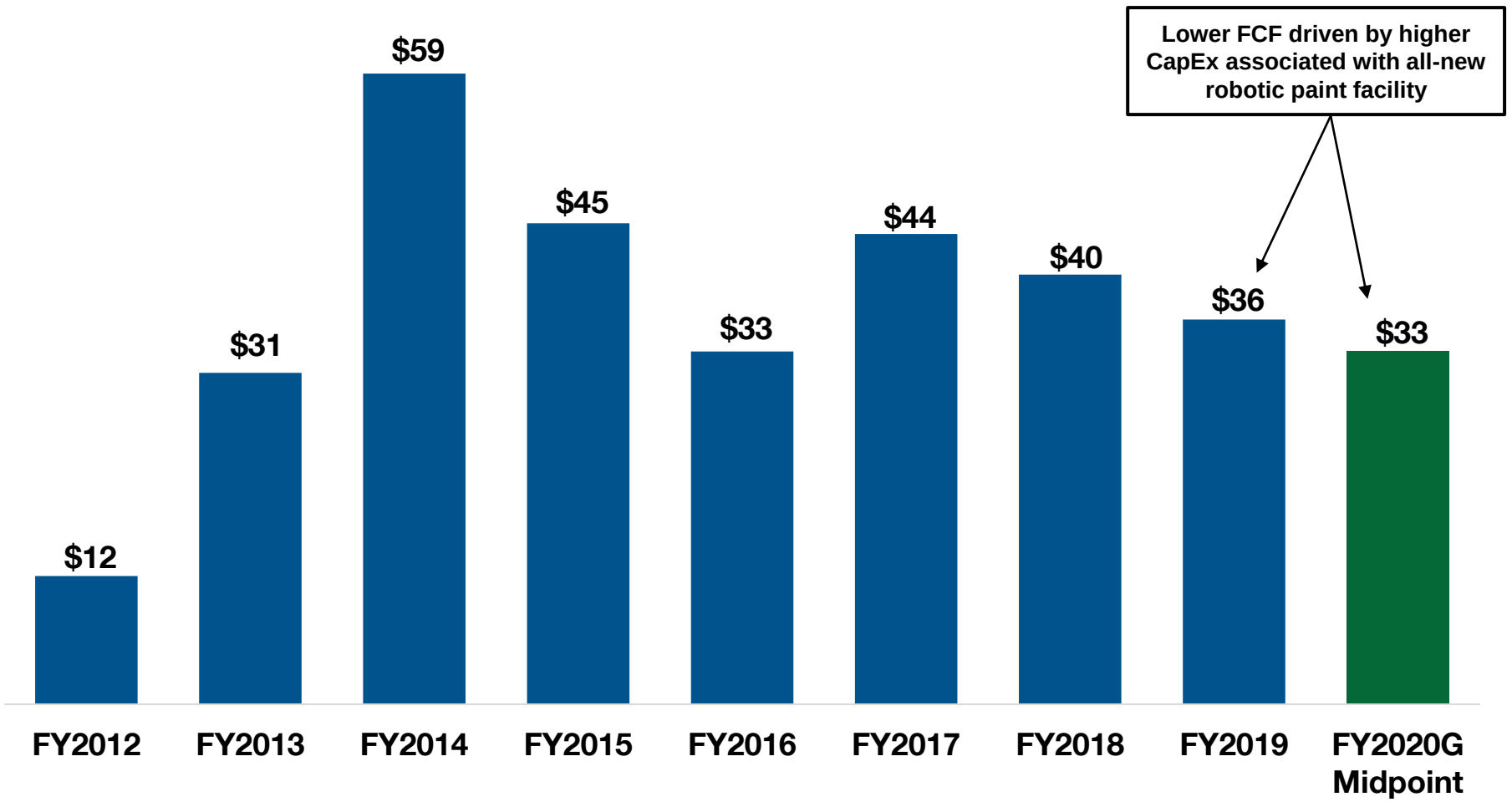
($ in millions)



Plan to achieve margin target of 10% of revenue

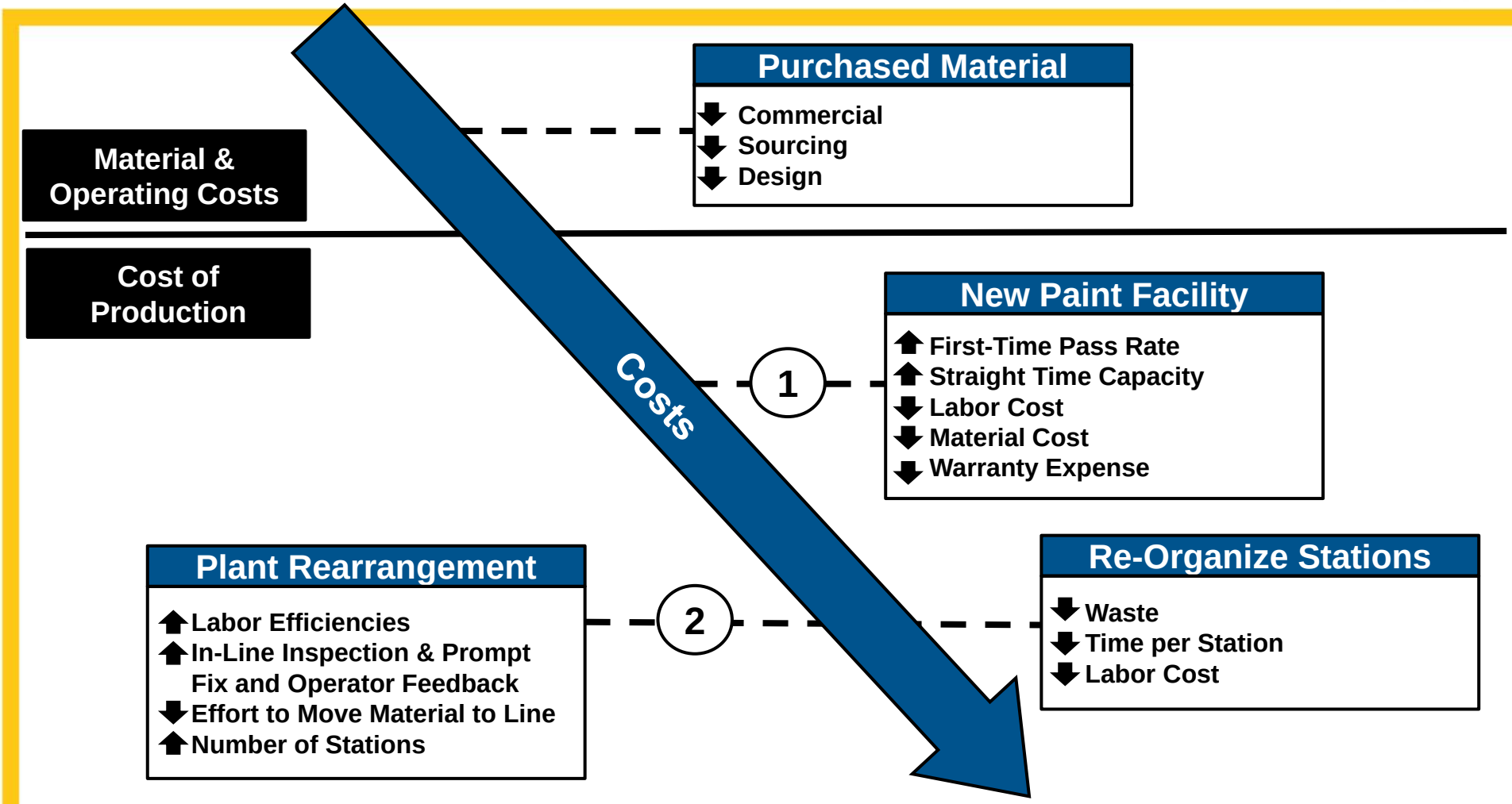
Strong Cash Flow Generation

($ in millions)



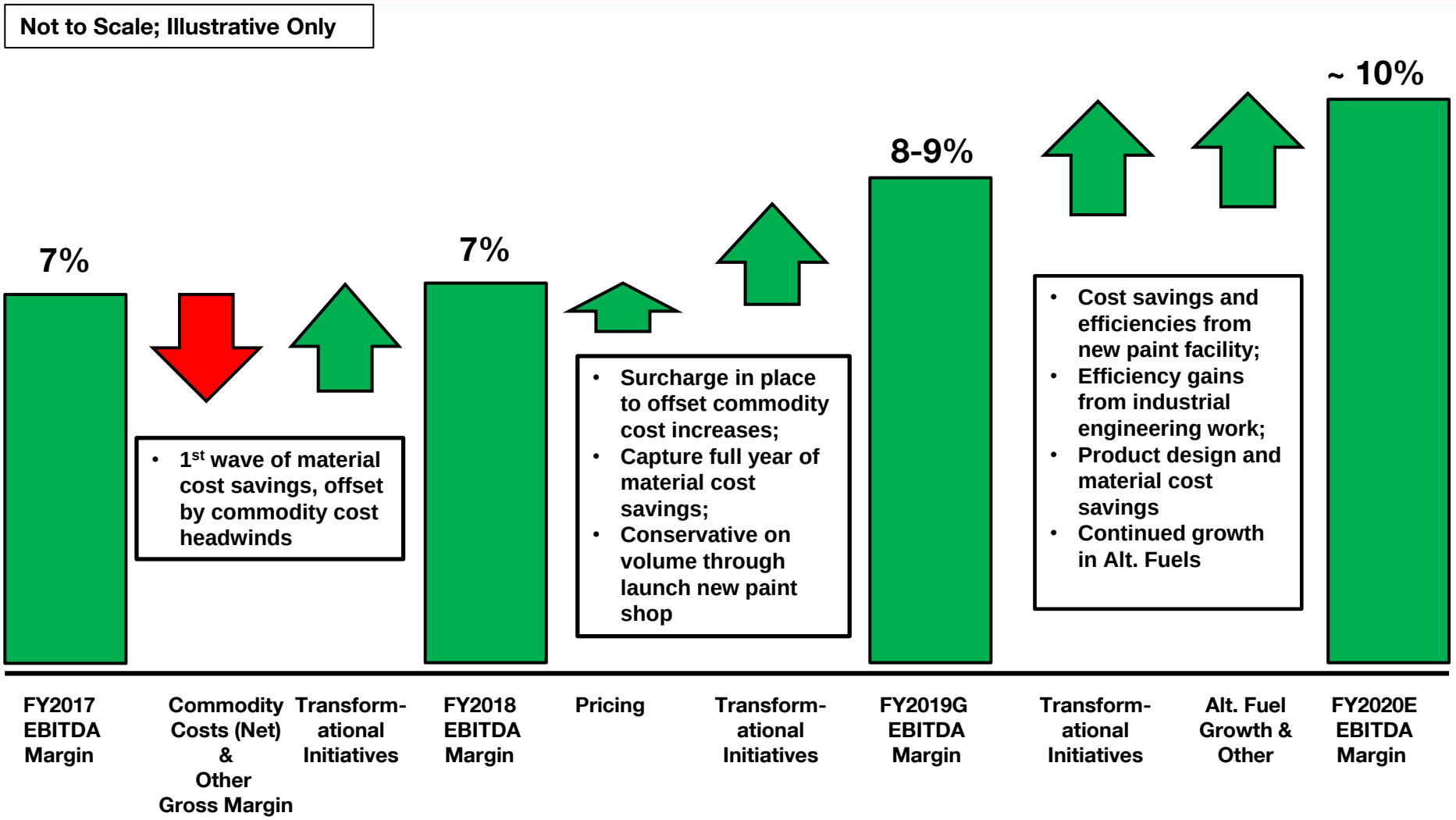
Free cash flow typically represents at least 50% of Adj. EBITDA

Driving Down Total Costs



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

Key Drivers of Margin Growth



Transformation Initiatives and Alt. Fuels growth drive long term profit growth

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

Outlook for FY2020 - Following Our 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%+



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



THANK YOU!

BLUE BIRD®

BUILT TO TAKE ON TOMORROW.

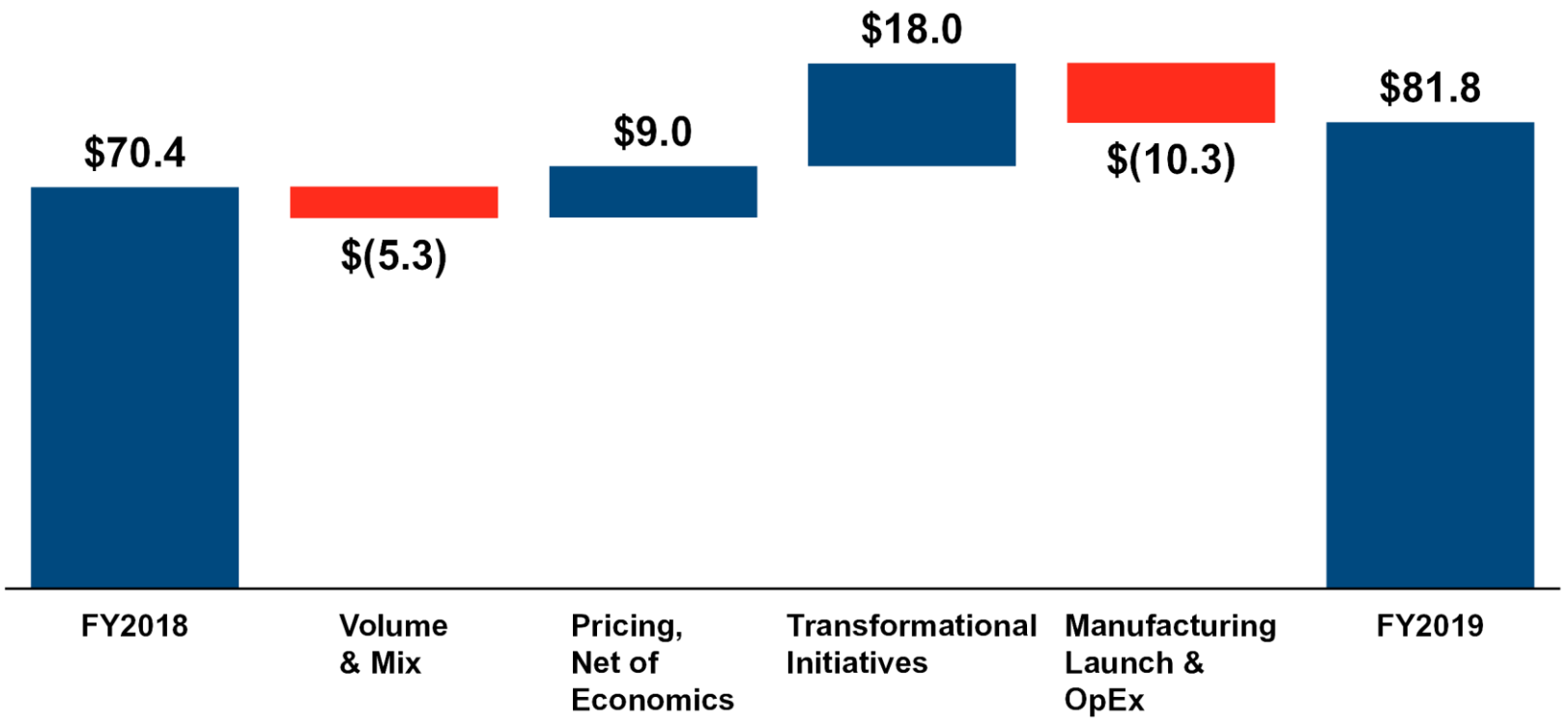


Appendix

BLUE BIRD®
BUILT TO TAKE ON TOMORROW.

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

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

BLUE BIRD

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

Disclaimer

THE INFORMATION CONTAINED IN THIS PRESENTATION HAS BEEN PREPARED OR OBTAINED BY THE COMPANY FROM ITS BOOKS AND RECORDS AND OTHER SOURCES THAT THE COMPANY BELIEVES TO BE REASONABLY ACCURATE AND RELIABLE. HOWEVER, SUCH INFORMATION NECESSARILY INCORPORATES SIGNIFICANT ASSUMPTIONS AND ESTIMATES INCLUDING, BUT NOT LIMITED TO, FORWARD LOOKING PROJECTIONS AND OTHER STATEMENTS, THAT INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY OR THE INDUSTRY IN WHICH IT OPERATES, TO DIFFER MATERIALLY FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENT IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS.

STATEMENTS IN THIS PRESENTATION THAT ARE FORWARD-LOOKING IN NATURE ARE BASED ON THE COMPANY'S CURRENT BELIEFS REGARDING A LARGE NUMBER OF FACTORS AFFECTING THE COMPANY'S BUSINESS. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM EXPECTED RESULTS. THERE CAN BE NO ASSURANCE THAT (I) THE COMPANY HAS CORRECTLY IDENTIFIED OR ASSESSED ALL OF THE FACTORS AFFECTING ITS BUSINESS OR THE EXTENT OF THEIR LIKELY IMPACT, (II) THE PUBLICLY AVAILABLE INFORMATION ON WHICH THE COMPANY'S ANALYSIS IS BASED IS COMPLETE OR ACCURATE, (III) THE COMPANY'S ANALYSIS IS CORRECT, OR (IV) THE COMPANY'S STRATEGY, WHICH IS BASED IN PART ON THIS ANALYSIS, WILL BE SUCCESSFUL. THE READER OF THIS PRESENTATION SHOULD TAKE CARE TO EVALUATE THE COMPANY'S BUSINESS AND PROSPECTS BASED ON ITS OWN ASSESSMENT OF THE RISKS AND OPPORTUNITIES FACING THE COMPANY BASED NOT ONLY ON THIS PRESENTATION, BUT ALSO ON SUCH OTHER INFORMATION FROM OTHER SOURCES THAT THE READER DEEMS TO BE ACCURATE AND RELIABLE.



End

BLUE BIRD®

BUILT TO TAKE ON TOMORROW.