

STIFEL

2015 Industrials Conference

New York Palace Hotel

June 16, 2015

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Blue Bird Highlights & Agenda

- **Iconic and Fastest Growing School Bus Brand**
  - Bus sales volume (units) up more than 40% since 2010
  - North American market share of 30% in 2014 is up 7 percentage points since 2010
- **Undisputed Leader in Alternative Fuel-Powered Bus Sales**
  - Sold approximately 6x more alternative-fuel buses than all competitors combined since 2010
  - Adoption of propane-powered buses is accelerating; run rate at about 20% of Blue Bird's mix
- **Downside Risk Mitigation**
  - Break-even volume (based on Adj. EBITDA) of 315 units per month in 2014 compared with 400 in 2010
- **Significant Upside Potential**
  - Early stages of school bus industry rebound following trough in 2011
  - Less than 400 customers have purchased propane to date from potential of ~10,000
  - Products focus on affordable and exclusive differentiation
- **Experienced and committed management team that delivers results**
- **Stock price up over 30% since Blue Bird started trading on Nasdaq on February 25, 2015[1]**



[1] Based on closing price of $13.25 on June 12, 2015



Why Blue Bird

Why Blue Bird → **What We've Done** → **Where We're Going**

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Product-Focused Company

Full Product Range

"Build the Best Bus"

- Expansive & innovative product cycle plans
- Ranked #1 in four of top five school bus product purchase considerations[1]
- Leader in alternative fuels
- Exclusive engine offerings
- Differentiated product features
- Research-driven product enhancements
- Extensive aftersales service and support



Type C Buses
65% Net Sales
(2014)



Type D Buses
22% Net Sales
(2014)



Type A Buses
Unconsolidated
Joint Venture



Specialty Buses
7% Net Sales
(2014)



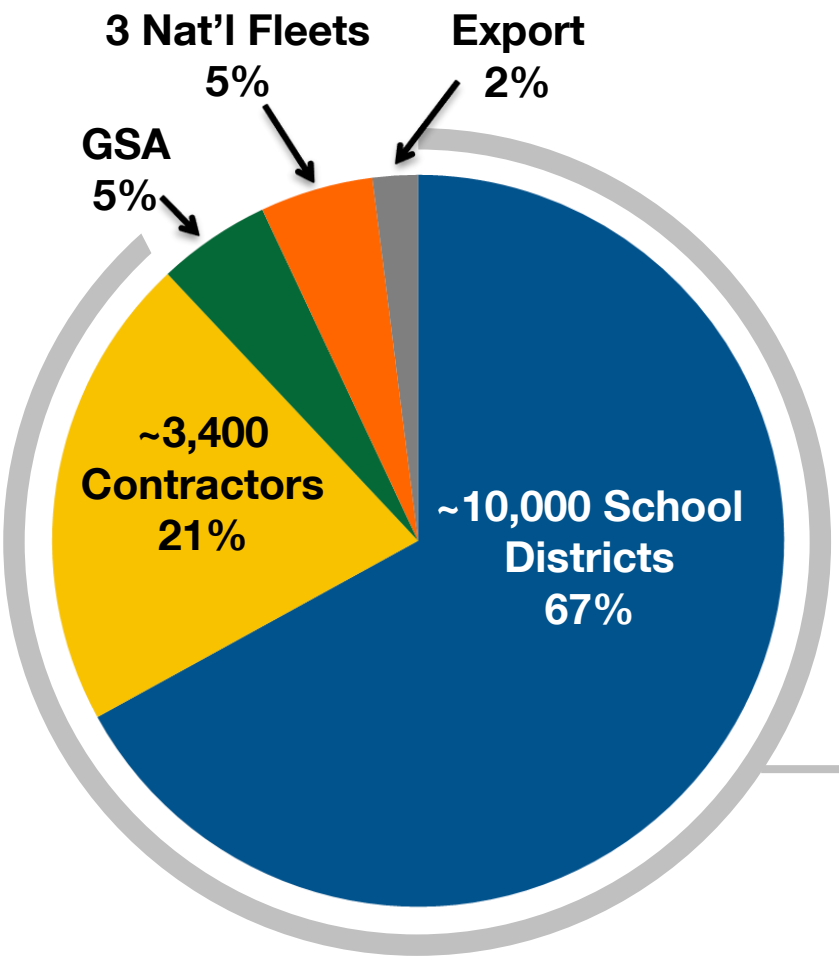
Aftermarket Parts
6% Net Sales
(2014)

Focus on translating market wants into sustainable growth

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

Diverse Customer Base & Strong Distribution

Blue Bird FY2014 Sales by Customer Type



Blue Bird North American Dealer Network



Note: Many dealers have multiple locations

49 U.S. & Canadian dealers address ~3,400 Contractors & ~10,000 Districts

Customer base is diverse

Experienced Management Team

Name	Position	Key Prior Experience	Years	
			Auto Industry	Blue Bird
Phil Horlock	*President & Chief Executive Officer*	Ford	37	5
Phil Tighe	*Chief Financial Officer*	Ford	38	2
John Kwapis	*Chief Operating Officer*	GM, Johnson Controls, accenture	29	5
Dale Wendell	*Chief Commercial Officer*	Ford	38	3
Mike McCurdy	*VP HR & External Affairs*	olan mills	15	15
Paul Yousif	*VP Legal Affairs & Treasurer*	Visteon	14	7
Dave Whelan	*SVP Supply Chain & Quality*	CNH	12	12
Dennis Whitaker	*VP Engineering*	BLUE BIRD	35	35
John McKowen	*VP Manufacturing*	Visteon	18	8
Bill Landreth	*VP Service Parts*	FREIGHTLINER	40	1
Jeff Terlep	*VP Marketing & Product Planning*	Ford, AGCO Your Agriculture Company	22	New
Dean Coulson	*VP International & Commercial Bus*	MERITOR	17	12
Jeff Carpenter	*VP North American Sales*	BLUE BIRD	30	30
Trey Jenkins	*VP Alternative Fuels*	PACCAR	22	5



What We've Done

Why Blue Bird → **What We've Done** → **Where We're Going**

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Transformational Initiatives

Operational

- Reduced product cost and improved quality, cutting warranty claims by 39%
- Placed more than 85% of material purchases on long term contracts
- Launched several leading and proprietary product features
- Increased productivity by reducing assembly plants from 2 to 1
- Cut complexity by reducing body styles from 8 to 3
- Added 25% more capacity with 5-crew rolling shifts

2009 2010 2011 2012 2013 2014

Commercial

- Institutionalized robust customer planning process with dealer body
- Formed JV with industry leader to design, produce and sell Type A bus
- Started growing relationships with national fleets
- Grew propane bus business with proprietary product offering
- Replaced 20% of dealer network
- Focused marketing on distinct product advantages
- Entered int'l business with Sigma bus for Bogota

Goal is sustained profitable growth

Propane Advantage

- Gained first mover advantage in propane with introduction in 2007
- Exclusive relationships with both Ford and Roush CleanTech
- Advantages are compelling
  - Lower fuel and maintenance costs
  - ~$0.20 per mile less expensive than diesel
  - Better cold weather starting
  - Less greenhouse exhaust gases
  - Low cost fueling stations
  - Quieter and easy to drive



"With today's tight school budgets, using a transportation fuel like propane autogas that saves taxpayers' money, keeps the environment clean, and keeps jobs within our national borders is a win-win for everyone."

- William Schofield, Superintendent
Hall County Schools
Gainesville, GA

- Sold 6x more alternative fuel buses than all competitors combined since 2010
- Tracking to achieve double-digit sales growth in 2015 (~20% of mix)
- Continuing to introduce exclusive product features
  - 100 gallon extended-range fuel tank
  - Short wheelbase Type C propane-powered Vision

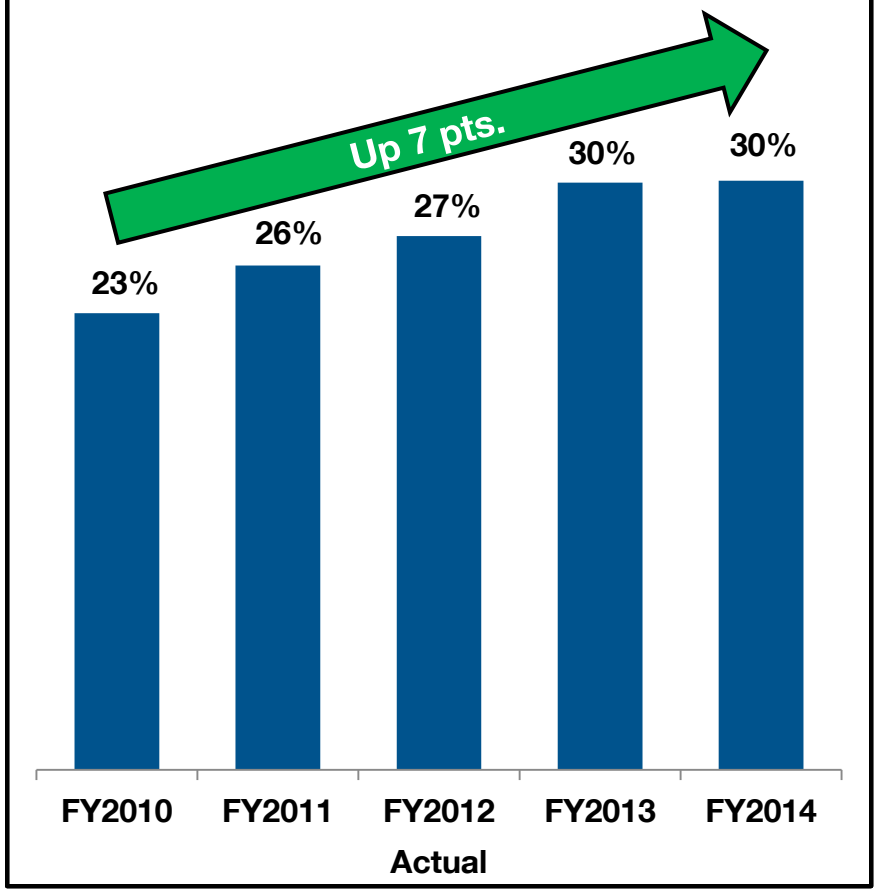


Blue Bird is the undisputed leader in propane bus sales

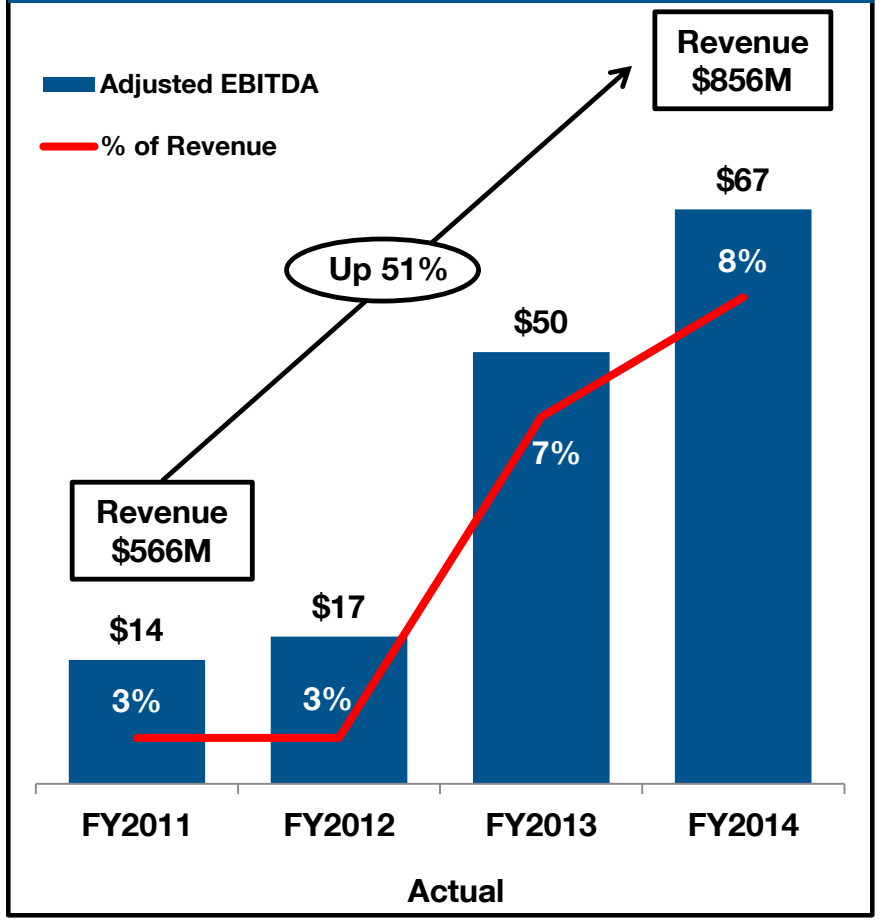
Strong Market Share and Profit Growth

($ in millions)

Market Share



Adj. EBITDA



Track record of winning and growing the business



Where We're Going

Why Blue Bird → **What We've Done** → **Where We're Going**

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Future Growth & Profit Drivers

Industry Volume Upside

School Bus Market Recovery

+

Market Share Growth

Increasing Propane Penetration
Continuous Product Enhancements
Dealer Network Improvements

+

Higher Operating Margins

Drive Productivity
Deliver Parts Growth

+

New Markets & Products

International & Commercial Buses

=

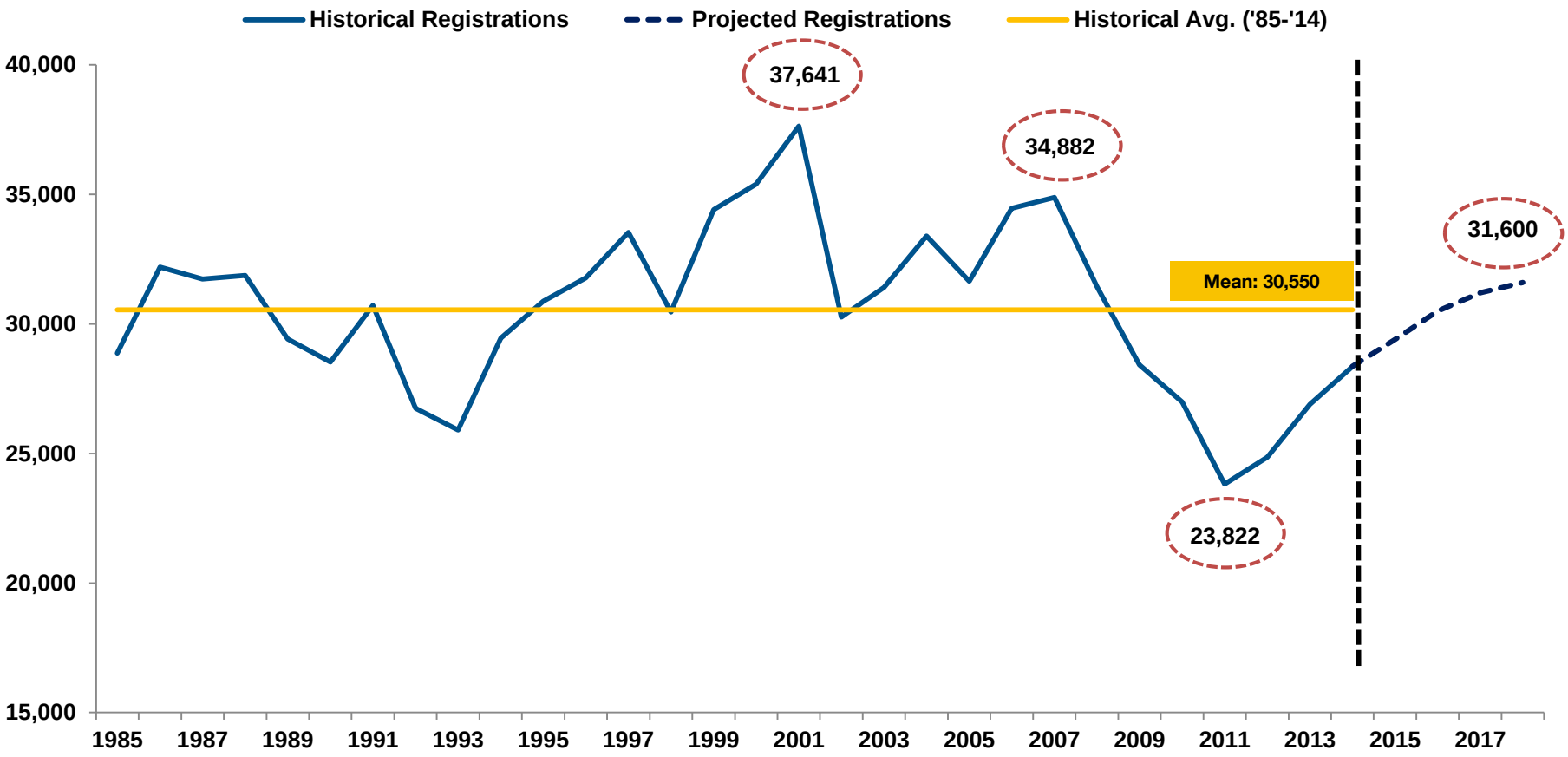
Future Growth & Profitability

Long-Term Financial Objective:
EBITDA 10% of Sales

Build on track record of profitable growth

Early Stages of Industry Recovery

Type C/D School Bus Recovery



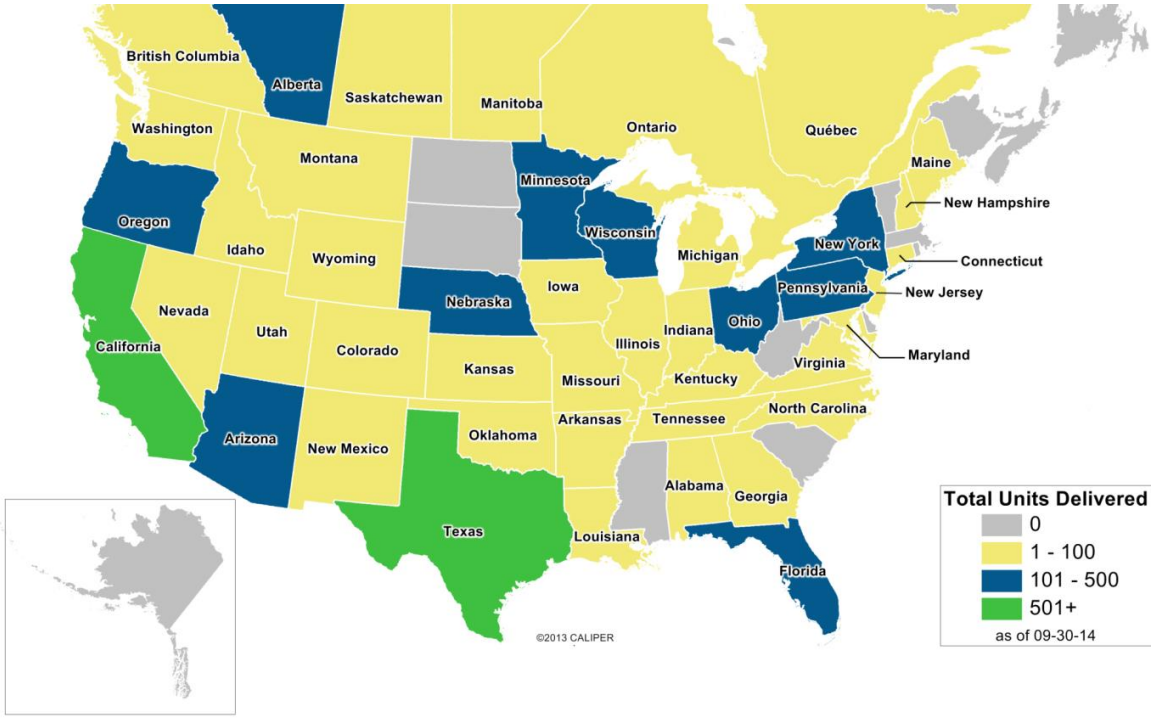
Source: Historical results are based on RL Polk vehicle registration data, and the estimated 2014-2016 periods are based on Blue Bird management's forecast model, which takes into account RL Polk vehicle registration data, population of school age children forecasts from the National Center for Education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

Housing price recovery and aged fleet driving industry growth

Share Growth: Propane Opportunity

- Propane is an effective conquest tool that drives market share growth
- Early penetration of the market
  - Only ~360 of ~10,000 customers have tried propane
  - Customers that try propane buses are buying more
  - Order sizes are growing as existing customers come back for more

Fewer than 4% of Customers Have Tried Propane



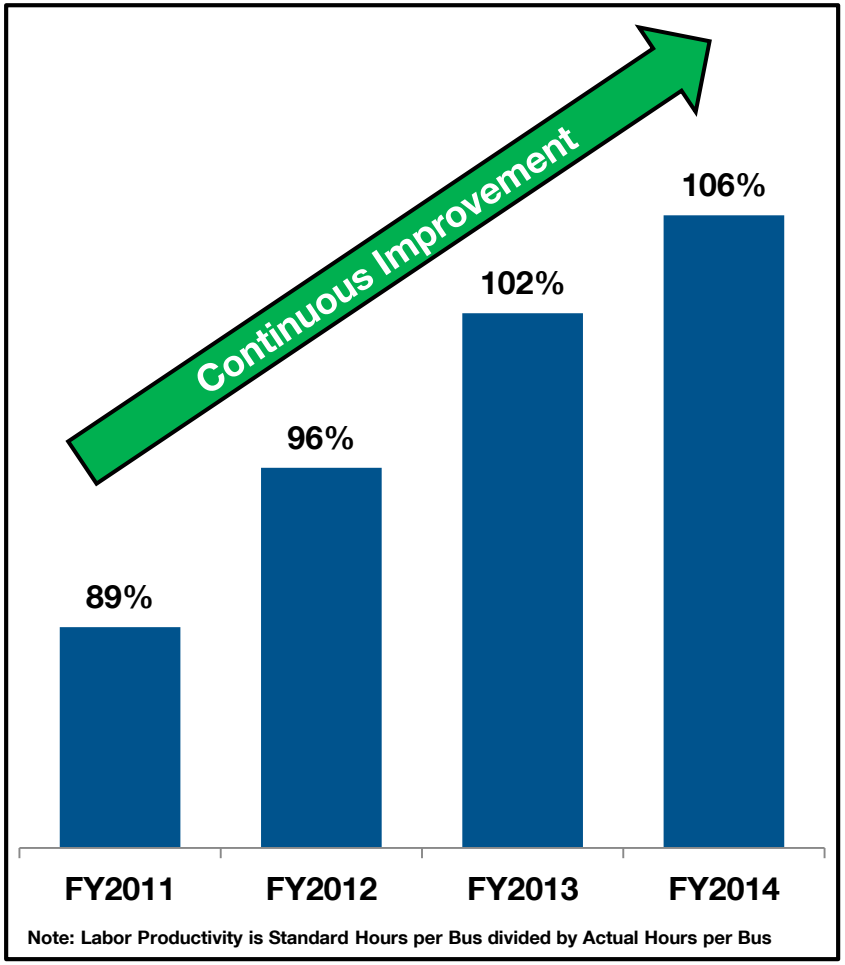
Significant growth potential as many districts test propane

Margin Expansion: Productivity

Lower Break-Even

- Break-even volume based on Adj. EBITDA now less than 4,000 units per year
- Continuous improvement manufacturing mindset
- Highly skilled workforce with average tenure of approximately 14 years
- No significant capacity investments required to support near-term growth

Labor Productivity



Identified opportunities to continue enhancing margins

Margin Expansion: Growing Parts Business

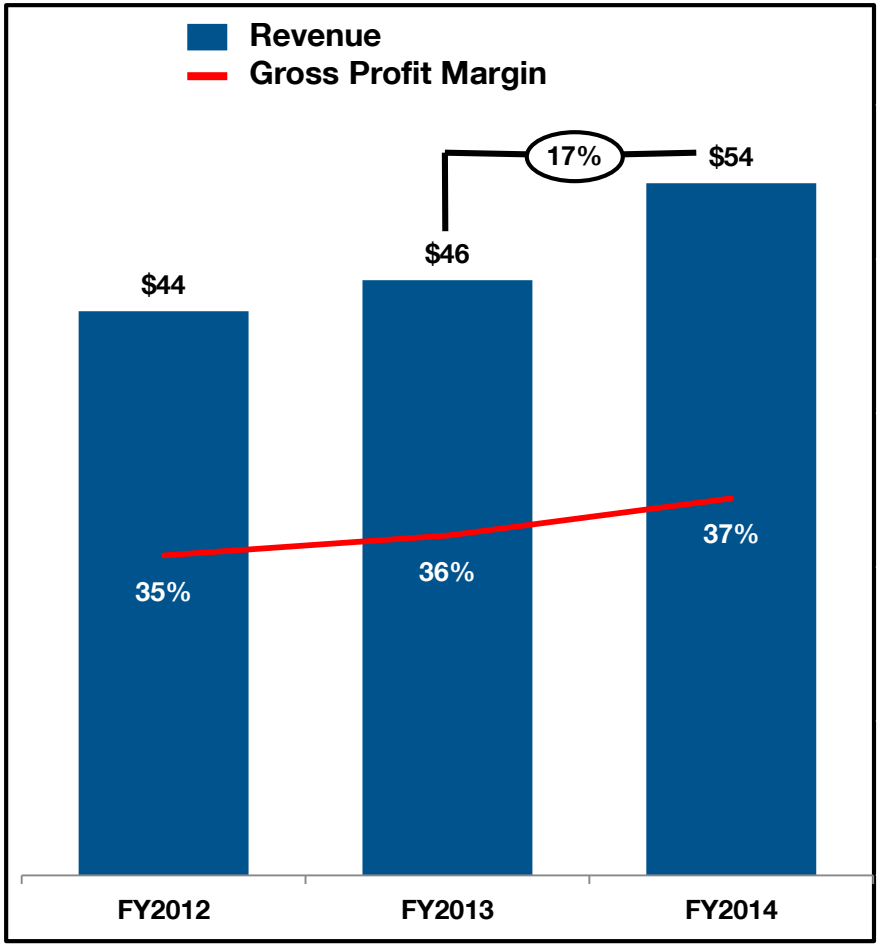
($ in millions)

Parts Business

- High margin business
- ~180,000 Blue Bird buses in North America
- ~250 dealer-authorized service locations
- New and experienced leadership



Parts Sales Revenue & Gross Margin



Growth in Parts revenue will drive margin expansion

New Markets: International & Commercial



Sell more School Buses in International Markets







Expand Commercial Bus Business Domestically & Internationally

Grow international & commercial bus business



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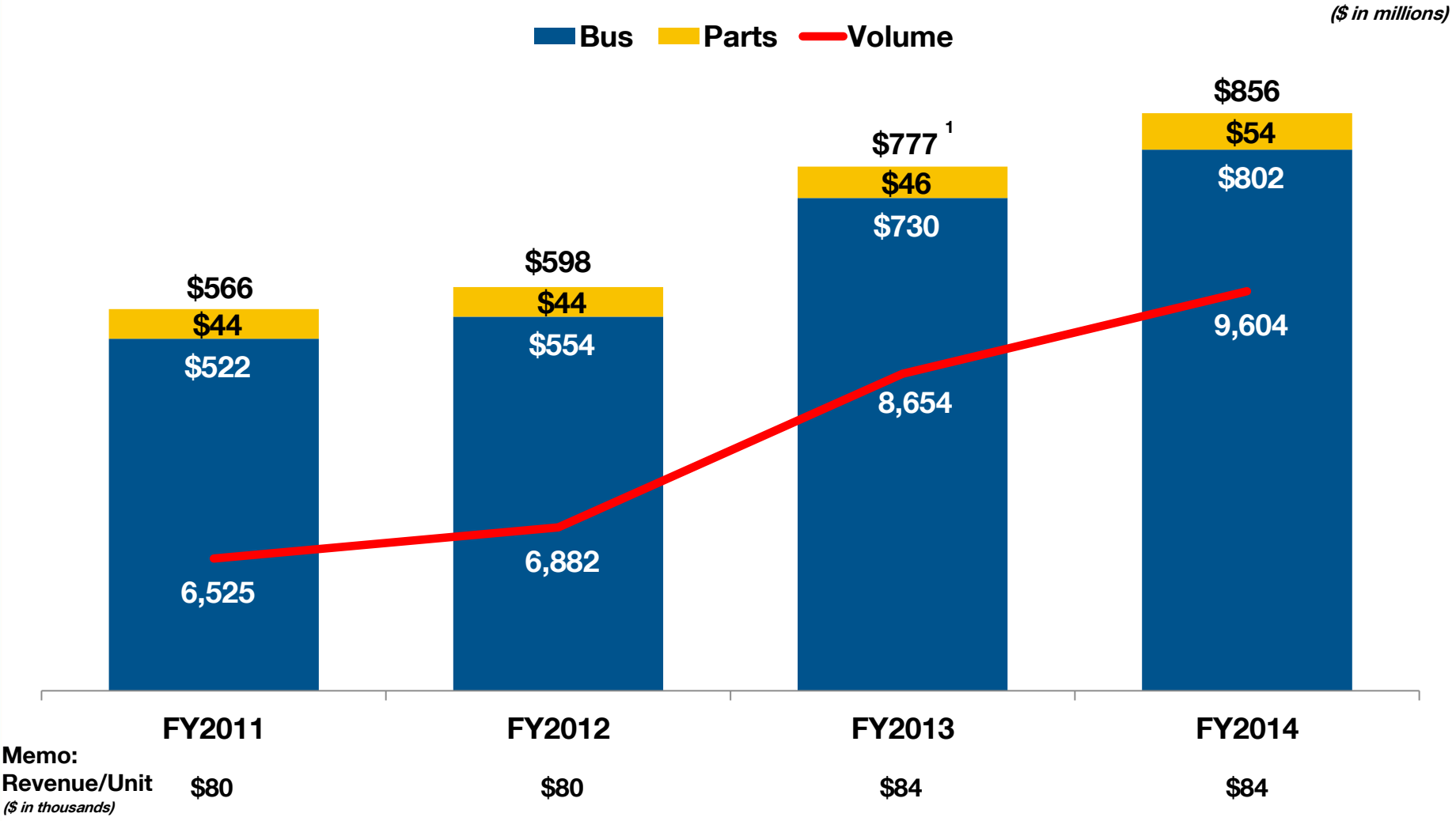
Historic Financial Review

Substantial Revenue Growth

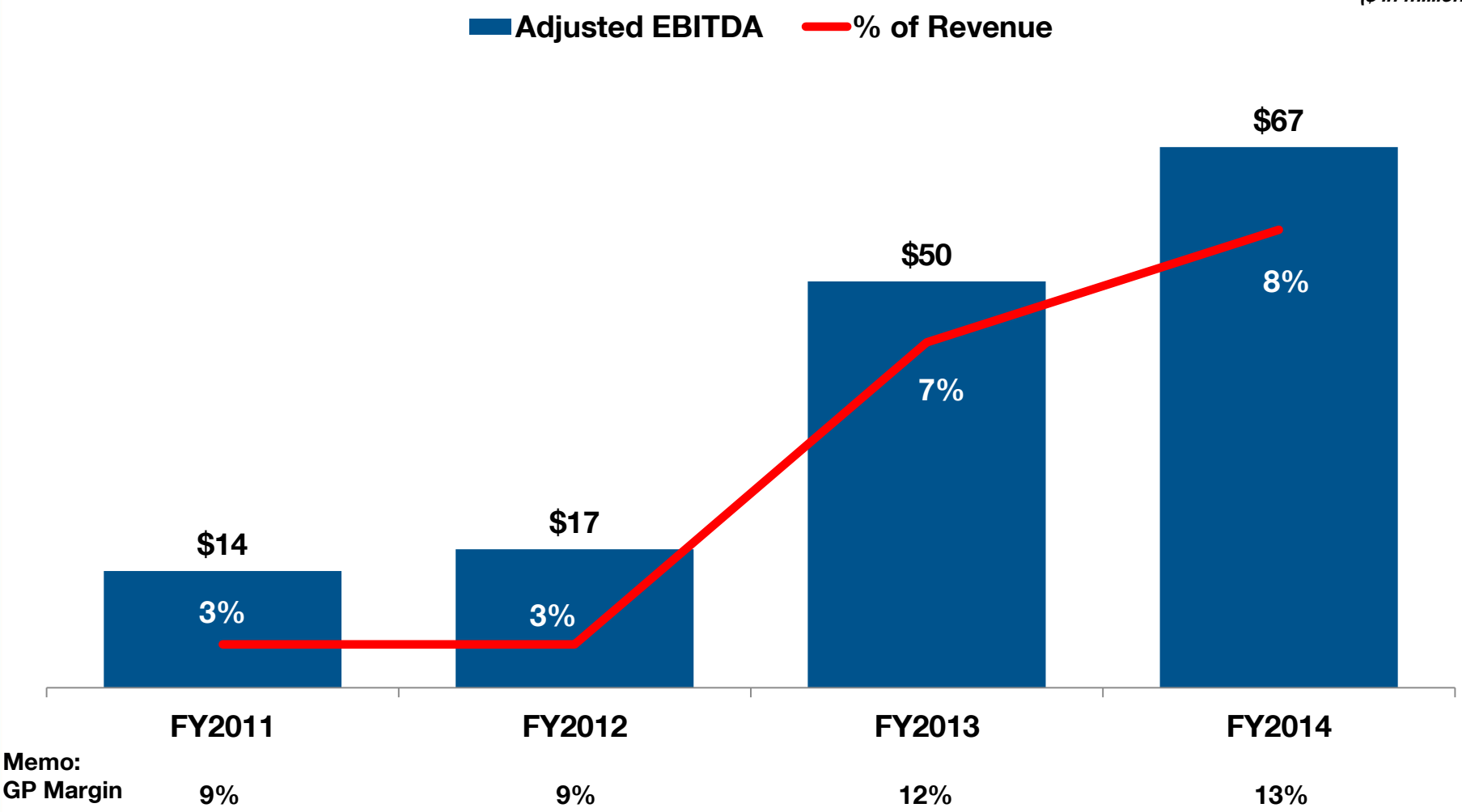


Consistently driven volume and revenue growth

[1] Total does not sum precisely due to rounding

Impressive Profit Growth

($ in millions)



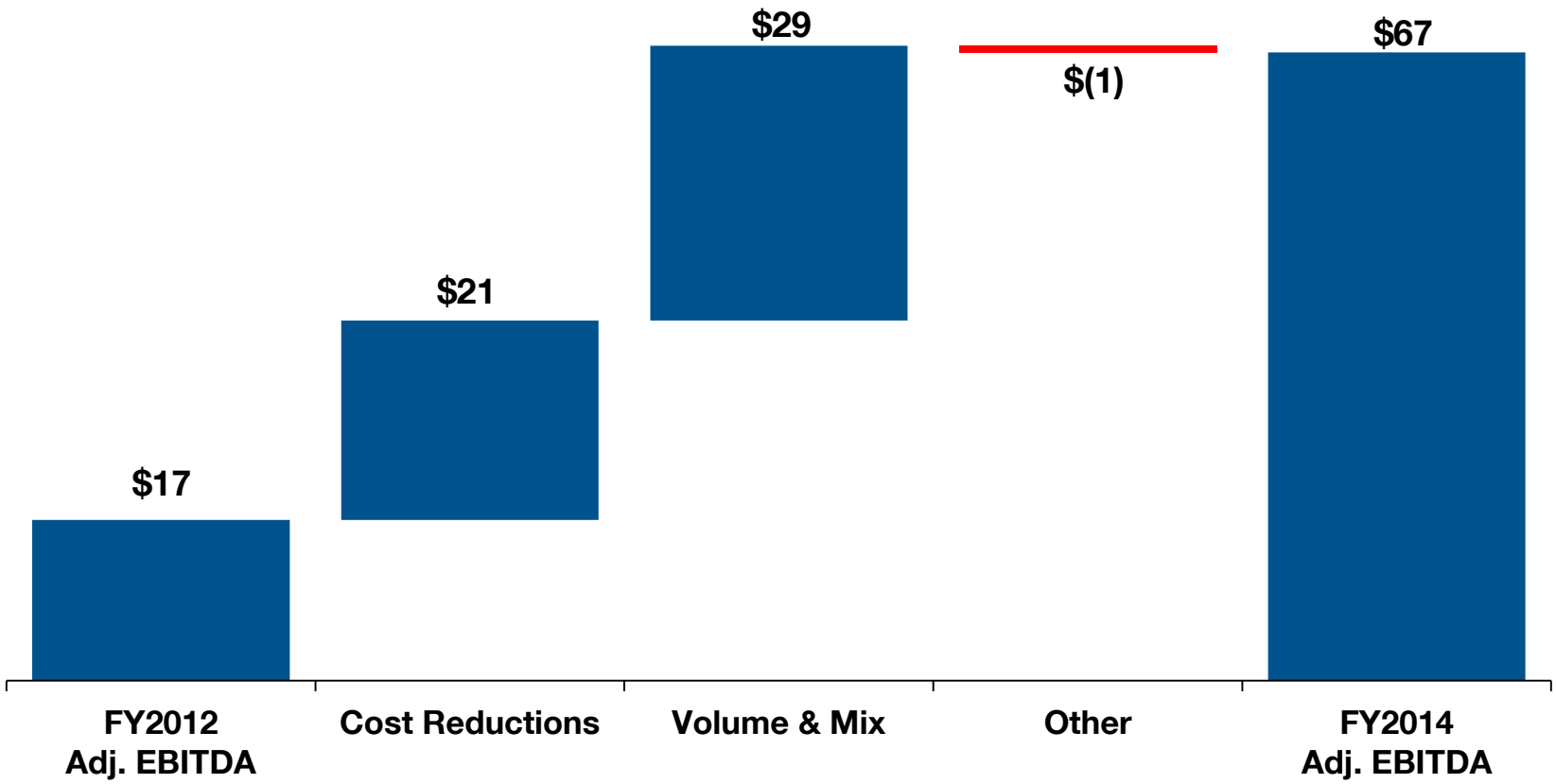
Memo: GP Margin	FY2011	FY2012	FY2013	FY2014
	9%	9%	12%	13%

EBITDA has grown at a faster rate than revenue

Note: Numbers have been rounded

Profit Drivers: FY2012 to FY2014

($ in millions)

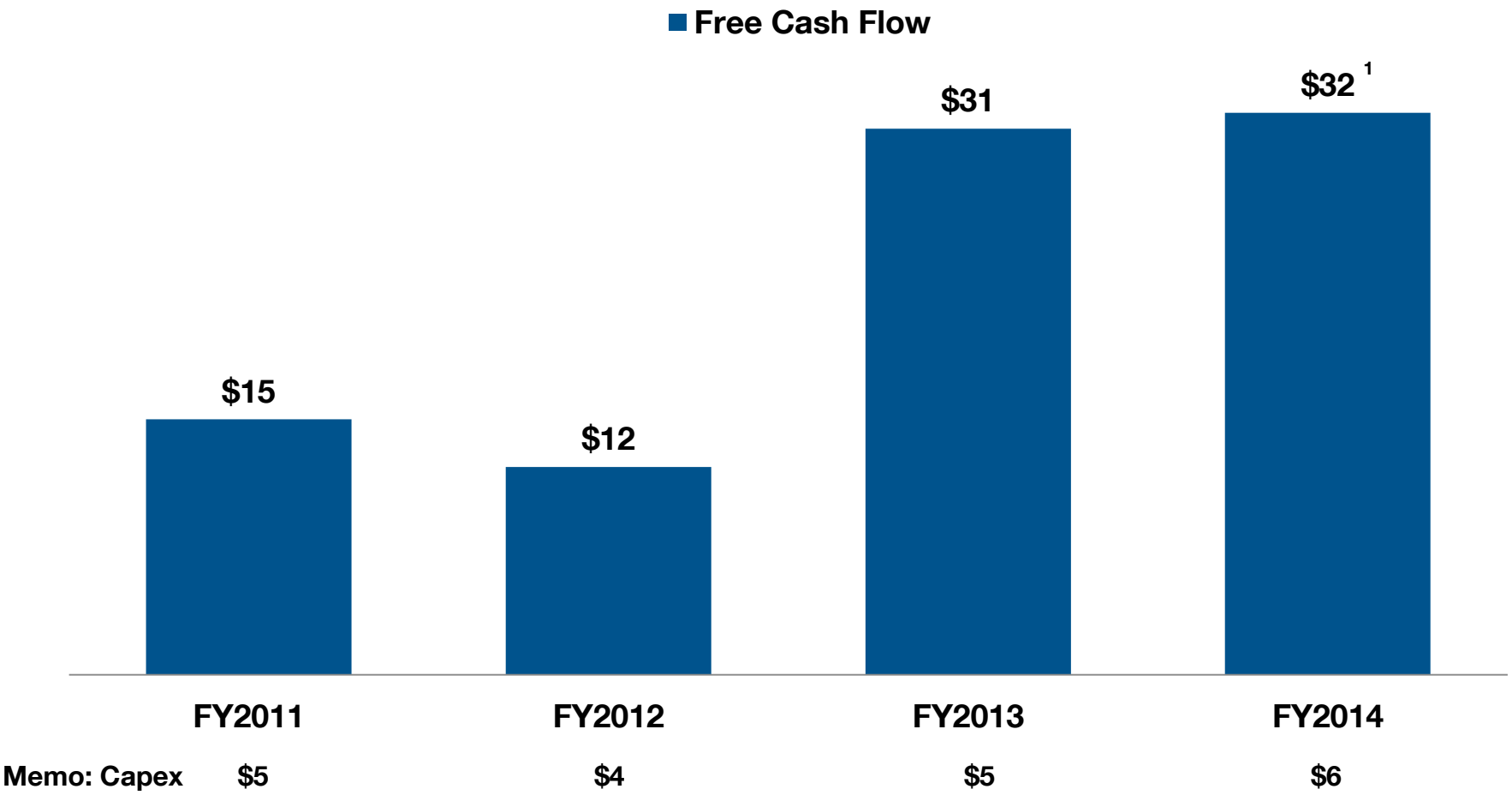


Relentless focus on cost competitiveness allows us to compete in all markets

Note: Total Adj. EBITDA walk does not sum precisely due to rounding

Substantial Free Cash Flow

($ in millions)



Notes: Free Cash Flow is defined as Cash from Continuing Operations less Capex

[1] FY2014 Free Cash Flow includes a $24.7 million special compensation payment related to Blue Bird's 2014 dividend recapitalization but is not pro forma for interest expense associated with new debt raised nor future cash taxes

Strong free cash flow enables optionality



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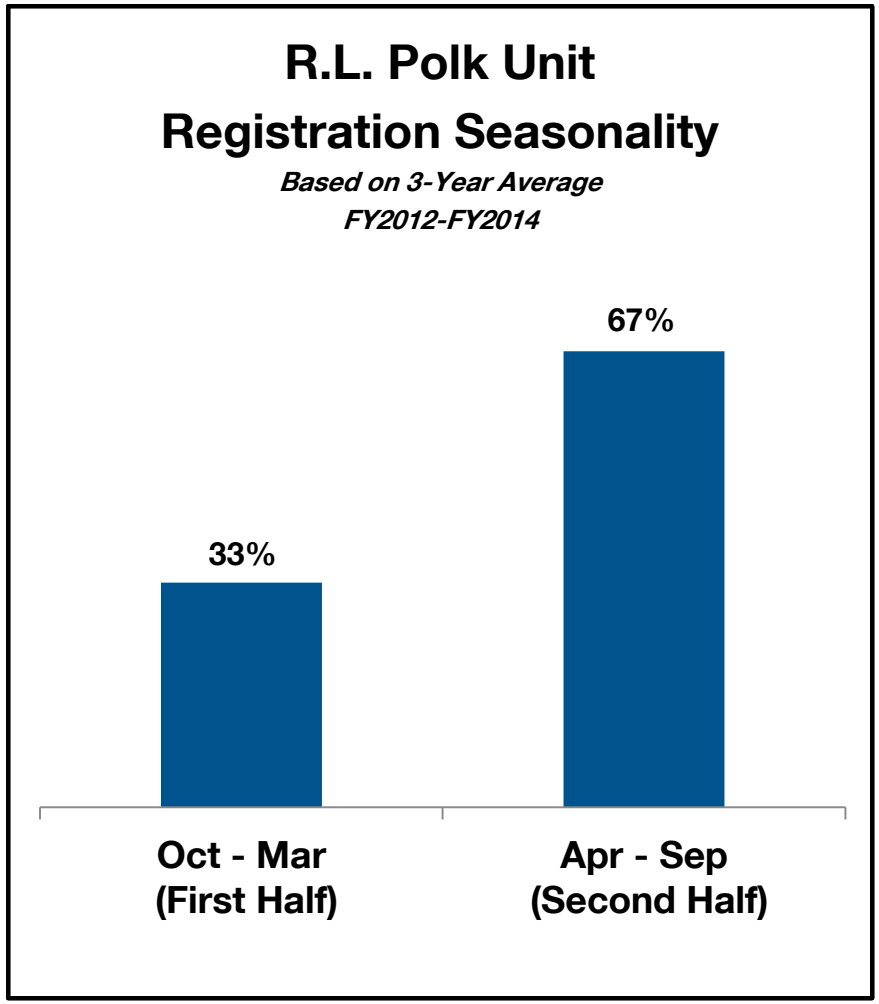
Financial Outlook

School Bus Business is Highly Seasonal

- Timing of sales influenced by school start
- First quarter is historically our lowest volume quarter and we take planned shutdowns during this period
- Company results follow sales pattern
- Working capital is typically a significant use of cash during first quarter



Seasonality drives higher sales and earnings in second half

2015 First Half Financial Overview



1H Bus Volume

3,917

Units

Up 149 Units

1H Net Sales

$348.9

Million

Up $7.2 Million

1H Adj. EBITDA

$17.5

Million

Down $(6.8) Million

Results reflect typical seasonal variations in order timing/customer mix and investing in growth

2015 Full-Year Guidance

2015 Revenue

$918 - $940

Million

Up 7% - 10%

2015 Adj. EBITDA

$72 - $75

Million

Up 7% - 12%



On track to grow Adjusted EBITDA 7-12% in FY2015



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Wrap-Up

Significant Momentum & Upside

- Iconic and fastest growing school bus brand
- Undisputed leader in alternative fuel-powered bus sales
- Downside risk mitigation
- Significant upside potential
- Experienced and committed management team that delivers results



Our Growth Objectives are Clear

- #1 in North American school bus market share with highest customer loyalty
- Differentiated and proprietary products and features that customers want and value
- Clear leader in affordable, alternative fuel-powered school buses
- Significant growth in parts sales
- Significant and ongoing international business
- Growing presence in commercial bus business





Deliver sustained growth and profitability



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Q&A



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Appendix

Blue Bird GAAP/Non-GAAP Reconciliation

($ in thousands)

Net Income to Adjusted EBITDA Reconciliation	Year Ended October 1, 2011	Year Ended September 29, 2012	Year Ended September 28, 2013	Year Ended September 27, 2014
Net income (loss)	($5,224)	($2,998)	$54,208	$2,757
Loss (income) from discontinued operations, net of tax	1,625	328	159	(42)
Income from continuing operations	($3,599)	($2,670)	$54,367	$2,715
Interest expense	2,471	2,480	2,371	6,156
Interest income	(282)	(160)	(214)	(102)
Income tax expense (benefit)	(1,126)	429	(30,380)	10,076
Depreciation and amortization	12,855	13,194	11,808	9,898
Restructuring costs [1]	1,382	1,946	258	—
Export inventory adjustment [2]	2,721	(234)	—	—
Special compensation payment [3]	—	—	—	24,679
Vacation pay adjustment [4]	—	—	2,296	—
Management incentive compensation [5]	—	—	5,638	3,271
Chassis write-off [6]	—	—	1,196	—
Type D redesign [7]	—	1,207	—	—
Asia market test [8]	—	885	—	—
Tax expense, non-consolidated affiliate [9]	—	—	2,836	365
Business combination [10]	—	—	—	9,236
Out-of-period adjustment [11]	—	—	—	407
Adjusted EBITDA	**$14,422**	**$17,077**	**$50,176**	**$66,791**
Adjusted EBITDA margin	***2.5%***	***2.9%***	***6.5%***	***7.8%***

(1) Restructuring costs include expenses related to discontinued operations from the sale of a business, management severance costs, a write-off of leasing software, certain plant assets and a write-down on a note outstanding to a former related party for furniture and fixtures in Blue Bird's Ohio facility
(2) In fiscal 2011, Blue Bird wrote-off $2.7 million of inventory purchased in anticipation of orders from a foreign government that were never placed. In fiscal 2012, Blue Bird recorded a partial recovery of the write-down as proceeds were received from sales of the inventory as scrap
(3) Represents a payment made under Blue Bird's Phantom Award Plan to Phantom Plan Participants in connection with Blue Bird's 2014 dividend recapitalization
(4) Represents the add-back of an out-of-period vacation pay and holiday bonus expense resulting from a change in policy to accrue throughout the year instead of expensing annually
(5) 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
(6) Represents a write-off due to an order for chassis with respect to which the customer never took delivery of the chassis. The units that were not used or sold to other customers were written off
(7) Represents costs incurred in redesigning Blue Bird's Type D bus in fiscal 2012. The costs associated with this redesign related to prototypes, testing and services, engineering personnel, marketing and consulting fees
(8) Represents costs incurred in exploring the market potential for sales of school buses in Asia. The costs related to this market test included sales and marketing expenses, travel, demonstration units and professional services fees
(9) Represents the allocated tax expense related to Blue Bird's non-consolidated affiliate
(10) Represents expenses incurred by School Bus Holdings related to the Business Combination
(11) Represents out-of-period cost of goods sold incurred by Blue Bird. See Note 1 to Blue Bird's audited consolidated financial statements in the proxy statement

Blue Bird Income Statement

($ in thousands, except per share values)

	Year Ended		
	September 29, 2012	**September 28, 2013**	**September 27, 2014**
Net sales	$598,330	$776,558	$855,735
Cost of goods sold	542,086	684,109	746,362
Gross profit	$56,244	$92,449	$109,373
Operating expenses			
Selling, general and administrative expenses	57,418	65,332	91,445
Operating profit (loss)	($1,174)	$27,117	$17,928
Interest expense	(2,480)	(2,371)	(6,156)
Interest income	160	214	102
Other income (expense), net	9	96	72
Income (loss) before income taxes	($3,485)	$25,056	$11,946
Income tax (expense) benefit	(429)	30,380 (1)	(10,076)
Equity in net income (loss) of non-consolidated affiliates, net of tax	1,244	(1,069)	845
Income (loss) from continued operations	($2,670)	$54,367	$2,715
Income (loss) from discontinued operations, net of tax	(328)	(159)	42
Net income (loss)	**($2,998)**	**$54,208**	**$2,757** (2)
Defined benefit pension plan (loss) gain (3)	(7,804)	10,196	(4,150)
Comprehensive income (loss)	**($10,802)**	**$64,404**	**($1,393)**
Weighted average shares outstanding, basic and diluted	100	100	100
Basic and diluted income (loss) per share			
Income (loss) from continuing operations	**($26,695)**	**$543,672**	**$27,152**
Income (loss) from discontinuing operations	**(3,281)**	**(1,594)**	**425**

(1) This income tax benefit resulted primarily from a reduction in valuation reserves established in prior periods. See Note 11 to Blue Bird's audited consolidated financial statements in the proxy statement

(2) Includes $24.7 million (approximately $16.1 million net of tax) in special compensation payments related to Blue Bird's 2014 dividend recapitalization and $9.3 million (approximately $7.4 million net of tax) of expenses associated with the Business Combination

(3) Net of tax of $0, $5,709 and $2,036 in 2012, 2013 and 2014 respectively

Blue Bird Balance Sheet

($ in thousands)

	September 28, 2013	September 27, 2014
ASSETS		
Cash and cash equivalents	$46,594	$61,137
Accounts receivables, net.	13,493	21,215
Inventories	62,603	71,300
Other current assets	3,125	4,353
Deferred tax asset	3,030	6,057
Total current assets	$128,845	$164,062
Property, plant and equipment, net	31,938	29,949
Goodwill	18,825	18,825
Intangible assets, net	64,103	62,240
Equity investment in affiliate	8,661	9,871
Deferred tax asset	8,001	4,073
Restricted cash	1,206	—
Other assets	1,406	2,912
Total assets	**$262,985**	**$291,932**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$72,960	$94,294
Accrued warranty costs - current portion	5,917	6,594
Accrued expenses	25,133	37,319
Deferred warranty income - current portion	3,767	4,117
Other current liabilities	3,020	5,668
Current portion of senior term debt.	2,979	11,750
Total current liabilities	$113,776	$159,742
Revolving senior credit facility	71	—
Long-term term debt	10,009	211,118
Accrued warranty costs	7,530	8,965
Deferred warranty income	6,976	7,886
Other liabilities	7,502	12,136
Accrued pension liability	37,703	40,881
Total long-term liabilities	$69,791	$280,986
Common stock	1	1
Additional paid-in capital	94,999	—
Retained (deficit) earnings	26,836	(102,229)
Accumulated other comprehensive loss	(42,418)	(46,568)
Total stockholder's (deficit) equity	$79,418	($148,796)
Total liabilities and stockholder's (deficit) equity	**$262,985**	**$291,932**

Blue Bird Statement of Cash Flows

($ in thousands)

	Year Ended		
	September 29, 2012	**September 28, 2013**	**September 27, 2014**
Cash flows from operating activities			
Net income (loss)	($2,998)	$54,208	$2,757
(Income) loss from discontinued operations, net of tax	328	159	(42)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	13,194	11,808	9,898
Amortization of debt costs	210	128	1,301
Equity in net income of affiliate	(1,244)	1,069	(845)
Impairment loss on fixed assets	117	—	—
(Gain) loss on disposal of fixed assets	285	36	(67)
Loss on sale of assets held for sale	688	—	—
Deferred taxes	375	(30,447)	2,874
Change in uncertain tax position	—	—	6,390
Provision for bad debt	193	21	(9)
Non-cash interest expense	1,473	1,398	—
Amortization of deferred actuarial pension losses	3,392	4,233	2,804
Changes in assets and liabilities			
Accounts receivable	83	(4,178)	(7,713)
Inventories	(4,750)	(7,244)	(8,697)
Other assets	159	1,315	(1,415)
Accounts payable	10,059	6,889	18,080
Accrued expenses, pension and other liabilities	(6,064)	(3,414)	12,096
Total adjustments	**$18,170**	**($18,386)**	**$34,697**
Net cash provided by continuing operations	**15,500**	**35,981**	**37,412**
Net cash used in discontinued operations	**(678)**	**(661)**	**(568)**
Total cash provided by operating activities	**$14,822**	**$35,320**	**$36,844**
Cash flows from investing activities			
Change in net investment in discounted leases	863	563	778
Cash paid for fixed assets	(3,659)	(4,945)	(5,535)
Proceeds from sale of assets	2,077	—	102
Restricted cash	—	—	1,206
Total cash used in investing activities	**($719)**	**($4,382)**	**($3,449)**
Cash flows from financing activities			
Borrowings under the senior credit facility	10,868	63,743	2,862
Payments under the senior credit facility	(10,938)	(63,672)	(2,933)
Borrowings under the senior term loan	—	12,988	235,000
Repayments under the subordinated term loans	(5,000)	(35,000)	(13,000)
Cash paid for capital leases	(855)	(907)	(535)
Cash paid for debt costs	(100)	(111)	(12,647)
Cash paid for dividends	—	—	(226,821)
Change in advances collateralized by discounted leases	(863)	(563)	(778)
Total cash used in financing activities	**($6,888)**	**($23,522)**	**($18,852)**
Change in cash and cash equivalents	**7,215**	**7,416**	**14,543**
Cash and cash equivalents at beginning of period	**31,963**	**39,178**	**46,594**
Cash and cash equivalents at end of year	**$39,178**	**$46,594**	**$61,137**



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