

Blue Bird Corporation

UBS Industrials & Transportation Conference

November 19, 2015

BLUE BIRD

A heritage of looking ahead.

Blue Bird Highlights & Agenda

- **Iconic and Fastest Growing School Bus Brand**
  - Bus sales volume (units) up more than 40% since 2010
  - Market leader in combined Type A/C/D school bus volume
  - North American market share of 30% in 2014 is up 7 percentage points since 2010
  - Recently announced four new industry-leading powertrains that will begin shipping in 2016
- **Undisputed Leader in Alternative Fuel-Powered Bus Sales**
  - Sold approximately 6x more alternative-fuel buses than all competitors combined since 2010
  - Propane-powered buses currently growing at double-digit rates
  - Announced a CNG-powered Type C Vision at NAPT Conference this month
- **Downside Risk Mitigation**
  - Break-even volume (based on Adj. EBITDA) of ~3,800 units annually in 2014 compared with ~4,800 in 2010
- **Significant Upside Potential**
  - Early stages of school bus industry rebound following trough in 2011
  - Just over 450 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 almost 10% since Blue Bird started trading on February 25, 2015[1]**



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.

[1] Based on closing price of $10.85 on November 16, 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
- 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

Product Leadership

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	●	--	--

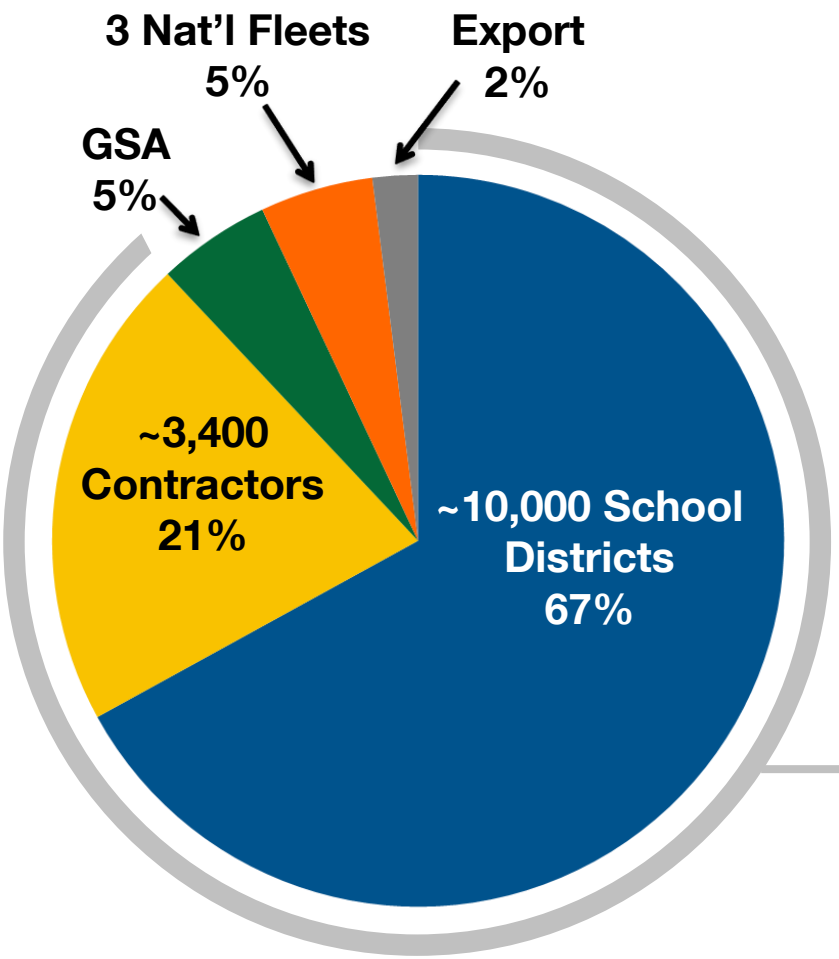
[1] Checkmarks/Corporate Logo indicate leadership in category

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)

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	38	6
Phil Tighe	*Chief Financial Officer*	Ford	39	3
John Kwapis	*Chief Operating Officer*	GM, Johnson Controls, accenture	30	6
Dale Wendell	*Chief Commercial Officer*	Ford	39	4
Mike McCurdy	*VP HR & External Affairs*	olan mills	16	16
Paul Yousif	*VP Legal Affairs & Treasurer*	Visteon	15	8
Dave Whelan	*SVP Supply Chain & Quality*	CNH	13	13
Dennis Whitaker	*VP Engineering*	BLUE BIRD	36	36
John McKowen	*VP Manufacturing*	Visteon	19	9
Bill Landreth	*VP Service Parts*	FREIGHTLINER	41	2
Jeff Terlep	*VP Marketing & Product Planning*	Ford, AGCO Your Agriculture Company	23	1
Dean Coulson	*VP International & Commercial Bus*	MERITOR	17	13
Jeff Carpenter	*VP North American Sales*	BLUE BIRD	31	31
Trey Jenkins	*VP Alternative Fuels*	PACCAR	23	6



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
- Currently growing at double-digit rates
- 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

Propane – Positive Press & Product Innovations

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

School Transportation News
August 14, 2015

"West Virginia County adds Blue Bird propane-powered school bus to fleet"

WCHS ABC Channel 8
August 3, 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*
- *The district has 60 buses in its fleet, replacing five of them each year. So, eventually it hopes to have all the buses transitioned over to propane*

News Channel 15 wane.com
August 4, 2015

Propane Product Innovations

New Calibrations Launched Providing Performance Options

BLUE BIRD EconoShift™

BLUE BIRD PowerShift™

Short-Wheelbase Propane-Powered Buses Introduced

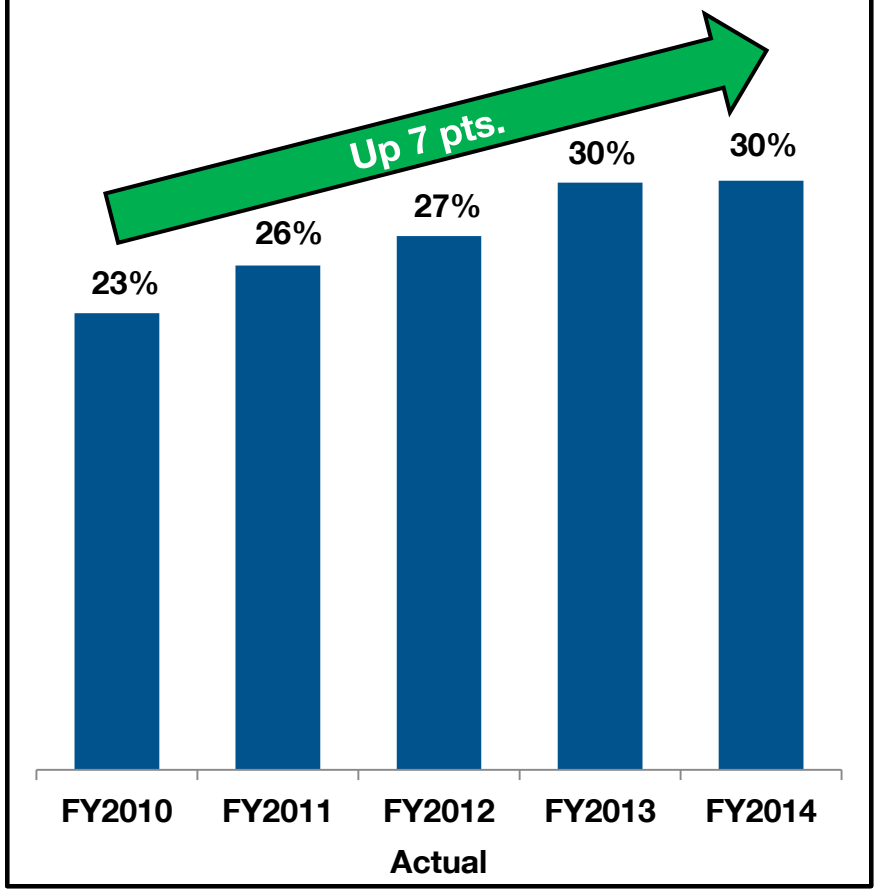


Propane-powered Vision sales growing at double-digit rate

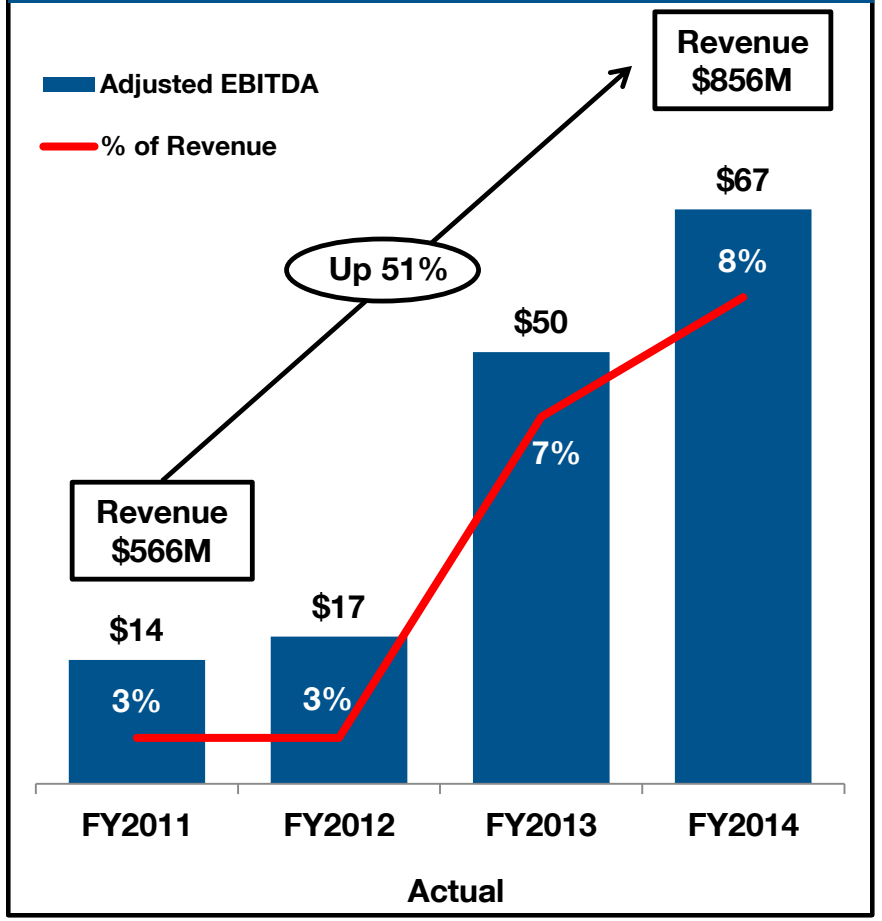
Strong Market Share and Profit Growth

($ 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

=

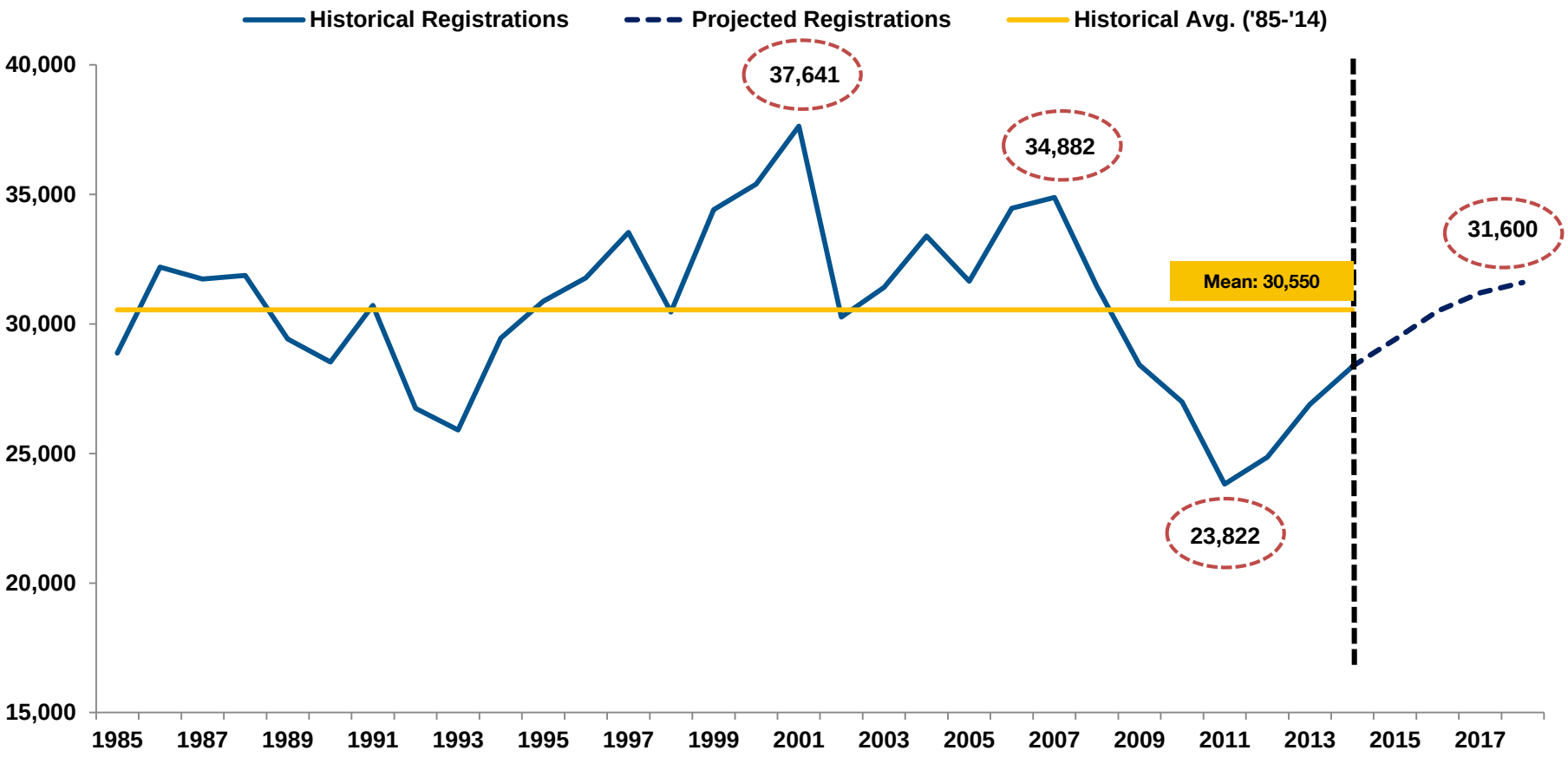
Future Growth & Profitability

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



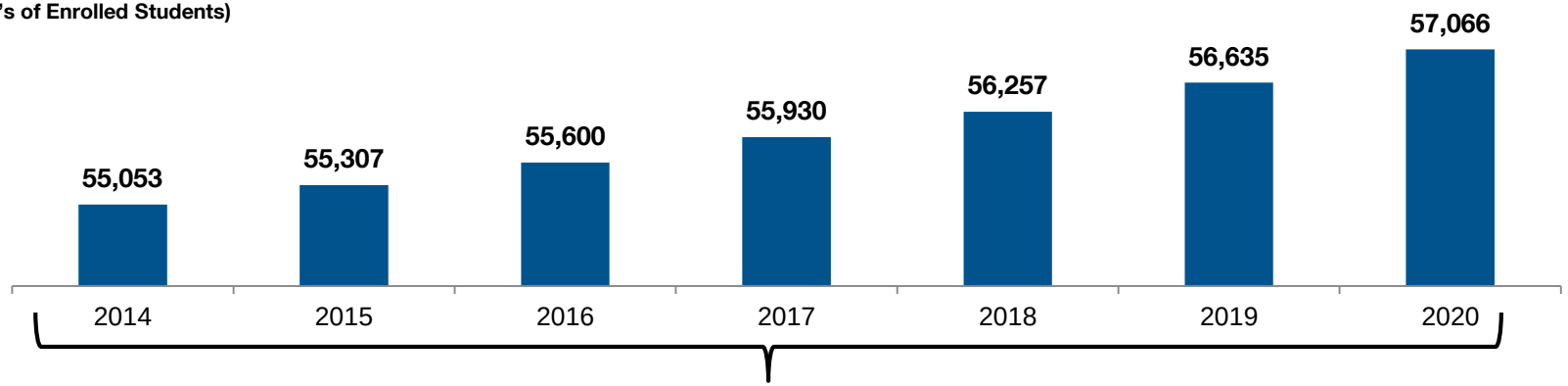
Source: Historical results are based on RL Polk vehicle registration data, and the estimated 2014-2016 periods are based on Blue Bird management's forecast model, which takes into account RL Polk vehicle registration data, population of school age children forecasts from the National Center for Education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

Housing price recovery and aged fleet driving industry growth

Growing number of Enrolled Students

Total Projected U.S. Enrollment

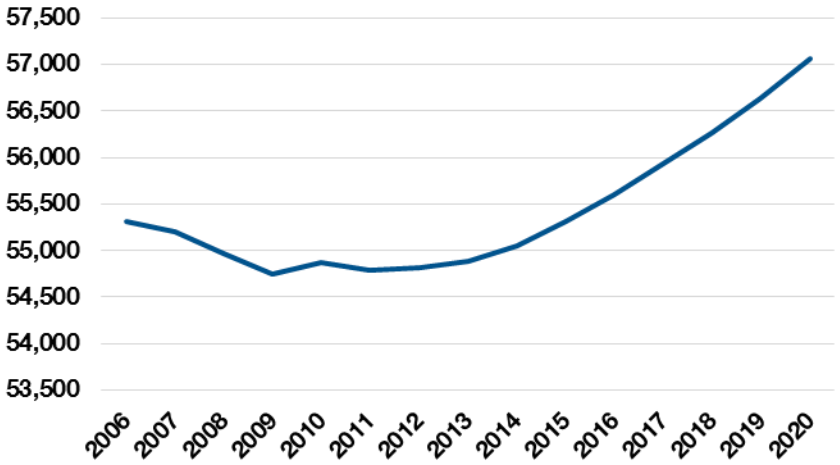
(000's of Enrolled Students)



2014 - 2020 Enrollment Growth of ~2 Million Students; 4% Growth

U.S. Student Enrollment

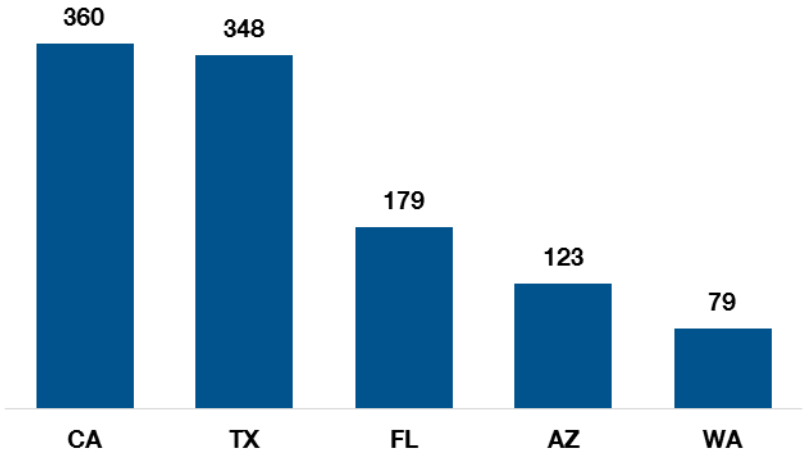
(000's of Enrolled Students)



Source: National Center for Education Statistics (NCES)

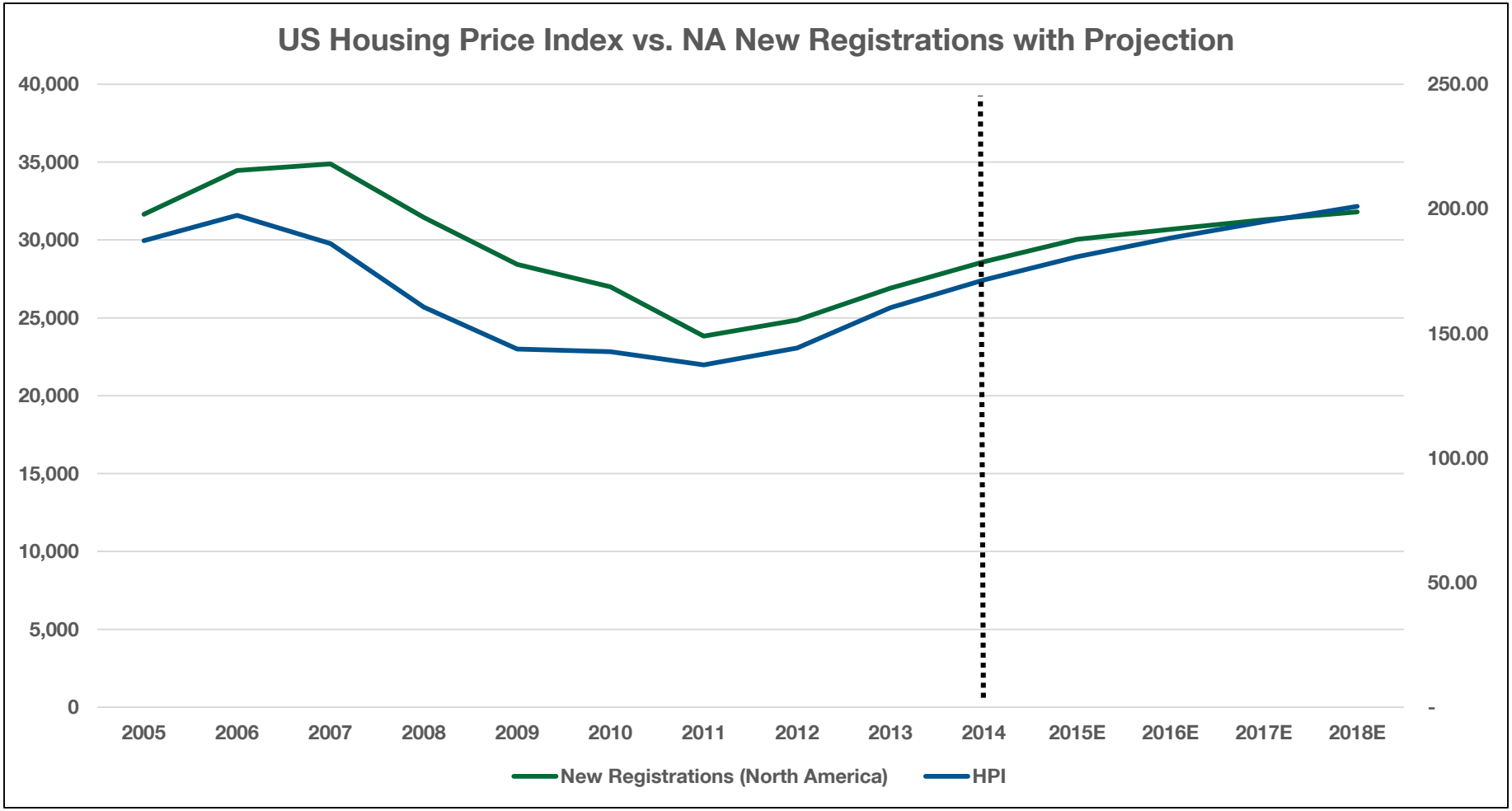
Largest Growth States (2014-2020)

(000's of Enrolled Students)



Source: National Center for Education Statistics (NCES)

Positive Outlook on Availability of Funds

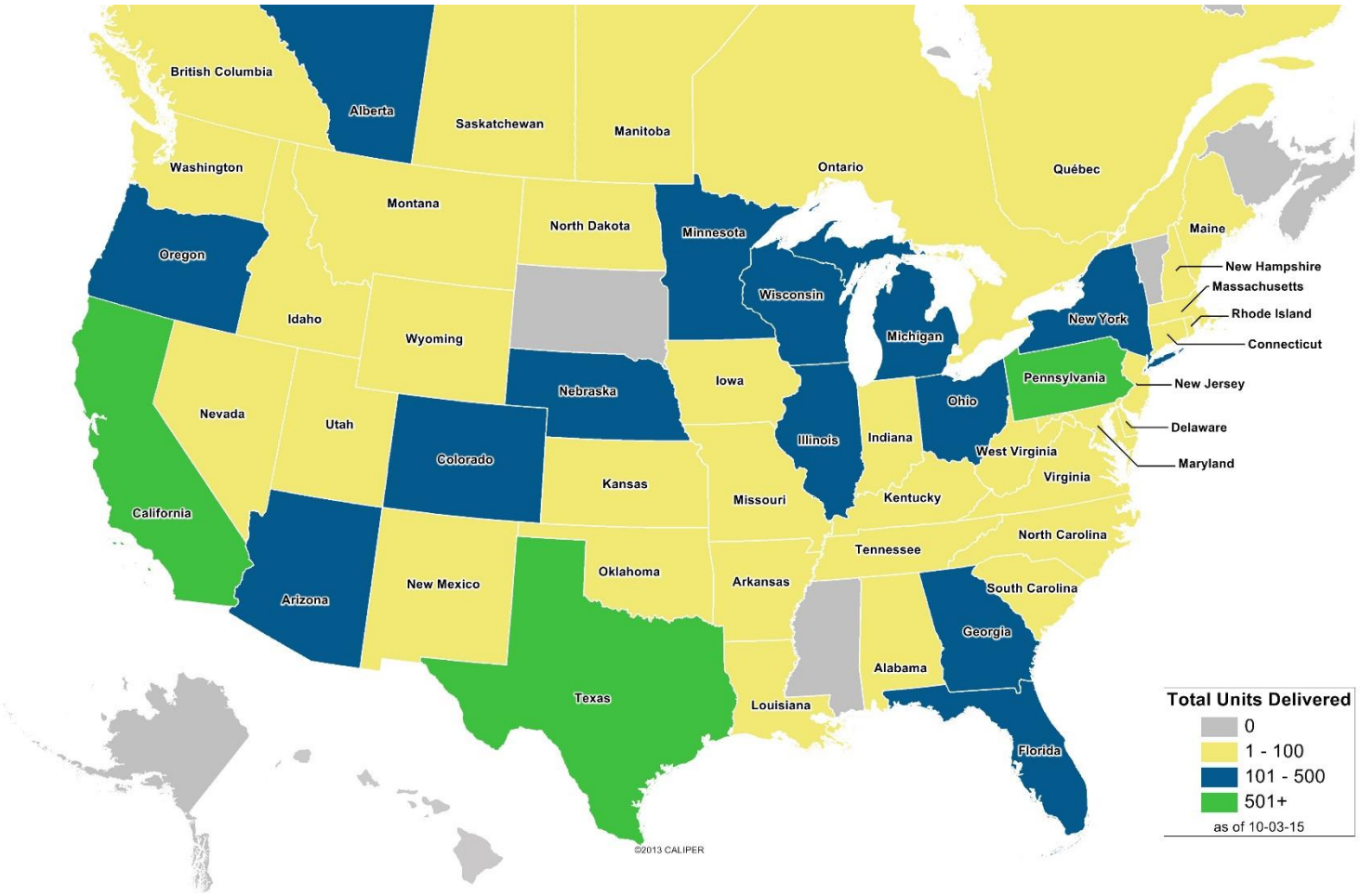


Property taxes are a key funding source for school bus purchases and are related to housing values

*HPI data from CoreLogic, normalized to Jan of 2005

Share Growth: Propane Opportunity

Fewer than 5% of Customers Have Tried Propane



Just over 450 customers out of ~10,000 districts have tried propane

Share Growth: Propane Opportunity

STUDENT TRANSPORTATION INC.®



"STI's fleet of CNG and propane autogas vehicles now totals more than 1,300. That number is sure to grow as school districts learn more about our highly successful deployments in places like Omaha, NE, Monroeville, PA and Los Angeles, CA."

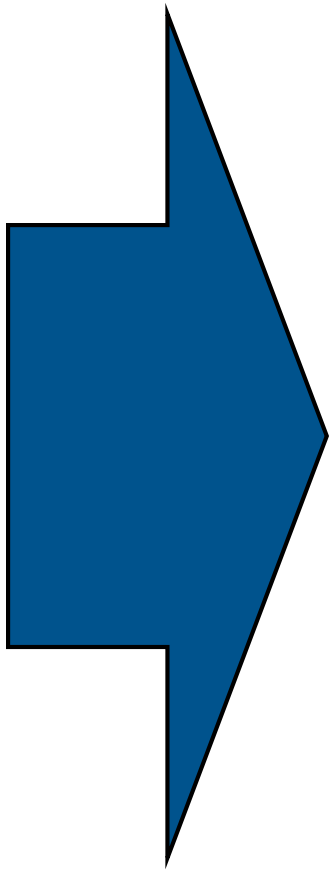
- Student Transportation Inc.
2014 Annual Report
(TSX: STB) (Nasdaq: STB)

Student Transportation Inc. is Blue Bird's largest propane customer

Margin Expansion: Focused Approach

Processes Supporting Continuous Improvement

- Engineering team focused on design cost improvements – reduce cost & improve functionality
- Manufacturing focused on improving processes – reduce labor cost & improve capacity
- Purchasing looking at sourcing opportunities – reduce cost & improve quality & delivery
- Purchasing working with key suppliers on long-term relationships, including value add/value engineering
- Total focus on waste reduction



- Break-even volume based on Adj. EBITDA is ~3,800 units per year, over 20% lower than 2010
- Continuous improvement mindset
- Highly skilled workforce with average tenure of approximately 14 years
- Strategic facility & process improvements will support future competitiveness

Continuous improvement across all operations

Margin Expansion: Growing Parts Business

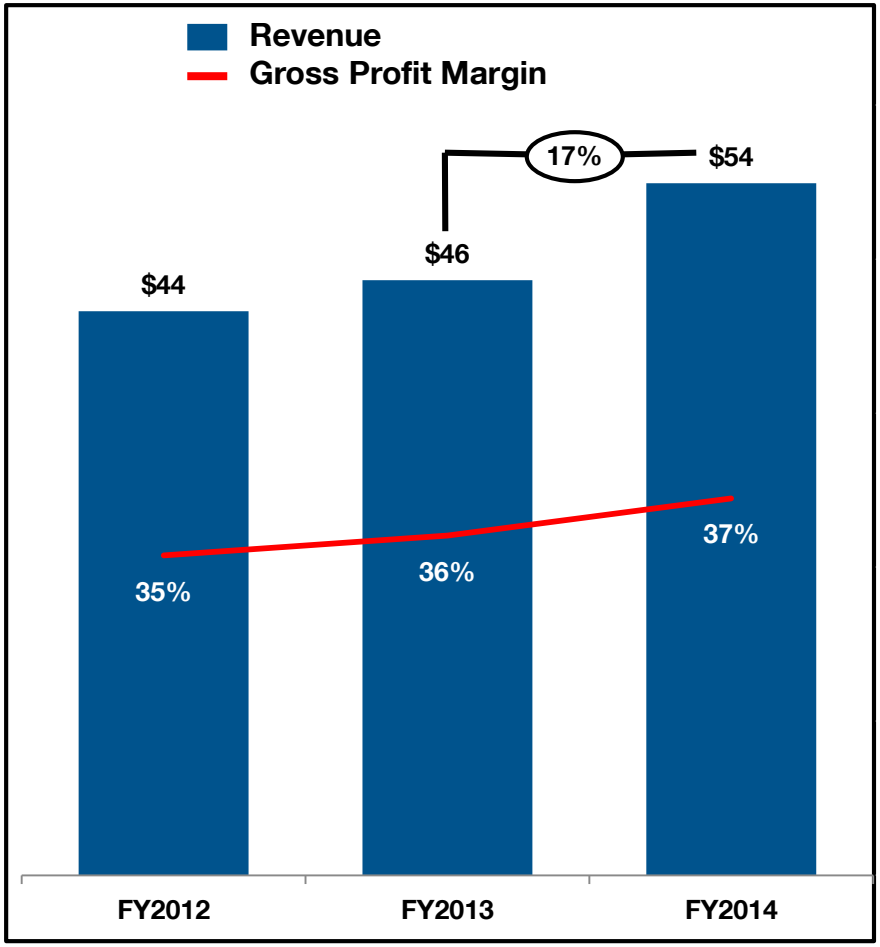
($ in millions)

Parts Business

- High margin business
- ~180,000 Blue Bird buses in North America
- ~250 dealer-authorized service locations
- Product line expansion



Parts Sales Revenue & Gross Margin



Growth in Parts revenue will drive margin expansion

New Products: Innovation Leadership

- Unprecedented pace of new product launches
- Four all-new powertrains to begin shipping in 2016
  - Ford ROUSH 6.8L V10 Gasoline Engine
  - Ford ROUSH 6.8L V10 CNG Engine
  - Cummins ISV 5.0L V8 Engine
  - Eaton Procision Duel-Clutch, 7-Speed Transmission
- Demonstrates Blue Bird's commitment to new products that customers want and value

BUILT Ford TOUGH™ ROUSH CLEANTECH Cummins® EATON

Blue Bird leads the market in new product offerings

New Products: Innovation Leadership

New Gasoline-Powered Vision



- Blue Bird is the only major manufacturer to offer a Type C gasoline-powered school bus
- Lower acquisition cost than other fuel types
- Maintenance and service is simpler for technicians
- Utilizes Ford's modern and highly efficient 6.8L V10 gasoline engine with a 5-year/unlimited mileage warranty
- Blue Bird exclusive offering from Ford and ROUSH CleanTech
- Begins shipping in summer 2016

Great new choice for customers focused on acquisition price

New Products: Innovation Leadership

New CNG-Powered Vision



BUILT Ford TOUGH™

ROUSH CLEANTECH

- Lower acquisition cost than Type D CNG-powered school bus
- Lower fuel and maintenance cost than diesel with better emissions performance
- Utilizes Ford's modern and highly efficient 6.8L V10 engine with a 5-year/unlimited mileage warranty
- Blue Bird exclusive offering from Ford and ROUSH CleanTech
- Begins shipping in late 2016

Meets the needs of CNG school bus market that is expected to grow

New Products: Innovation Leadership

New V8 Diesel-Powered Vision

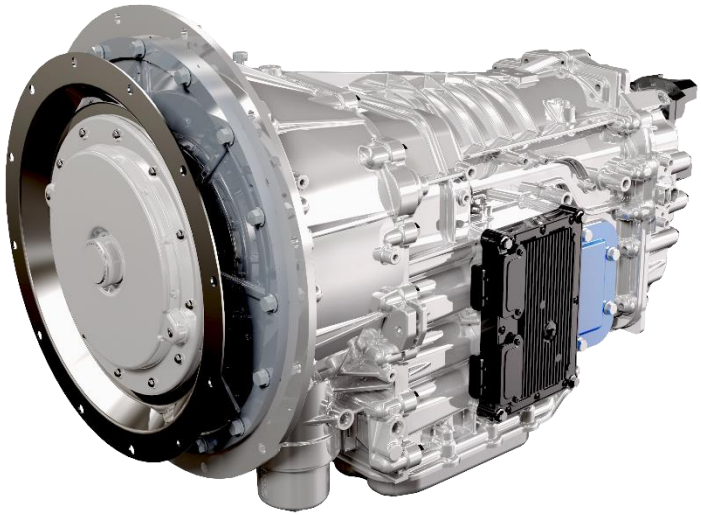


- Blue Bird is the only manufacturer to offer the Cummins ISV 5.0L V8 diesel in a school bus
- Lower acquisition cost than other diesel offerings
- Improved fuel economy in urban environments
- New standard for being the quietest diesel engine on the road
- Compact size will make service accessibility simple
- Begins shipping in summer 2016

Great new choice for customers focused on a value-priced diesel

New Products: Innovation Leadership

New Eaton Procision Transmission



- First dual-clutch, seven-speed automatic transmission available for Class 6-7 vehicles in North America
- Electronic shifting provides optimal fuel efficiency and smooth, continuous delivery of torque
- Efficiently accelerates and optimizes shift points to reach the highest gear as early as possible
- Features such as Creep Mode, Hill Helper and Tap-Down Shifting make bus easier to drive
- Begins shipping in summer of 2016

Highly efficient transmission that is loaded with features

New Markets: International & Commercial

Sell more School Buses in International Markets







Expand Commercial Bus Domestically & Internationally







Grow international & commercial bus business

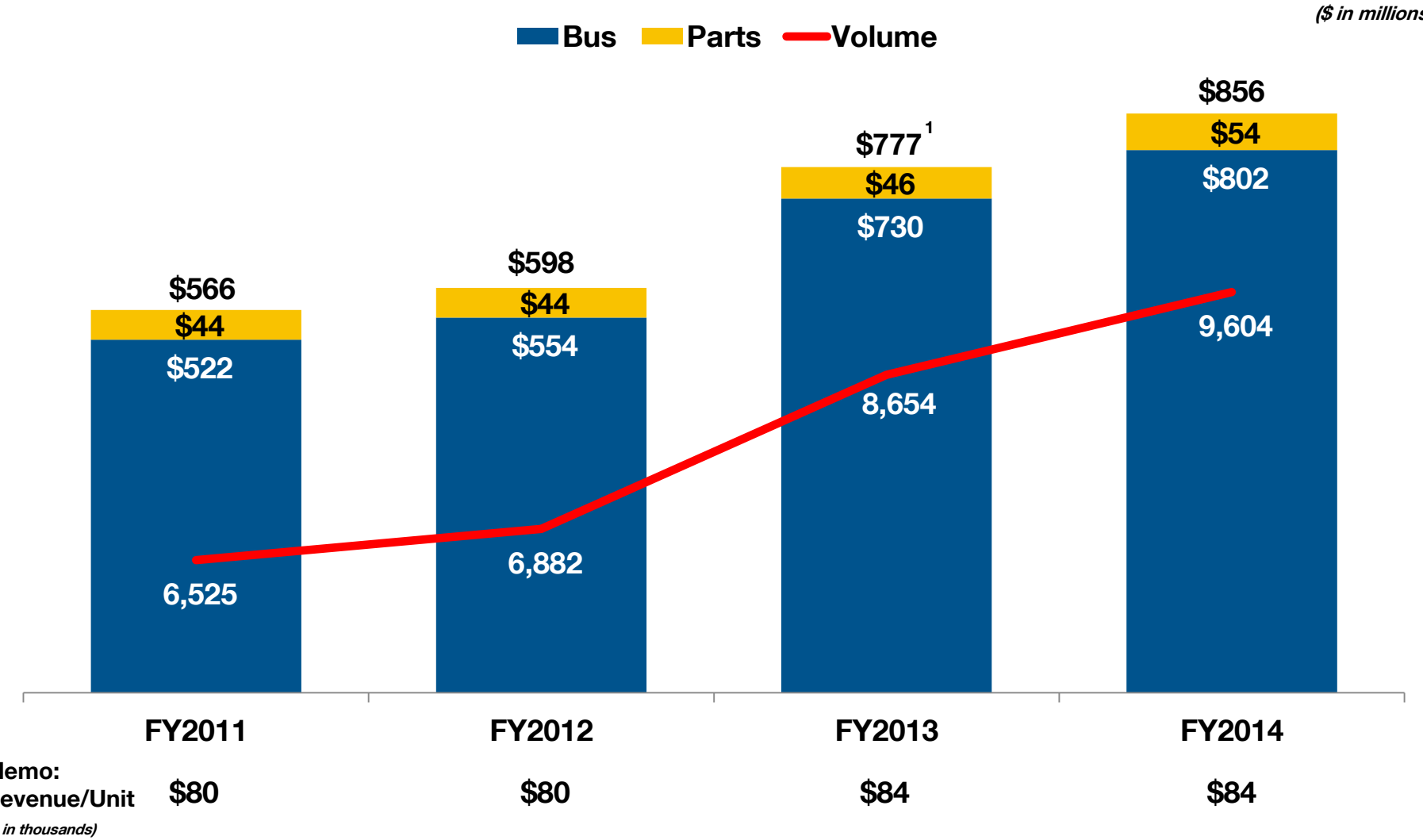


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Financial Review

Substantial Revenue Growth

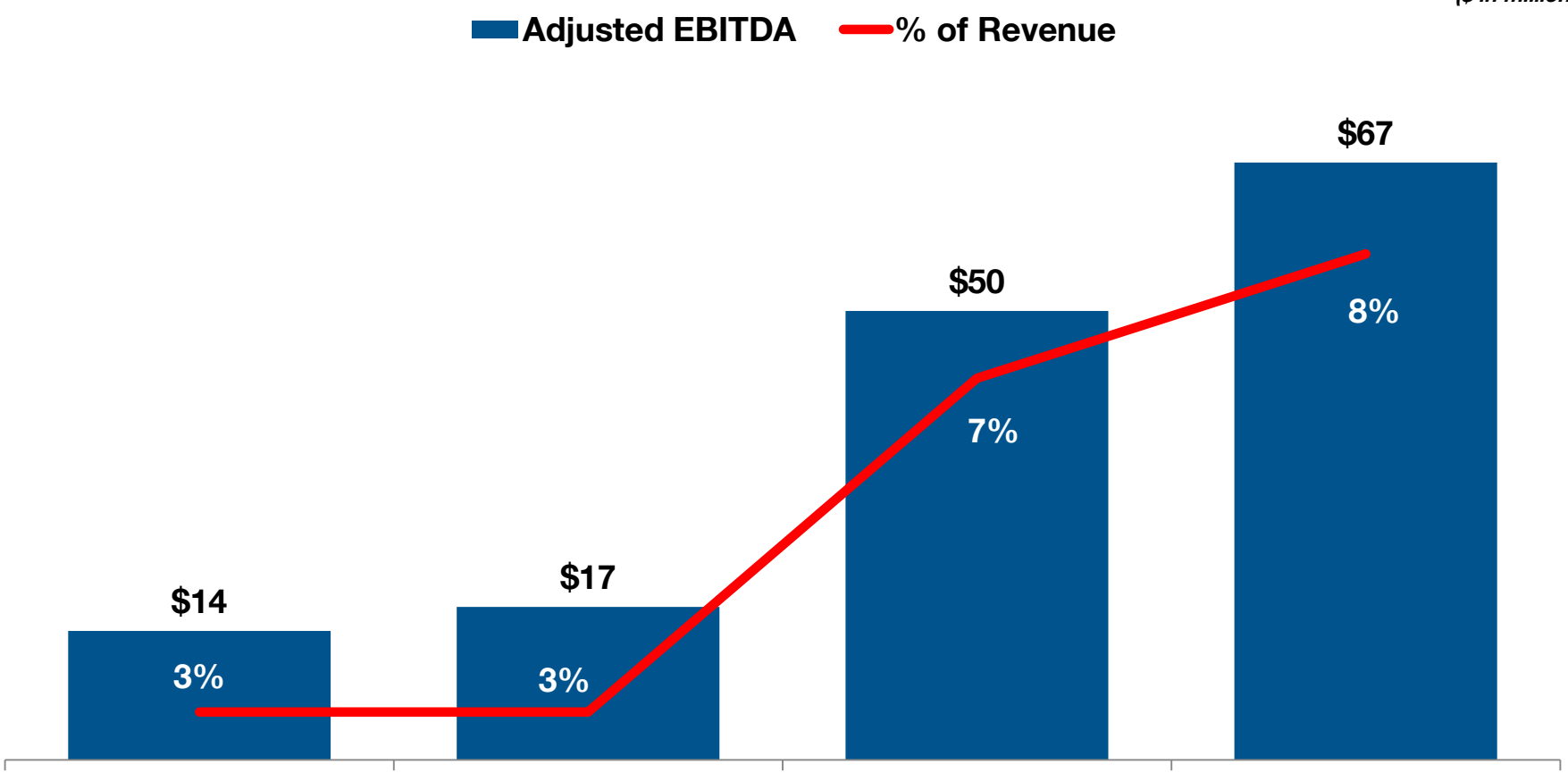


Consistently driven volume and revenue growth

[1] Total does not sum precisely due to rounding

Impressive Profit Growth

($ in millions)



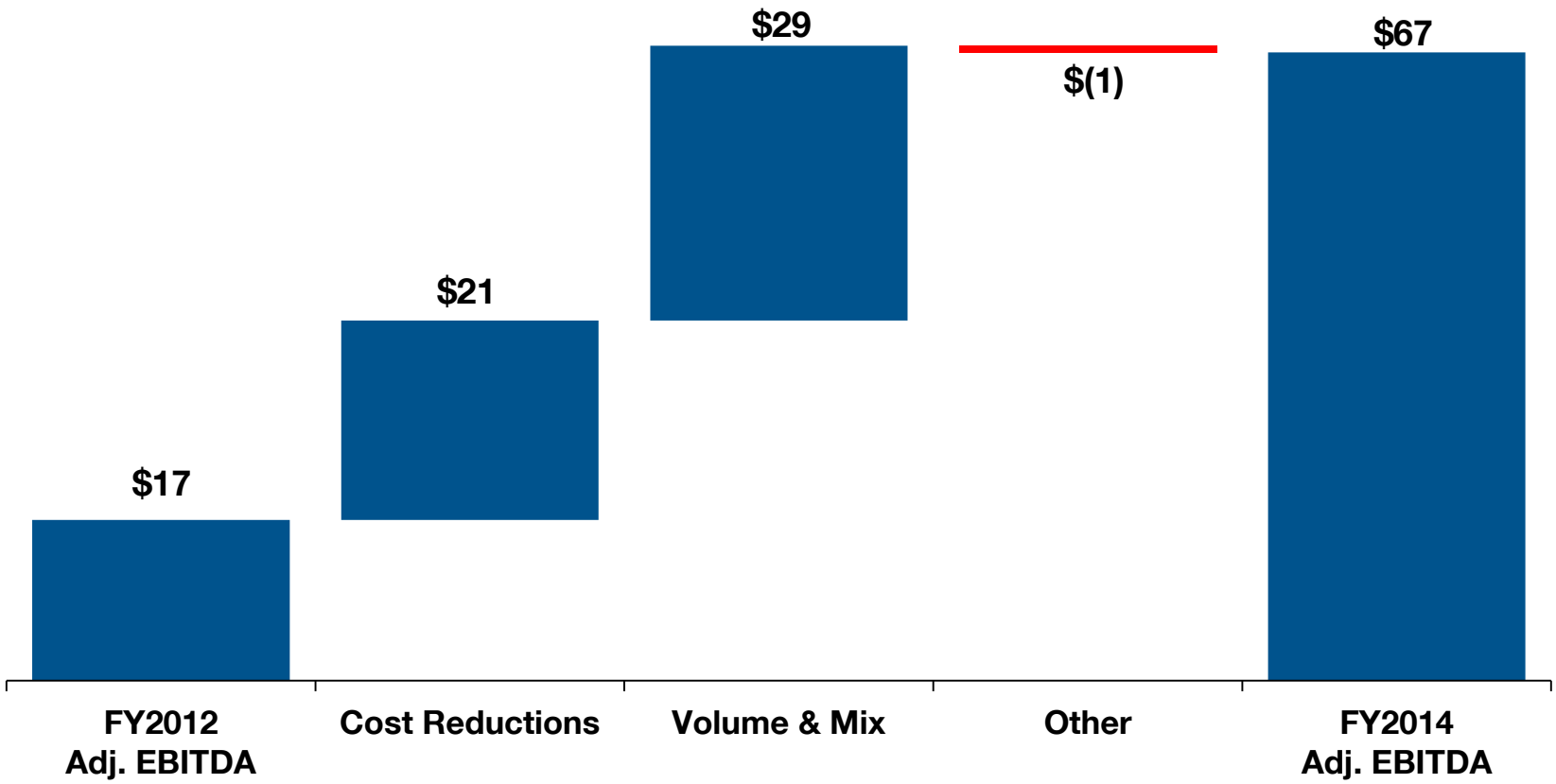
Memo: GP Margin	FY2011	FY2012	FY2013	FY2014
	9%	9%	12%	13%

EBITDA has grown at a faster rate than revenue

Note: Numbers have been rounded

Profit Drivers: FY2012 to FY2014

($ in millions)

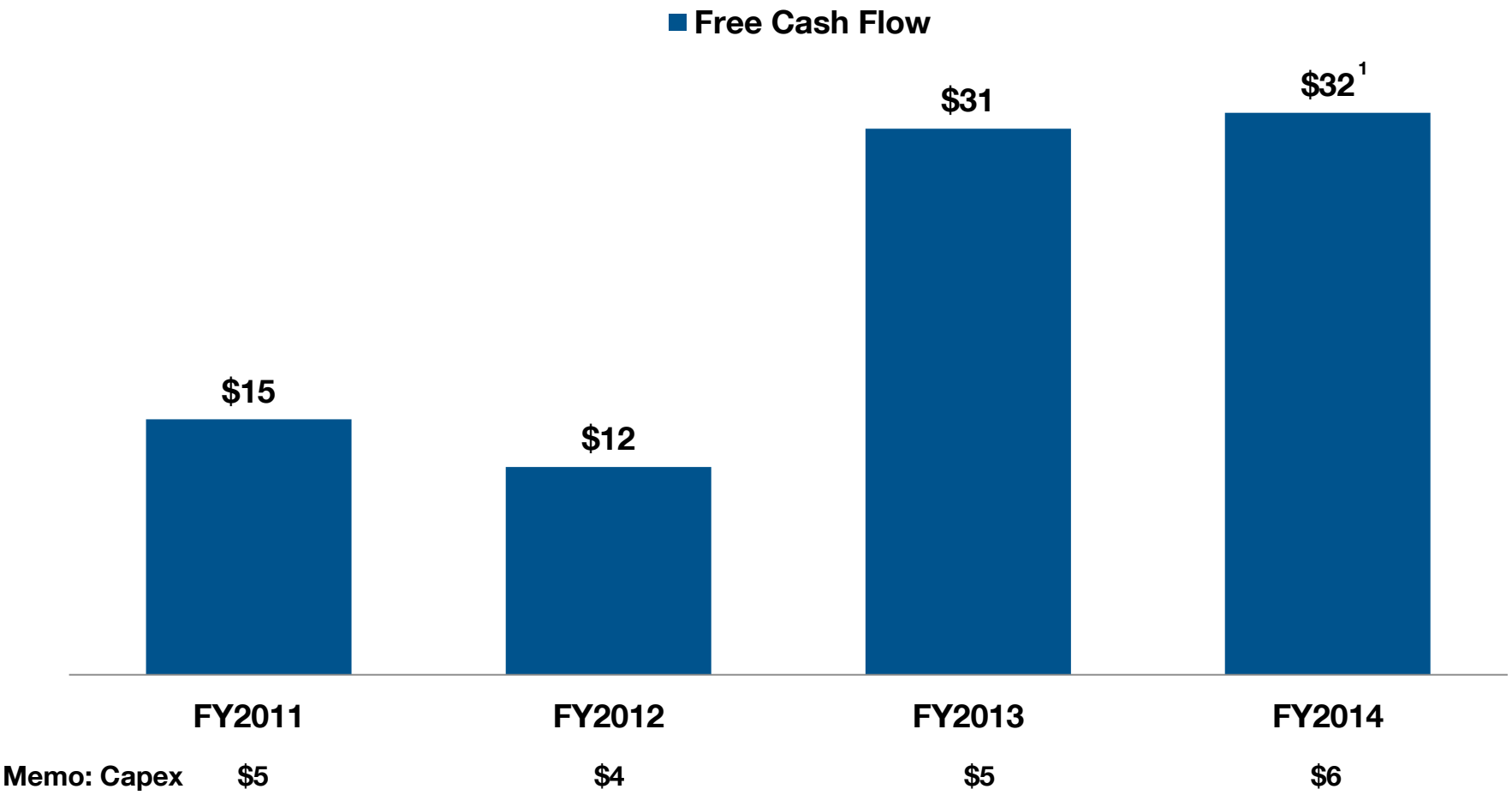


Relentless focus on cost competitiveness allows us to compete in all markets

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



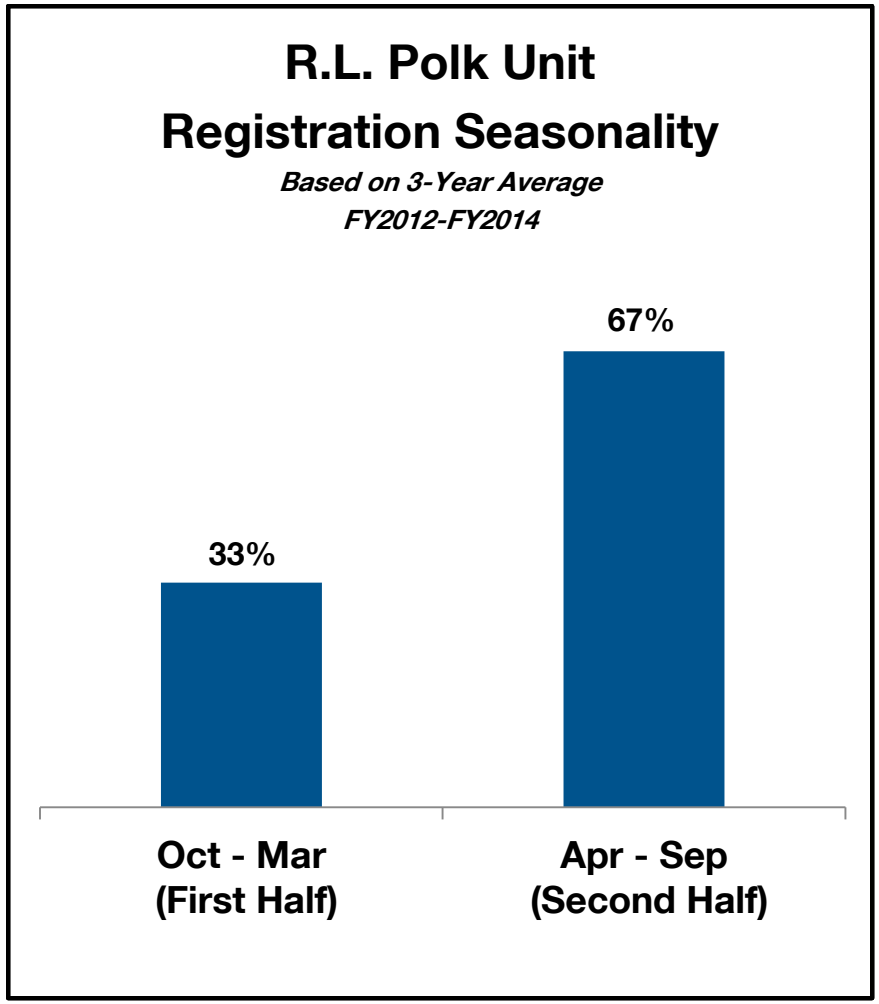
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FY2015 Outlook

School Bus Business is Highly Seasonal

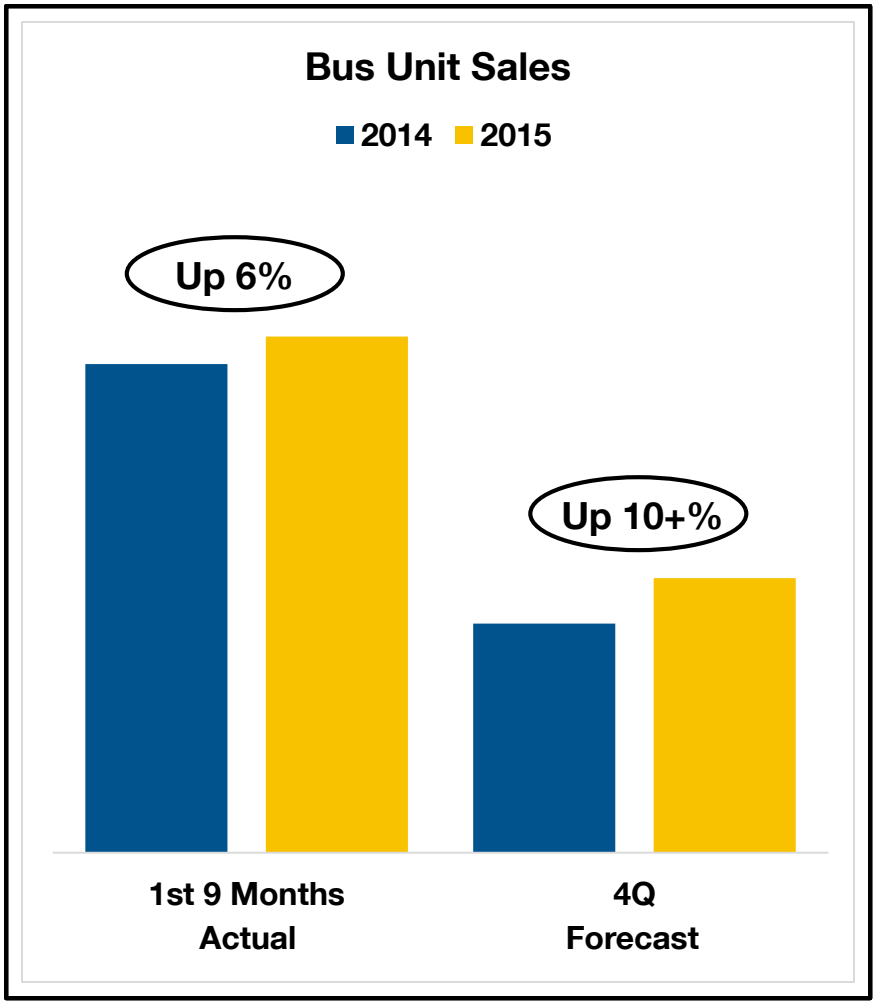
- Timing of sales influenced by school start
- First quarter is historically our lowest volume quarter and we take planned shutdowns during this period
- Company results follow sales pattern
- Working capital is typically a significant use of cash during first quarter



Seasonality drives higher sales and earnings in second half

4Q Outlook Supports Full-Year Guidance

- Strong 4Q bus sales forecast is fully supported by firm orders
- Projected 4Q margins are higher than the first nine months based on units already shipped and orders in hand



Anticipating a strong 4Q

FY2015 Net Sales & Adj. EBITDA Guidance

($ millions)

Guidance	3Q FYTD Actual	4Q Forecast	Full Year Fiscal 2015
Net Sales	$612	$306-328	$918-940
Adjusted EBITDA[1]	$40	$32-35	$72-75

FY2015 earnings results and FY2016 guidance to be announced on December 15, 2015

[1] Consistent with the information provided in our proxy statement filed on January 20, 2015, guidance for Adjusted EBITDA specifically excludes the ongoing incremental costs required to operate as a publicly-traded company. These ongoing public company costs represented $0.6 million for the third quarter and $1.2 million for the first nine months of the fiscal year. These costs are estimated to be at least $2.0 million for the full-year

On track to increase Adjusted EBITDA[1] by 7-12% in FY2015



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Wrap-Up

Significant Momentum & Upside

- Iconic and fastest growing school bus brand
- Announced four all-new powertrains that will begin shipping in 2016
- 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

Balance Sheet

(in thousands except for share data)	As of July 4, 2015 (unaudited)	As of September 27, 2014 (unaudited)
Assets		
Current assets		
Cash and cash equivalents	$ 27,823	$ 61,137
Accounts receivable, net	33,815	21,215
Inventories	106,520	71,300
Other current assets	4,421	4,353
Deferred tax asset	2,542	6,057
Total current assets	$ 175,121	$ 164,062
Property, plant and equipment, net	27,880	29,949
Goodwill	18,825	18,825
Intangible assets, net	60,844	62,240
Equity investment in affiliate	10,921	9,871
Deferred tax asset	11,005	4,073
Other assets	3,026	2,913
Total assets	$ 307,622	$ 291,933
Liabilities and Stockholder's Deficit		
Current liabilities		
Accounts payable	$ 115,866	$ 94,294
Accrued warranty costs—current portion	6,839	6,594
Accrued expenses	25,021	37,319
Deferred warranty income—current portion	4,546	4,117
Other current liabilities	5,699	5,668
Current portion of senior term debt	11,750	11,750
Total current liabilities	$ 169,721	$ 159,742
Long-term liabilities		
Long-term debt	$ 204,177	$ 211,118
Accrued warranty costs	9,444	8,965
Deferred warranty income	8,648	7,886
Other liabilities	12,828	12,136
Accrued pension liability	36,650	40,881
Total long-term liabilities	$ 271,747	$ 280,986
Guarantees, commitments and contingencies		
Stockholders' deficit		
Series A preferred stock , $.0001 par value, 10,000,000 shares authorized, 500,000 issued at July 4, 2015 and liquidation preference of $50,000	$ 50,000	$ —
Common stock, $0.0001 par value, 100,000,000 shares authorized, 20,787,845 and 22,000,000 issued and outstanding at July 4, 2015 and September 27, 2014, respectively.	2	2
Additional paid-in capital	14,791	—
Accumulated deficit	(153,851)	(102,229)
Accumulated other comprehensive loss	(44,788)	(46,568)
Total stockholders' deficit	$ (133,846)	$ (148,795)
Total liabilities and stockholders' deficit	$ 307,622	$ 291,933

Income Statement

(in thousands except for share data)	Three Months Ended July 4, 2015 (unaudited)	Three Months Ended June 28, 2014 (unaudited)	Nine Months Ended July 4, 2015 (unaudited)	Nine Months Ended June 28, 2014 (unaudited)
Net sales	$ 262,653	$ 240,326	$ 611,504	$ 581,991
Cost of goods sold	225,991	206,564	532,334	501,767
Gross profit	$ 36,662	$ 33,762	$ 79,170	$ 80,224
Operating expenses				
Selling, general and administrative expenses	17,404	38,369	66,813	66,900
Operating profit	$ 19,258	$ (4,607)	$ 12,357	$ 13,324
Interest expense	(4,577)	(711)	(14,473)	(1,235)
Interest income	5	14	39	68
Other income, net	(33)	48	—	69
Income (loss) before income taxes	$ 14,653	$ (5,256)	$ (2,077)	$ 12,226
Income tax (expense) benefit	(4,323)	(2,795)	360	(8,620)
Equity in net income of non-consolidated affiliate, net of tax of $190, $75, $368 and $94, respectively	353	118	681	164
Income (loss) from continued operations	$ 10,683	$ (7,933)	$ (1,036)	$ 3,770
Loss from discontinued operations, net of tax	—	(127)	(4)	(138)
Net (loss) income	$ 10,683	$ (8,060)	$ (1,040)	$ 3,632
Defined benefit pension plan gain, net of tax of $319, $266, $958 and $757, respectively	593	435	1,780	1,346
Comprehensive (loss) income	$ 11,276	$ (7,625)	$ 740	$ 4,978
Net (loss) income (from above)	$ 10,683	$ (8,060)	$ (1,040)	$ 3,632
Preferred stock dividend	$ 1,239	$ —	$ 1,239	$ —
Net income (loss) available to common stockholders	$ 9,444	$ (8,060)	$ (2,279)	$ 3,632
Earnings (loss) per share:				
Basic weighted average shares outstanding	20,712,860	22,000,000	21,306,118	22,000,000
Basic earnings per share (loss per share)	$ 0.46	$ (0.37)	$ (0.11)	$ 0.17
Diluted weighted average shares outstanding	28,081,412	22,000,000	21,306,118	22,000,000
Diluted earnings per share (loss per share)	$ 0.38	$ (0.37)	$ (0.11)	$ 0.17

Consolidated Statement of Cash Flows

(in thousands of dollars)	Nine Months Ended July 4, 2015 (unaudited)	Nine Months Ended June 28, 2014 (unaudited)
Cash flows from operating activities		
Net (loss) income	$ (1,040)	$ 3,632
Loss from discontinued operations, net of tax	4	138
Adjustments to reconcile net (loss) income to net cash (used in)/provided by operating activities:		
Depreciation and amortization	6,646	7,397
Amortization of debt costs	2,283	539
Share-based compensation	526	—
Equity in net income of affiliate	(681)	(164)
Loss (gain) on disposal of fixed assets	495	(2)
Deferred taxes	(4,464)	762
Change in uncertain tax position	—	6,390
Provision for bad debt	134	79
Amortization of deferred actuarial pension losses	2,738	2,103
Changes in assets and liabilities		
Accounts receivable	(12,734)	(10,870)
Inventories	(35,220)	(46,239)
Other assets	(592)	(586)
Accounts payable	24,049	35,751
Accrued expenses, pension and other liabilities	(13,778)	9,221
Total adjustments	$ (30,598)	$ 4,381
Net cash (used in)/provided by continuing operations	$ (31,634)	$ 8,151
Net cash used in discontinued operations	(4)	(115)
Total cash (used in)/provided by operating activities	$ (31,638)	$ 8,036
Cash flows from investing activities		
Change in net investment in discounted leases	$ —	$ 252
Cash paid for fixed assets	(3,427)	(3,264)
Proceeds from sale of assets	—	23
Restricted cash	—	1,206
Total cash used in investing activities	$ (3,427)	$ (1,783)
Cash flows from financing activities		
Net borrowings under the senior credit facility	$ —	$ (128)
Borrowings under the senior term loan	—	235,000
Repayments under the senior term loan	(8,813)	(13,000)
Cash paid for capital leases	(114)	(490)
Cash paid for debt costs	(2,872)	(12,562)
Contribution from majority stockholder	13,550	—
Payment of dividends	—	(225,700)
Change in advances collateralized by discounted leases	—	(251)
Total cash provided by/(used in) financing activities	$ 1,751	$ (17,131)
Change in cash and cash equivalents	(33,314)	(10,878)
Cash and cash equivalents at beginning of period	61,137	46,594
Cash and cash equivalents at end of period	$ 27,823	$ 35,716
Non-cash investing and financing activity		
Dividend declared but unpaid	—	1,121
Capital lease acquisitions	—	167
Change in accounts payable for capital additions to property, plant and equipment	248	252
Common stock dividend on Series A preferred stock (market value of common shares)	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	39,959	—
Repurchase of Common Stock from majority stockholder	100,000	—

Free Cash Flow Reconciliation

(in thousands of dollars)	Nine Months Ended July 4, 2015	Nine Months Ended June 28, 2014
Net cash (used in)/provided by continuing operations	$ (31,634)	$ 8,151
Cash paid for fixed assets	(3,427)	(3,264)
Free cash flow	$ (35,061)	$ 4,887

Note: See slide 13 for a reconciliation of free cash flow and Adjusted Free Cash Flow

3Q Adjusted EBITDA Reconciliation

The following table sets forth a reconciliation of net income to Adjusted EBITDA for the third quarter of fiscal 2015 and the third quarter of fiscal 2014:

(in thousands of dollars)	Three Months Ended July 4, 2015	Three Months Ended June 28, 2014
Net income (loss)	$ 10,683	$ (8,060)
Loss from discontinued operations, net of tax	—	(127)
Income (loss) from continuing operations	$ 10,683	$ (7,933)
Interest expense	4,577	711
Interest income	(5)	(14)
Income tax expense	4,323	2,795
Depreciation and amortization	2,081	2,417
Special compensation payment	—	24,679
Management incentive compensation	—	625
Tax expense, non-consolidated affiliate	190	75
Business combination expenses	612	78
Share based compensation	471	—
Adjusted EBITDA	$ 22,932	$ 23,433
Adjusted EBITDA margin (percentage of net sales)	8.7%	9.8%

FYTD Adjusted EBITDA Reconciliation

The following table sets forth a reconciliation of net income to Adjusted EBITDA for the nine months ended July 4, 2015 and the nine months ended June 28, 2014:

(in thousands of dollars)	Nine Months Ended July 4, 2015	Nine Months Ended June 28, 2014
Net (loss) income	$ (1,040)	$ 3,632
Loss from discontinued operations, net of tax	(4)	(138)
Income (loss) from continuing operations	$ (1,036)	$ 3,770
Interest expense	14,473	1,235
Interest income	(39)	(68)
Income tax (benefit) expense	(360)	8,620
Depreciation and amortization	6,646	7,397
Special compensation payment *	13,788	24,679
Management incentive compensation	—	1,887
Tax expense, non-consolidated affiliate	368	94
Business combination expenses	5,625	173
Loss on disposal of fixed assets	469	—
Share based compensation	526	—
Adjusted EBITDA	$ 40,460	$ 47,787
Adjusted EBITDA margin (percentage of net sales)	6.6%	8.2%

** The fiscal 2015 payment was primarily funded by a contribution from our majority shareholder in the Business Combination.*

Net Income to Adjusted Net Income

Reconciliation of Net Income to Adjusted Net Income
(Unaudited)

(in thousands of dollars)	Three Months Ended July 4, 2015	Three Months Ended June 28, 2014	Nine Months Ended July 4, 2015	Nine Months Ended June 28, 2014
Net income	$ 10,683	$ (8,060)	$ (1,040)	$ 3,632
Less: Preferred stock dividend	1,239	—	1,239	—
Net income (loss) available to common stockholders	$ 9,444	$ (8,060)	$ (2,279)	$ 3,632
Adjustments net of tax impact				
Special compensation payment	—	$ 16,041	$ 8,962	$ 16,041
Management incentive compensation (a)	—	406	—	1,227
Discontinued operations	—	127	4	138
Business combination	398	51	3,656	112
Loss on disposal of fixed assets	—	—	305	—
Total adjustments	$ 398	$ 16,625	$ 12,927	$ 17,518
Adjusted net income from continuing operations available to common stockholders	$ 9,842	$ 8,565	$ 10,648	$ 21,150
Adjusted net income from continuing operations available to common stockholders - Diluted EPS numerator	$ 11,081	$ 8,565	$ 11,887	$ 21,150

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.

Adjusted Non-GAAP Diluted EPS

Reconciliation of GAAP Diluted EPS to Non-GAAP Diluted EPS
(Unaudited)

	Three Months Ended July 4, 2015	Three Months Ended June 28, 2014	Nine Months Ended July 4, 2015	Nine Months Ended June 28, 2014
GAAP diluted earnings (loss) per share	0.38	$ (0.37)	$ (0.11)	$ 0.17
Add Preferred Stock dividend	*		0.05	
Adjustments net of tax impact				
Special compensation payment	—	0.73	0.37	0.73
Management incentive compensation (a)	—	0.02	—	0.05
Discontinued operations	—	0.01	—	—
Business combination	0.01	—	0.15	0.01
Loss on disposal of fixed assets	—	—	0.01	—
Adjusted non-GAAP diluted earnings per share	$ 0.39	$ 0.39	$ 0.47	$ 0.96
Shares used in computing adjusted diluted earnings per share	28,081,412	22,000,000	24,554,875	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.

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.

Important Disclaimers

Non-GAAP Financial Measures

Adjusted EBITDA, Adjusted EBITDA margin, adjusted net income from continuing operations and adjusted diluted EPS should not be considered as an alternative to net income (loss) as an indicator of Blue Bird's performance or as an alternative to any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted EBITDA, Adjusted EBITDA margin, adjusted net income from continuing operations and adjusted diluted EPS. Although Blue Bird believes that Adjusted EBITDA, Adjusted EBITDA margin, adjusted net income from continuing operations and adjusted diluted EPS may enhance an evaluation of Blue Bird's operating performance based on recent revenue generation and product/overhead cost control because they exclude the impact of prior decisions made about investment and financing, (i) other companies in Blue Bird's industry may define Adjusted EBITDA, Adjusted EBITDA margin, adjusted net income from continuing operations and adjusted diluted EPS 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) Adjusted EBITDA, Adjusted EBITDA margin, adjusted net income from continuing operations and adjusted diluted EPS may exclude certain financial information that some may consider important in evaluating Blue Bird's performance.

Free cash flow and adjusted free cash flow are used in addition to and in conjunction with results presented in accordance with GAAP. Such non-GAAP measures should not be relied upon to the exclusion of GAAP financial measures. Free cash flow and Adjusted Free Cash Flow represent an additional way of viewing our liquidity that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our cash flows. Free cash flow is defined as net cash provided in continuing operation less cash paid for fixed assets. Adjusted Free Cash Flow excludes special compensation and other business combination expenses. We use free cash flow, and ratios based on that measure, to conduct and evaluate our business because, although it is similar to cash flow from operations, we believe it is a more conservative measure of cash flows since purchases of fixed assets are a necessary component of ongoing operations. In limited circumstances in which proceeds from sales of fixed assets exceed purchases, free cash flow would exceed cash flow from operations. However, since we do not anticipate being a net seller of fixed assets, we expect free cash flow to be less than operating cash flows.



END

BLUE BIRD

A heritage of looking ahead.