



Blue Bird Corporation

(Nasdaq: BLBD)

Fiscal 2017 First Quarter Results

Earnings Conference Call
February 9, 2017



A heritage of looking ahead.



- ❖ **Introductions & Forward-Looking Statements**
 - **Mark Benfield – Director, Investor Relations**

- ❖ **Business Overview**
 - **Phil Horlock – President & CEO**

- ❖ **Financial Results**
 - **Phil Tighe – CFO**

- ❖ **FY2017 Outlook and Guidance**
 - **Phil Horlock – President & CEO**

- ❖ **Q&A**
 - **Group**



This presentation includes forward-looking statements, including statements regarding full-year guidance and seasonality, that are subject to risks that could cause actual results to be materially different. Those risks include, among others, matters we have noted in our latest earnings release and filings with the SEC. Blue Bird disclaims any obligation to update information in this presentation. Additional information regarding forward-looking statements and the use of non-GAAP financial measures is presented in the Appendix to this presentation.



Phil Horlock
President & CEO

BUSINESS OVERVIEW



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1Q Financial Overview



- ❖ **Solid 1Q result in softest quarter of the year**
- ❖ **Sold 1,493 buses, 6% above prior year, with total net sales up 4%**
- ❖ **Alternative-fuel bus sales represented 23% of our total bus sales**
 - **Year-to-date orders of propane-powered buses are up 29% from last year**
- ❖ **Adjusted EBITDA of \$2.6M, down \$2.7M from last year**
 - **Decline largely reflected timing of customer orders and engineering expenses**
- ❖ **Achieved peak daily production of 59 buses on two shifts during 1Q**
 - **Production will increase to 70 units per day by May**
- ❖ **Closed new \$160m term loan and \$75m revolving credit facility, effectively reducing interest rate by ~4 points**
- ❖ **Industry R.L. Polk new registrations and ACT Research net orders are trending up vs. prior year – in line with expectations; strong quote volume**

1Q in line with plan; Reaffirming full-year guidance

Significant Operating Achievements



Acquired several new customers representing ~500 bus orders



Opened new dealership, Blanchard, in South Carolina



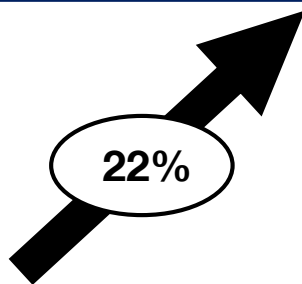
Awarded DoE E-Bus grant, worth \$4.4M, to develop eight electric buses



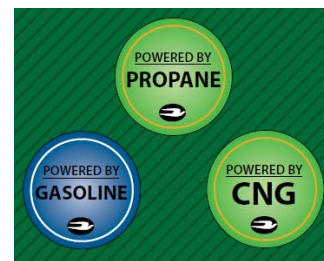
Completed three of our planned seven Product Immersion Tours



Quote activity is up 6% from last year



Total bookings and order backlog up 22% from last year¹



Alternative fuel-powered bus orders and backlog up 75% from last year¹

Net Sales: \$980-1,010M

Adj. EBITDA: \$72-76M

Free Cash Flow: \$38-42M

Reaffirming Full-Year Guidance

Continuing to make advances in multiple areas; focused on growth

1Q Financial Results



1Q Net Sales

\$136.7

Million



Up \$5.3 Million

1Q Bus Sales

\$122.4

Million



Up \$3.9 Million

1Q Parts Sales

\$14.3

Million



Up \$1.4 Million

1Q Adj. EBITDA¹

\$2.6

Million



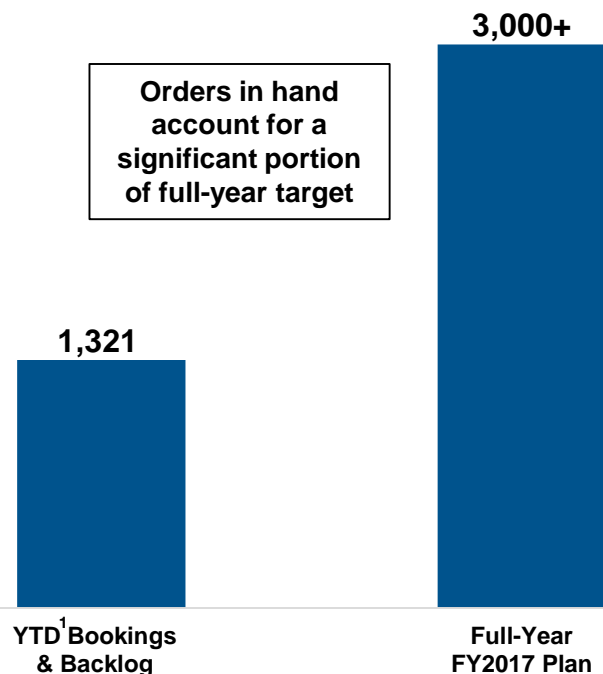
Down \$2.7 Million

Net Sales up 4%; Adj. EBITDA lower reflecting timing of customer orders and engineering expenses

¹See appendix for additional detail regarding Adjusted EBITDA



Alternative-Fuel Powered Bus Sales



Highlights

- ❖ Blue Bird continues to hold over 80% share of industry's alternative-fuel registrations since FY2010²
- ❖ Year-to-date orders (bookings and backlog) are 75% higher than same period last year
- ❖ Broadest range of engine offerings in the market, many exclusive to Blue Bird

Opportunities

- ❖ Recently-launched Type C CNG-powered bus provides a lower-cost alternative to the traditional rear-engine CNG bus
- ❖ Blue Bird's exclusive Ford/Roush CleanTech partnership will provide propane, gasoline and CNG with the same engine/transmission combination
- ❖ Potential for incremental growth – only about 90% of customers have purchased alternative-fuel powered buses

On track to deliver over 3,000 alternative-fuel vehicles for the full year



Phil Tighe
CFO

FINANCIAL RESULTS & OUTLOOK



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1Q Results – Summary



<i>(\$ Millions except Volume and EPS)</i>	1Q FY2017	1Q FY2016	B/(W)
Unit Volume	1,493	1,408	85 units
Net Revenue	\$136.7	\$131.3	\$5.3
Gross Margin	13.3%	14.3%	(1.0) pt
Net Income/(Loss) ¹	\$(8.5)	\$(2.3)	\$(6.2)
Adj. EBITDA²	\$2.6	\$5.3	\$(2.7)
Adj. EBITDA Margin	1.9%	4.0%	(2.1) pts
Diluted EPS¹	\$(0.42)	\$(0.16)	\$(0.26)
Cash	\$13.0	\$16.6	\$(3.6)
Debt	\$156.7	\$194.9	\$38.2

Net loss largely due to \$(10.1)M debt extinguishment cost

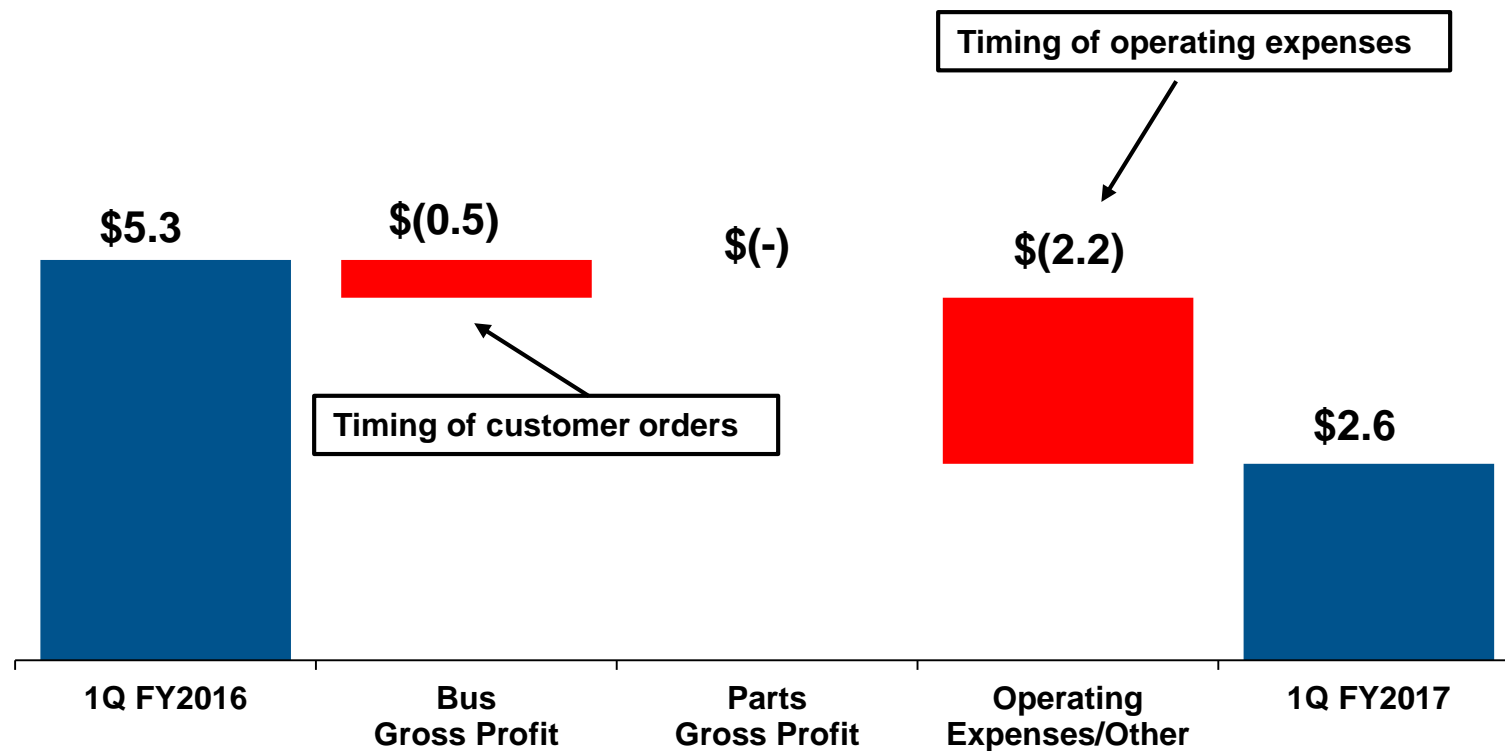
¹ Includes impact of debt extinguishment costs of \$10.1M associated with the new loan

²See appendix for additional detail regarding Adjusted EBITDA reconciliation

1Q FY2016 to FY2017 Adj. EBITDA Walk



(\$ Millions)



1Q profits on Plan – timing of sales and operating expenses results in decline versus prior year

1Q FY2017 Free Cash Flow



<i>(\$ Millions)</i>	FY2017	FY2016
Adjusted EBITDA	\$ 2.6	\$ 5.3
Cash Paid for Interest (Net)	(1.9)	(3.5)
Trade Working Capital¹	(27.5)	(33.2)
CapEx	(3.0)	(1.7)
Cash Taxes	(0.5)	(0.2)
Other²	(4.4)	(9.9)
Adjusted Free Cash Flow	\$ (34.7)	\$(43.2)
Cash Paid for Business Combination/Other	(0.3)	-
Special Compensation	-	-
Free Cash Flow³	\$ (35.0)	\$(43.2)

¹ Inventories, accounts receivable and accounts payable (YoY Improvement driven primarily by lower inventory)

² Bonus, Accrued Vacation, Property Taxes, GSA Prepay, and other accrued expenses

³ See appendix for additional information on Free Cash Flow

FCF improvement primarily driven by lower inventory levels

Improving Net Debt, Leverage & Liquidity



(\$ Millions)	As of December 31, 2016
Debt	\$ 156.7
Cash	13.0
Net Debt	\$143.7
Net Debt / Adjusted EBITDA	2.1x
Net Leverage Ratio Compared with minimum bank Net Leverage Ratio covenant of 4.0x	1.76X
Liquidity¹	\$ 82.7

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

Significantly below Net Leverage Ratio covenant; liquidity strong



Phil Horlock President & CEO

FY2017 Outlook & Guidance



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Continued Growth in FY2017



- ❖ **Projecting full-year industry above FY2016 levels, driven by demand and availability of funds**
- ❖ **Blue Bird unit sales are on track to grow 6-8%, supported by:**
 - **Continued industry growth**
 - **Conquest of major accounts**
 - **High demand for alternative-fuel powered buses**
 - **Value-oriented product introductions:**
 - **Gasoline-powered Vision**
 - **Type C CNG**
 - **Growth in Commercial and Export bus sales**
- ❖ **YTD bookings and backlog are up 22% compared with FY2016 and represent ~40% of full year sales target**
- ❖ **Financial outlook is for modest growth, with volume gains partially offset by potentially higher commodity prices and continued investment in future products**



FY2017 Guidance



<i>(\$ Millions)</i>	FY2016	FY2017G	2017G B/(W) 2016
Net Sales	\$932	\$980-1,010	\$48-78
Adj. EBITDA	\$72	\$72-76	\$0-4
Adj. Free Cash Flow¹	\$33	\$38-42	\$5-9

¹ Excludes business combination expenses and special compensation payments

Reaffirming full-year guidance



Q&A



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Appendix



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Improved Financing



Prior Credit Agreement

Rate:

Term Loan	Revolver
LIBOR (Floor 1%)	LIBOR
+	+
5.5%	5.5%

Term:

Expires June 2020

Amortization:

5% per annum

Revolver Size:

\$60 Million

New Credit Agreement

Rate (Grid Pricing):

Total Net Leverage Ratio	Eurodollar Loans
Less than 2.00x	1.75%
Greater than or equal to 2.00x and less than 2.50x	2.00%
Greater than or equal to 2.50x and less than 3.00x	2.25%
Greater than or equal to 3.00x	2.50%

Term:

Expires December 2021

Amortization:

5% Yrs 1-3, 7.5% Yr 4, 10% Yr 5

Revolver Size:

\$75 Million

Over \$5 million cash interest savings for FY2017

Adj. EBITDA Reconciliation



Reconciliation of GAAP Net Loss to Adjusted EBITDA (Unaudited)

(in thousands of dollars)	Three Months Ended	
	December 31, 2016	January 2, 2016
Net loss	\$ (8,523)	\$ (2,337)
Loss from discontinued operations, net of tax	(81)	(18)
Loss from continuing operations	\$ (8,442)	\$ (2,319)
Interest expense	2,688	4,243
Interest income	(7)	(22)
Income tax expense	(3,626)	209
Depreciation and amortization	2,023	1,994
Loss on debt extinguishment	10,142	—
Business combination expenses	(174)	54
Share-based compensation	—	1,138
Adjusted EBITDA	\$ 2,604	\$ 5,297
Adjusted EBITDA margin (percentage of net sales)	1.9%	4.0%

Free Cash Flow Reconciliation



Reconciliation of Free Cash Flow and Adjusted Free Cash Flow (Unaudited)

(in thousands of dollars)	Three Months Ended	
	December 31, 2016	January 2, 2016
Net cash used in continuing operations	\$ (32,079)	\$ (41,548)
Cash paid for fixed assets	(2,956)	(1,671)
Free cash flow	\$ (35,035)	\$ (43,219)
Cash paid for business combination expenses	(313)	(54)
Adjusted free cash flow	(34,722)	(43,165)

Adj. Income from Cont. Ops. Reconciliation



Reconciliation of Net Loss to Adjusted Loss from Continuing Operations (Unaudited)

(in thousands of dollars)	Three Months Ended	
	December 31, 2016	January 2, 2016
Net loss, GAAP	\$ (8,523)	\$ (2,337)
Add: loss from discontinued operations, net of tax, GAAP	81	18
Loss from continuing operations, GAAP	(8,442)	(2,319)
One-time charge adjustments, net of tax benefit or expense (1)		
Loss on debt extinguishment	6,491	—
Business combination expenses	(111)	35
Share-based compensation	—	728
Adjusted loss from continuing operations, non-GAAP	\$ (2,062)	\$ (1,556)

(1) Amounts are net of estimated statutory tax rates of 36%.

Adj. Diluted EPS Reconciliation



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

	Three Months Ended	
	December 31, 2016	January 2, 2016
Diluted earnings (loss) per share, GAAP	\$ (0.42)	\$ (0.16)
One-time charge adjustments, net of tax benefit or expense	0.29	0.04
Adjusted diluted earnings (loss) per share, non-GAAP (1)	\$ (0.13)	\$ (0.12)
Weighted average dilutive shares outstanding	22,596,314	20,897,789

(1) Numerator is adjusted loss from continuing operations, non-GAAP.



Forward Looking Statements

This presentation includes forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for our business. Specifically, forward-looking statements include statements regarding guidance, seasonality, product mix and gross profits and may include statements relating to:

- ❖ Inherent limitations of internal controls impacting financial statements
- ❖ Growth opportunities
- ❖ Future profitability
- ❖ Ability to expand market share
- ❖ Customer demand for certain products
- ❖ Economic conditions that could affect fuel costs, commodity costs, industry size and financial conditions of our dealers and suppliers
- ❖ Labor or other constraints on the Company’s ability to maintain a competitive cost structure
- ❖ Volatility in the tax base and other funding sources that support the purchase of buses by our end customers
- ❖ Lower or higher than anticipated market acceptance for our products
- ❖ Other statements preceded by, followed by or that include the words “estimate,” “plan,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “target” or similar expressions

These forward-looking statements are based on information available as of the date of this presentation, and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. The factors described above, as well as risk factors described in reports filed with the SEC by Blue Bird Corporation (available at www.sec.gov), could cause our actual results to differ materially from estimates or expectations reflected in such forward-looking statements.



Non-GAAP Financial Measures

This presentation may include the following non-GAAP financial measures: “Adjusted EBITDA,” “Adjusted Income from Continuing Operations,” “Adjusted Diluted Earnings per Share,” “Free Cash Flow” and “Adjusted Free Cash Flow.” Adjusted EBITDA is defined as income from continuing operations prior to interest income, interest expense, income taxes, and depreciation and amortization, as adjusted to add back certain charges that we may record 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 (as if we had GAAP net income during the respective period). 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.



END



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