

Blue Bird Corporation (Nasdaq: BLBD)

Fiscal 2021 Third Quarter Results

Earnings Conference Call
August 12, 2021



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

- **Business Overview**
 - **Phil Horlock – CEO**

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

- **Outlook and Guidance**
 - **Phil Horlock – 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
CEO

BUSINESS OVERVIEW



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Temporary Challenges

- ❖ Impacted by supply chain headwinds
- ❖ Slowed production rate through Second Half:
 - Supplier / logistics disruptions
 - Reworking buses for parts shortages
 - Commodity cost headwinds
 - Priced all vehicles in July and August. Will monitor the market and may take more later this year
- ❖ 550 units pushed out of quarter because of supply chain. Significant profit impact. No lost sales

Significant volume pushed into FY2022 – filling 2Q production slots with firm orders



Major Structural Progress

- ❖ Strong demand for buses – record backlog of firm orders
- ❖ Continuing to deliver structural/margin improvements – gross margin pct. up
- ❖ Priced in July and August for economics
- ❖ Increased “underlying” manufacturing efficiencies
- ❖ Substantial Free Cash Flow improvement vs 3Q prior year
- ❖ Record 3Q mix of alt.-powered buses
- ❖ Market leader in electric and propane
- ❖ Confident in government funding for electrification
- ❖ In discussions with both customers and EV-drivetrain suppliers to use Blue Bird chassis

Strong demand as industry recovers, increasing gross margins, leading in alt. power, growing EV order backlog. Supply chain headwinds delaying bookings

3Q FY2021 Results – Solid Despite Supply Chain headwinds



- ❖ **Results better than prior year but significantly impacted by supplier disruptions; order backlog is very strong; no orders lost**
 - **2,024 buses sold, up 76 units from last year**
 - **Total Net Sales of \$196.7M, 4% above last year**
 - **Adjusted EBITDA of \$13.2M, up \$0.7M from last year**
 - **Adjusted Free Cash Flow of \$(6.4)M was \$23.9M better than 3Q FY2020**




- ❖ **Blue Bird delivered its planned operating commitments and improved business structure – increasing Gross Margin Pct. despite supply-chain disruptions**
 - **Achieved strong alternative-powered bus mix; grew order backlog significantly**
 - **Substantial order backlog in electric buses**
 - **Achieved significant, underlying manufacturing efficiency improvements**
 - **Continued to improve cost structure through transformational initiatives**
 - **Reduced inventories substantially, driving working capital improvement of \$26M**


- ❖ **Pushed 550 buses out of 3Q to deliver later in the year**
 - ❖ **Deferred profit of \$8.8M – no lost sales or profits**

Improved business structure and underlying margins, despite disruptions

Significant 3Q Operating Achievements



Quality 
Structural Costs 
Capacity 

Gross Margin
up 2.2 pts 

Transformational Initiatives continue, despite disruptions

Significant Backlog of Firm Orders

4k+


Up 2k units from the same time last year

Improved Underlying Manufacturing Efficiencies

+\$7M

Driving process and quality improvements

New Ford 7.3L Engine



BIC Propane and Gasoline Launched – 1.1k units booked in 3Q

Record Alternative Power Mix for 3Q


56%

Up 10 pts. from last year

TTM (5/30/21) N.A. Market Share Leader In EV

68%

Up 31 pts. from same TTM period last year

Record Electric Bus Order Backlog 

380+

Firm orders on Type A, C and D configurations

In 3 Years

750+

Electric Buses

Sold and ordered in Type A, C and D configurations

Strong order intake; well positioned for supply chain recovery – costs down, ASP up, alternative-power leadership, EV growth outpacing all segments



FY2021 YTD¹ Alternative-Power Bus Highlights

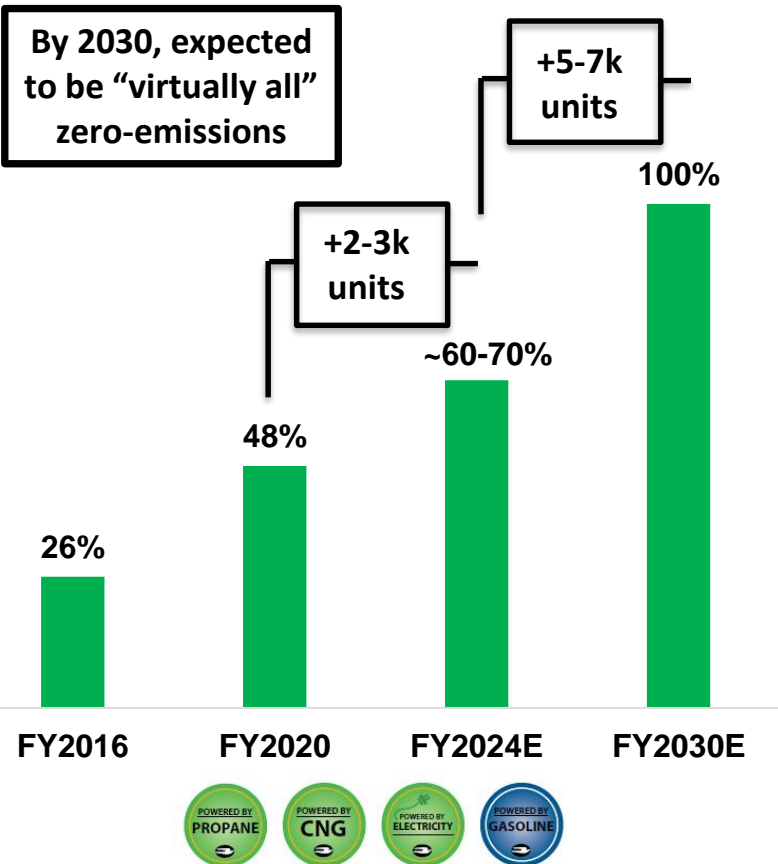
- ❖ 52% mix of sales and order backlog, up 2 pts
- ❖ 178 customers tried new Alt-Fuel option
- ❖ 88 conquest customers added
- ❖ 398 EV Type C/D sold or in backlog, up 135%
- ❖ EV std. with enabled high-powered V2G system
- ❖ Launching lease financing model with Nuvve/Levo

Significant Low- & Zero-Emissions Funding

- ❖ VW Mitigation Funds
 - Approximately \$600M carved out for school buses; majority still to be spent
 - Only major OEM with both all-electric and ultra-low NOx school buses available today
- ❖ State Support; e.g., California Energy Commission
- ❖ Bipartisan Infrastructure Bill (Summer 2021)
 - \$5B for school buses, including \$2.5B for electric-power only; potentially 25-30k EVs
- ❖ Reconciliation Bill (Fall 2021)
 - Total proposed at \$3.5T; school buses TBD
- ❖ Less than 20% of customers have purchased alternative-fuel powered buses

Blue Bird Increasing Alt. Power Mix Future Growth Led by Electric and Propane

By 2030, expected to be “virtually all” zero-emissions



Undisputed leader in alternative fuels. With over 7,000 total active customers today, we plan on significant EV growth



Phil Tighe
CFO

FINANCIAL RESULTS



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3Q Results – Summary



| <i>(\$ Millions unless noted)</i> | 3Q FY2021 | 3Q FY2020 | B/(W) |
|-----------------------------------|-----------|-----------|----------|
| Unit Volume | 2,024 | 1,948 | 76 |
| Net Revenue | \$196.7 | \$189.2 | \$7.5 |
| <i>Bus Rev./Unit (\$000's)</i> | \$89.8 | \$92.7 | \$(2.9) |
| Gross Margin | 13.3% | 11.1% | 220 bps. |
| SG&A | \$18.1 | \$17.8 | \$(0.3) |
| Net Income | \$4.3 | \$1.3 | \$3.0 |
| Adj. Net Income | \$5.2 | \$4.4 | \$0.9 |
| Adj. EBITDA | \$13.2 | \$12.5 | \$0.7 |
| Adj. EBITDA Margin | 6.7% | 6.6% | 9 bps. |
| Diluted EPS (\$'s) | \$0.16 | \$0.05 | \$0.11 |
| Adj. Diluted EPS (\$'s) | \$0.19 | \$0.16 | \$0.03 |

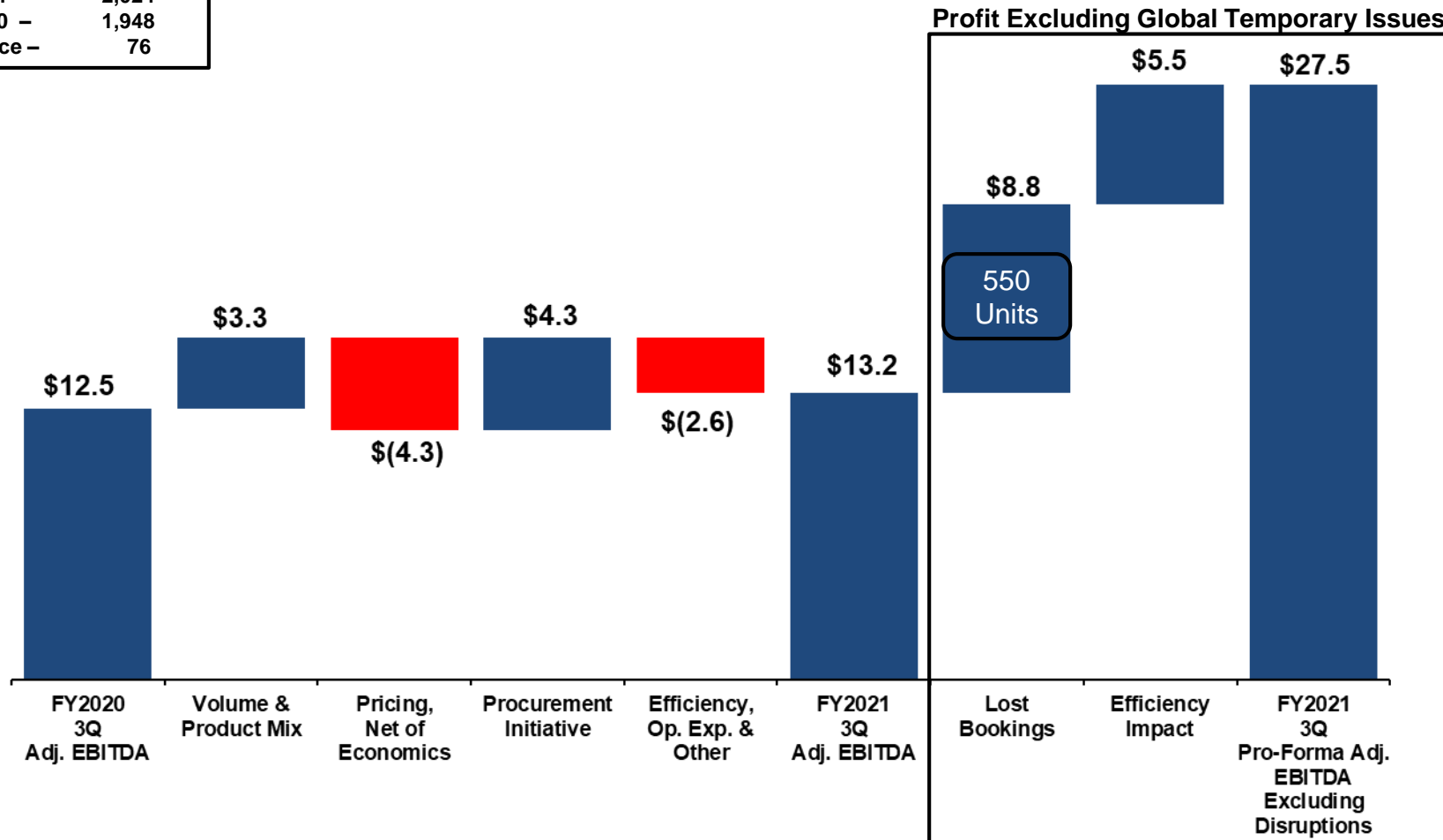
Supply chain impacted volume; cost structure continued to improve with gross margin improvement of 220 bps.

3Q FY2020 to FY2021 Adj. EBITDA Walk



| | |
|------------|-------|
| FY2021 – | 2,024 |
| FY2020 – | 1,948 |
| Variance – | 76 |

(\$ Millions)



Temporary global issues impacting parts supply, freight costs and manufacturing had a significant impact on 3Q profits; all orders retained in backlog

3Q FY2021 Free Cash Flow



| (\$ Millions) | 3Q | | |
|--|-----------------|------------------|----------------|
| | FY2021 | FY2020 | B/(W) |
| Adjusted EBITDA | \$ 13.2 | \$ 12.5 | \$ 0.7 |
| Cash Paid for Interest (Net) | (2.7) | (1.8) | (0.9) |
| Trade Working Capital ¹ | (13.2) | (39.3) | 26.1 |
| CAPEX | (3.3) | (2.5) | (0.8) |
| Cash Taxes | — | 2.0 | (2.0) |
| Other ² | (0.4) | (1.2) | 0.8 |
| Adjusted Free Cash Flow | \$ (6.4) | \$ (30.3) | \$ 23.9 |
| Operational Transformation Initiatives/Other | 0.9 | (0.3) | 1.2 |
| Product Redesign | (0.6) | (1.1) | 0.5 |
| Cash paid for restructuring charges | — | (0.4) | 0.4 |
| COVID-19 | (0.2) | (0.5) | 0.3 |
| Free Cash Flow | \$ (6.3) | \$ (32.6) | \$ 26.3 |

¹ Inventories, accounts receivable and accounts payable

² Accrued expenses and other receivables

3Q Adj. Free Cash Flow for FY2021 was \$(6.4)M or \$23.9M better than FY2020 due to improved working capital performance

Net Debt and Covenant Compliance



| <i>(\$ Millions)</i> | As of July 3, 2021 |
|---|---------------------------|
| Debt | \$166.6 |
| Cash | 11.2 |
| Net Debt | \$155.4 |
| Net Debt / Adjusted EBITDA | 3.2x |
| Net Leverage Ratio | 3.3x |
| TTM EBITDA¹ versus a minimum required TTM EBITDA covenant of \$24.5M | \$45.4 |
| Liquidity² versus a minimum required liquidity covenant level of \$15M | \$104.3 |

¹ TTM EBITDA as defined in our Credit Agreement dated as of December 12, 2016

² Liquidity is defined as cash and cash equivalents plus availability on revolving line of credit

Cash conservation measures in place and working



Phil Horlock
CEO

PRIORITIES AND OUTLOOK



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Outlook: Well-Positioned for Schools Resuming



❖ Blue Bird Focus

- Executing margin-growth strategy (GM up 220 bps in 3Q) – increase bus selling price, lower cost, raise productivity and increase mix of alternative-powered buses. New products and features planned
- Priced 5% in July and August to recover commodity and supply-chain cost increases
- Launched single-shift operation, improving cost, efficiencies and quality; daily capacity increase now in place – same capacity on single shift as previously on two shifts
- Prioritized EV leadership and growth, expanding beyond school buses into commercial chassis; organizing as a focused, dedicated group within Blue Bird, with defined “Ecosystem” partners
- Announced today ... Micro Bird JV acquired controlling interest in Quebec-based Ecotuned; integrator for #1 Type A electric school bus and partner for past 5 years. Will be a “Corporate Blue Bird EV asset”

❖ External Environment

- Until resolved, supply-chain and rising COVID cases will delay deliveries; over 4k unit order backlog
- Schools open for 21/22 school year. New order rate increasing and industry demand for FY2021 now forecast at 29-30k buses with supply-chain capability at 24-25k. 5-6k unit sales pushed into FY2022
- Demand fundamentals high with 25% of US/Canada fleet aged 15 years or older
- New Administration’s proposed bill for school bus fleet electrification will be transformative



Given the 3Q experience of supply chain disruption, rising COVID cases and resultant production delays, we are reducing the low end of our guidance range



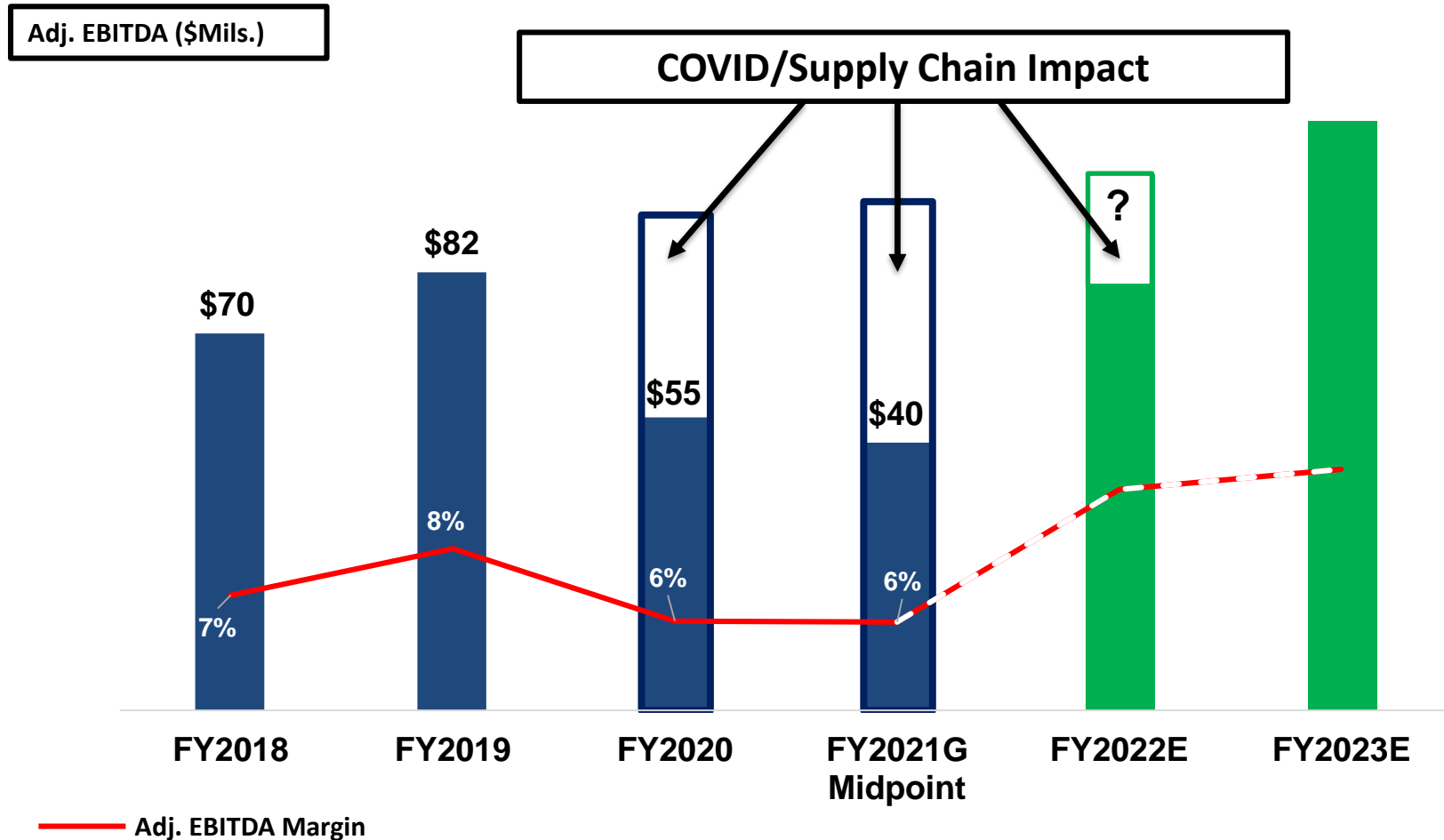
| <i>\$ Millions</i> | FY2020 | FY2021 Guidance | B/(W) |
|----------------------------------|--------|-----------------|------------------|
| Net Revenue | \$879 | \$730 - \$780 | \$(149) - \$(99) |
| Adj. EBITDA ¹ | \$55 | \$37 - \$43 | \$(18) - \$(12) |
| Adj. Free Cash Flow ¹ | \$(1) | \$(30) - \$(10) | \$(29) - \$(9) |

- ❖ FY2021 Guidance revised due to supply chain disruption and rising COVID cases
- ❖ Industry demand ranges from 29-30k; supply-chain capability ranges from 24-25k
- ❖ Planning prudently while operating aggressively

**Revising guidance due to supply-chain and COVID variant uncertainty;
building strong order backlog with NO lost sales**

¹ See appendix for additional detail regarding non-GAAP measures

EBITDA Margin Growth Back on Track in FY22/23



Industry demand is expected to rebound in FY2022 as schools resume but uncertainty over supply-chain capability in 1H FY2022



Q&A



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Appendix



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Adj. EBITDA Reconciliation



Reconciliation of Net Income to Adjusted EBITDA

| (in thousands of dollars) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------|-------------------|--------------|
| | July 3, 2021 | July 4, 2020 | July 3, 2021 | July 4, 2020 |
| Net income | \$ 4,332 | \$ 1,286 | \$ 2,099 | \$ 244 |
| Adjustments: | | | | |
| Interest expense, net (1) | 2,887 | 2,466 | 7,321 | 10,213 |
| Income tax expense (benefit) | 1,892 | 765 | 888 | (378) |
| Depreciation, amortization, and disposals (2) | 2,851 | 3,861 | 10,118 | 11,215 |
| Operational transformation initiatives | 14 | 339 | 222 | 3,218 |
| Share-based compensation | 328 | 1,808 | 1,923 | 4,105 |
| Product redesign initiatives | 641 | 1,071 | 1,908 | 3,163 |
| Restructuring charges | — | 364 | 494 | 364 |
| Costs directly attributed to the COVID-19 pandemic (3) | 216 | 521 | 913 | 628 |
| Loss on debt modification | — | — | 598 | — |
| Other | — | — | — | 6 |
| Adjusted EBITDA | \$ 13,161 | \$ 12,481 | \$ 26,484 | \$ 32,778 |
| Adjusted EBITDA margin (percentage of net sales) | 6.7 % | 6.6 % | 5.4 % | 5.5 % |

(1) Includes \$0.1 million for both three month fiscal periods and \$0.3 million for both nine month fiscal periods, 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 for both three month fiscal periods and \$0.6 million and \$0.5 million for the nine month fiscal periods ended July 3, 2021 and July 4, 2020, respectively. The amounts represent 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.

(3) Primarily costs incurred for third party cleaning services and personal protective equipment for our employees in response to the COVID-19 pandemic.

Free Cash Flow Reconciliation



Reconciliation of Free Cash Flow to Adjusted Free Cash Flow

| (in thousands of dollars) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------|-------------------|--------------|
| | July 3, 2021 | July 4, 2020 | July 3, 2021 | July 4, 2020 |
| Net cash provided by operating activities | \$ (3,040) | \$ (30,096) | \$ (14,238) | \$ (78,305) |
| Cash paid for fixed assets | (3,297) | (2,473) | (10,304) | (16,724) |
| Free cash flow | \$ (6,337) | \$ (32,569) | \$ (24,542) | \$ (95,029) |
| Cash paid for product redesign initiatives | 641 | 1,071 | 1,908 | 8,648 |
| Cash paid for operational transformation initiatives / Other | (887) | 339 | (679) | 3,218 |
| Cash paid for restructuring charges | — | 364 | 494 | 364 |
| Cash paid for costs directly attributed to COVID-19 | 216 | 521 | 913 | 628 |
| Adjusted free cash flow | \$ (6,367) | \$ (30,274) | (21,906) | (82,171) |

Adjusted EPS Reconciliation



Reconciliation of Net Income to Adjusted Net Income

| (in thousands of dollars) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------|-------------------|--------------|
| | July 3, 2021 | July 4, 2020 | July 3, 2021 | July 4, 2020 |
| Net income | \$ 4,332 | \$ 1,286 | \$ 2,099 | \$ 244 |
| Adjustments, net of tax benefit or expense (1) | | | | |
| Operational transformation initiatives | 11 | 254 | 167 | 2,414 |
| Product redesign initiatives | 481 | 803 | 1,431 | 2,372 |
| Share-based compensation | 246 | 1,356 | 1,442 | 3,079 |
| Restructuring charges | — | 273 | 371 | 273 |
| Costs directly attributed to the COVID-19 pandemic (2) | 162 | 391 | 685 | 471 |
| Loss on debt modification | — | — | 449 | — |
| Other | — | — | — | 5 |
| Adjusted net income, non-GAAP | \$ 5,231 | \$ 4,363 | 6,643 | 8,857 |

(1) Amounts are net of estimated statutory tax rates of 25%.

(2) Primarily costs incurred for third party cleaning services and personal protective equipment for our employees in response to the COVID-19 pandemic.

Reconciliation of Diluted EPS to Adjusted Diluted EPS

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------|-------------------|--------------|
| | July 3, 2021 | July 4, 2020 | July 3, 2021 | July 4, 2020 |
| Diluted earnings per share | \$ 0.16 | \$ 0.05 | \$ 0.08 | \$ 0.01 |
| One-time charge adjustments, net of tax benefit or expense | 0.03 | 0.11 | 0.16 | 0.32 |
| Adjusted diluted earnings per share, non-GAAP | \$ 0.19 | \$ 0.16 | \$ 0.24 | \$ 0.33 |
| Weighted average dilutive shares outstanding | 27,428,877 | 27,080,015 | 27,337,360 | 26,980,480 |

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 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 (including tariffs) 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.

Forward-looking statements in this document also may include, but are not limited to, statements regarding the pricing of the share repurchase, the potential tender offer by Blue Bird for shares of its common stock, and the benefits and timing of any potential tender offer. Many risks, contingencies and uncertainties could cause actual results to differ materially from Blue Bird’s forward-looking statements. Among these factors are the risk that Blue Bird may decide not to commence the tender offer, and that if Blue Bird does commence a tender offer, that the offer may not be completed.

Important Disclaimers



Non-GAAP Financial Measures

This presentation may include the following non-GAAP financial measures: “Adjusted EBITDA,” “Adjusted EBITDA Margin,” “Adjusted Net Income,” “Adjusted Diluted Earnings per Share,” “Free Cash Flow” and “Adjusted Free Cash Flow.”

Adjusted EBITDA is defined as net income prior to discontinued operations income or loss, interest income, interest expense including the component of lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our GAAP financial statements) that represents interest expense on lease liabilities, income taxes, depreciation and amortization including the component of lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our GAAP financial statements) that represents amortization charges on right-to-use lease assets, and disposals, as adjusted to add back certain charges that we may record each year, such as stock-compensation expense, as well as non-recurring charges such as (i) significant product design changes; (ii) transaction related costs; (iii) discrete expenses related to major cost cutting initiatives; or (iv) costs directly attributed to the COVID-19 pandemic (3). We believe these expenses are not considered an indicator of ongoing company performance. We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of net sales.

Adjusted Net Income is net income as adjusted to add back certain costs as mentioned above. Adjusted Diluted Earnings per Share represents Adjusted Net Income available to common stockholders by diluted weighted average common shares outstanding (as if we had GAAP net income during the respective period). Adjusted Net Income and Adjusted Diluted Earnings per Share are calculated net of taxes.

Free cash flow represents net cash provided by/used in operating activities minus cash paid for fixed assets Adjusted Free Cash Flow represents Free Cash Flow minus cash paid for (i) significant product design changes; (ii) transaction related costs; or (iii) discrete expenses related to major cost cutting initiatives.

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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