

Hennessy Capital Acquisition Corp.  
Form DEFA14A  
January 09, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**  
**(Rule 14a-101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under §240.14a-12

**Hennessy Capital Acquisition Corp.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

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(3) Filing party:

(4) Date Filed:

The following investor presentation will be used by Hennessy Capital Acquisition Corp. (the Company ) in making presentations to certain existing and potential stockholders of the Company with respect to the proposed business combination transaction involving the Company and School Bus Holdings Inc., which, through its subsidiaries, conducts its business under the Blue Bird name:

Hennessy Capital Acquisition Corp.  
Acquisition of Blue Bird Corporation  
Investor Presentation  
January 2015

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#### Important Disclaimers

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In this presentation, certain of the above-mentioned projected information has been repeated (in each case, with an indication of the source and the qualifications presented herein), for purposes of providing comparisons with historical data. The assumptions and estimates used in the projections are inherently uncertain and are subject to a wide variety of significant business, economic and competitive risks and uncertainties, including those contained in the prospective financial information. Accordingly, there can be no assurance that the prospective results are accurate, that Hennessy Capital or Blue Bird or that actual results will not differ materially from those presented in the prospective financial information. The prospective financial information presented in this presentation should not be regarded as a representation by any person that the results contained in the prospective financial information will be achieved.

#### Confidentiality

This presentation and the preliminary proxy statement referred to below contain financial forecasts with respect to Blue Bird Corporation's fiscal 2015. Neither Hennessy Capital's independent auditors, nor the independent registered public accounting firm of Blue Bird Corporation, nor any procedures with respect to the projections for the purpose of their inclusion in this presentation and the preliminary proxy statement, nor any opinion or provided any other form of assurance with respect thereto for the purpose of this presentation or the preliminary proxy statement. Hennessy Capital LLP did not audit, review, compile or perform any procedures with respect to that information and has not expressed any opinion thereon. These projections should not be relied upon as being necessarily indicative of future results. Reference is made to pages 145-146 of the preliminary proxy statement for a description of the limitations associated with these forecasts.

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#### Important Disclaimers (continued)

Other companies may calculate Adjusted EBITDA and other non-GAAP measures differently, and therefore our Adjusted EBITDA may not be directly comparable to similarly titled measures of other companies.

This presentation includes forward looking statements within the meaning of the safe harbor provisions of the United States securities laws. Forward looking statements may be identified by the use of words such as "forecast," "intend," "seek," "target," "anticipate," "believe," "expect," "will," "could," "may," "might," "would," "shall," "potential," "possible," "probable," and other expressions that predict or indicate future events or trends or that are not statements of historical matters. Such forward looking statements with respect to revenues, earnings, performance, strategies, prospects and other aspects of the businesses of the proposed business combination are based on current expectations that are subject to risks and uncertainties. A number of factors that could cause actual results to differ from those indicated by such forward looking statements. These factors include, but are not limited to: (1) the failure of the parties to consummate the proposed business combination (the Purchase Agreement) including the occurrence of any event which causes the termination of the Purchase Agreement; (2) the outcome of any legal proceedings that may be instituted against Blue Bird or HCAC in connection with the proposed business combination and transactions contemplated thereby; (3) the inability to complete the transactions contemplated by the proposed business combination, the inability to obtain the necessary approval of the stockholders of HCAC, or the failure to satisfy other conditions to closing in the Purchase Agreement; (4) the inability to obtain listing of the securities of Blue Bird on NASDAQ following the business combination; (5) the risk that the proposed business combination disrupts current plans for the consummation of the transactions described herein; (6) the inability to recognize the anticipated benefits of the business combination, the ability of the combined business to grow and manage growth profitably; (7) costs related to the business combination; (8) the ability of Blue Bird or HCAC to raise capital; (9) the ability of Blue Bird or HCAC to be adversely affected by other economic, business, and/or competitive factors; and (10) other risks and uncertainties, including those under Risk Factors therein, and other documents filed or to be filed with the Securities and Exchange Commission. Investors should not place undue reliance upon any forward-looking statements, which speak only as of the date made. HCAC and Blue Bird disclaim any responsibility for such statements, whether as a result of new information, future events or otherwise. In most instances, where third party sources are used, the information is obtained by Blue Bird management from the source data.

#### Forward Looking Statements

Blue Bird believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating the business of Blue Bird. Blue Bird does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. Blue Bird provides GAAP forward looking information to their corresponding GAAP measures because we do not provide guidance for the various items excluded from GAAP provision for income taxes and depreciation and amortization, as certain items that impact these measures are out of our control. Blue Bird's audited financial statements, which are and will be presented in HCAC's proxy statement filings with the SEC, include a reconciliation of non-GAAP financial measures to the GAAP financial measures. Blue Bird's stockholders, and not rely on any single financial measure to evaluate Blue Bird's business.

#### Use of Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA Margin and Net Debt to EBITDA, which is calculated as earnings before interest, taxes, depreciation and amortization ( EBITDA ). Adjusted EBITDA includes

Management Incentive Compensation and other non-recurring expenses. Adjusted EBITDA Margin is defined as Adjusted Earnings Before Interest and Taxes less Cash and Cash Equivalents. You can find the reconciliation of these measures to the nearest comparable GAAP measure in the notes to the financial statements. As noted, all references herein to full-year periods refer to Blue Bird's fiscal year, which ends on the Saturday closest to September 30. Blue Bird believes that these non-GAAP measures of financial results provide useful information to management and investors regarding Blue Bird's financial condition and results of operations. Blue Bird's management uses these non-GAAP measures to compare performance to prior periods, to conduct trend analyses, for purposes of determining management incentive compensation, and for budgeting and planning purposes. These measures are not prepared for management and Blue Bird's board of directors.



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Important Disclaimers (continued)

Additional Information

Important  
Information

about

the

Warrant

Exchange

Offer

Participants in the Solicitation

The proposed business combination will be submitted to stockholders of HCAC for their consideration. In connection with that proxy statement containing information about the proposed transaction and the respective businesses of Blue Bird and HCAC. statement and the definitive proxy statement when it becomes available because they will contain important information. Stock statement, as well as other filings containing information about HCAC, without charge, at the SEC's Internet site ([www.sec.gov](http://www.sec.gov)) without charge, by directing a request to Charles Lowrey, Executive Vice President & CFO, 700 Louisiana Street, Suite 900, Houston, Texas 77002. HCAC has commenced an exchange offer for HCAC's outstanding warrants. This presentation is neither an offer to exchange securities nor a solicitation and the offer to exchange HCAC's public warrants are being made solely pursuant to an offer to exchange and related documents. On January 7, 2015, as exhibits to the HCAC tender offer statement on Schedule TO. The Schedule TO (including an offer to exchange securities and related documents) contains important information that should be read carefully and considered before any decision is made with respect to the exchange offer. These materials are being sent free of charge to holders of HCAC's outstanding warrants. In addition, all of these materials (and all other materials filed with the SEC through its website at [www.sec.gov](http://www.sec.gov). Security holders may also obtain free copies of the documents filed with the SEC through the HCAC's information agent, at 470 West Avenue, 3rd Floor, Stamford, CT 06902, or by phone at (800) 662-5200 or email at [info@hcac.com](mailto:info@hcac.com). HCAC's outstanding warrants are urged to read the exchange offer documents and the other relevant materials (as they become available) to the exchange offer because they contain important information about the exchange offer and the transaction.

HCAC and its directors and executive officers and other persons may be deemed to be participants in the solicitations of proxies in connection with the proposed business combination and the other matters set forth in the proxy statement. Information regarding HCAC's directors and executive officers, including their interests, by security holdings or otherwise, is contained in the Company's preliminary proxy statement for the Business Combination.

5  
Daniel J. Hennessy  
Chairman and CEO, HCAC

**Hennessy Capital Acquisition Corp.**

Hennessy Capital is a special purpose acquisition company formed in Delaware on September 24, 2013 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination. Hennessy Capital's securities are traded on NASDAQ under the symbols HCAC, HCACU and HCACW and will convert to BLBD and BLBDW after the closing of the Business Combination.

Cash in trust account at HCAC at September 30, 2014 was \$115 million

Hennessy Capital selected Blue Bird from a candidate list of over 125 companies and after interviews with representatives of 19 potential acquisition targets

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HCAC View of Blue Bird

An iconic school bus brand

Engaged and committed leadership team with a proven ability to drive productivity, growth and free cash flow

Substantial growth opportunities from both domestic industry recovery and market share gains in existing and new markets

Attractive valuation that is well positioned relative to  
public market comparables  
Strong support from a committed sponsor with  
significant equity rollover

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Transaction

Overview

Consideration

HCAC will acquire all of the outstanding capital stock of School

Bus

Holdings Inc., the indirect parent company of Blue Bird Corporation

( Blue Bird

or the Company )

HCAC

stockholders,

including

the

founders,

will

collectively

own

57.6%

of

the

pro forma combined company

(1)

and an affiliate of Cerberus

Capital Management, L.P. will continue to own 42.4% of Blue Bird

equity

(1)

Entity

expected

to

be

listed

on

NASDAQ

post

business

combination

and

take

the

name of Blue Bird Corporation

12,125,000 outstanding HCAC Warrants will be exchanged for 1,212,500

shares of HCAC common stock as part of the transaction

Transaction anticipated to close promptly after the stockholders

meeting scheduled for February 9

th

Transaction value of \$469 million

7.0x FY2014 Adjusted EBITDA of \$67 million

6.3x

to

6.5x

FY2015E

Adjusted

EBITDA

of

\$72

to

\$75

million



(2)  
Transaction Overview

(1)  
Assumes  
no  
redemption  
of  
cash  
in  
trust  
account  
and  
does  
not  
include  
shares  
underlying  
Convertible  
Preferred  
Stock  
or  
outstanding  
warrants,  
other  
than  
the  
1,212,500  
shares  
mentioned  
above

(2)  
See  
Important  
Disclaimers  
for  
information  
regarding  
FY  
2015  
estimated  
information

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Sources and Uses

Note: Assumes no redemption of cash in trust

\$

%

HCAC Cash

115

\$

41%  
Convertible Preferred Stock  
40

14%  
Reinvestment of Existing Stockholders' Equity  
115

41%  
Cash from Blue Bird's Balance Sheet  
10

4%  
Total Sources  
280  
\$

100%  
\$  
%  
Cash Purchase Price  
140  
\$

50%  
Reinvestment of Existing Stockholders' Equity  
115

41%  
Transaction Expenses  
25

9%  
Total Uses  
280  
\$

100%  
Sources  
Uses  
(\$ in millions)

Cash on Balance Sheet

53

\$

Total Debt (incl. Capital Leases)

223

\$

Convertible Preferred Stock

40

Market Equity Capitalization

271

Total Capitalization

534

\$

Pro Forma Enterprise Value

481

Pro Forma Ent. Value / FY2015E Adj. EBITDA

6.4 - 6.7x

Net Debt / FY2014 Adj. EBITDA

2.5x

10

Pro Forma Capitalization

(1)

(1)

Debt and cash balances as of September 27, 2014, pro forma for closing of transaction. Assumes no redemption of cash in trust

(2)

Market Equity Capitalization based on pro forma share count including issuance of 1,212,500 shares pursuant to the Warrant E  
excludes shares underlying all other public and placement warrants

(3)

See Important Disclaimers

for information regarding FY 2015 estimated information

(4)

Net debt is defined as total debt (\$223 million) less cash and cash equivalents (\$53 million), or \$170 million

(2)

(4)

(3)

(\$ in millions)

11

Pro Forma Ownership

(1)

Assumes no redemption of cash in trust account; figures per proxy statement

(2)

Based on an assumed conversion price of \$11.75 per share, which may be adjusted from time to time

(3)

Share count assumes the issuance of 575,000 shares of Hennessy Capital common stock pursuant to the Public Warrant Exchange

(4)

Share count assumes the Issuance of 637,500 shares of Hennessy Capital common stock pursuant to the Sponsor Warrant Exchange

(amounts in millions)

Assumes No Conversion  
of Preferred Stock

(1)

Assumes Conversion  
of Preferred Stock

(1)(2)

Common  
Stock

%

Common  
Stock

%

Cerberus Affiliate

11.5

42.4%

11.5

37.7%

HCAC Public Stockholders

(3)

12.1

44.6%

12.1

39.6%

HCAC Founders

(4)

3.5

13.0%

3.5

11.5%

PIPE Investment Investor

0.0

0.0%

3.4

11.2%

Total

27.1

100.0%

30.5

100.0%

Directors

Management and Board Experience

Age

Years

Blue Bird

Chan Galbato

Chairman

Cerberus Operations and Advisory Co. (**CEO**), Invensys (**President, Controls Division**), The



Home Depot (**President, Services Division**), Armstrong Floor Products (**CEO**)

Board: YP Holdings (**Chairman**), DynCorp, Steward Health Care

51

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Daniel Hennessy

Vice Chairman

Hennessy Capital (**Chairman & CEO**), Code Hennessy & Simmons (**Founding Partner**)

Board: Thermon Group (**Chairman**), Dura-Line (**Chairman**)

57

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Phil Horlock

President & CEO

Ford Motor Company (**CFO Asia Pacific & Africa; Chairman & CEO Ford Motor Land**

Development; Controller, Corporate Finance; Controller, Global Sales & Marketing)

Board: LoJack Corporation

58

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Gurminder Bedi

Director

Ford Motor Company (**VP of North America Truck**)

Board: Compuware (**Chairman**), KEMET, Actuant

67

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Kevin Charlton

Director

Hennessy Capital (**President & COO**), River Hollow Partners (**Managing Partner**), Macquarie

Capital (**Managing Director**), Investcorp (**Managing Director**)

Board: Spirit Realty, FleetPride

48

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Dennis Donovan

Director

Cerberus Operations and Advisory Co. (**Vice Chairman**), The Home Depot (**EVP HR**),

Raytheon (**SVP HR**), GE

65

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Dev Kapadia

Director

Cerberus Capital Management (**Managing Director**), The Carlyle Group

Board: Tower International

43

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James Marcotuli

Director

Cerberus Operations and Advisory Co. (**Senior Operating Executive**), North American Bus

Industries (CEO), Lockheed Martin

55

1

Alan Schumacher

Director

American National Can (CFO)

Board: Federal Accounting Standards Advisory Board, Bluelinx, Evertec, Quality  
Distribution, Noranda Aluminum Holding Corporation

67

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The New Blue Bird Board of Directors

13  
Phil Horlock  
President and CEO  
Blue Bird

Blue Bird Highlights & Agenda

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Iconic and Fastest Growing School Bus Brand

Bus sales volume (units) up more than 40% since 2010

North American market share up from 23% in 2010 to an estimate of 30-31% in 2014

Undisputed Leader in Alternative Fuel-Powered Bus Sales

Sold approximately 6x more alternative-fuel buses than all competitors combined since 2010

Proprietary and class-leading propane buses with proven lower cost per mile than diesel

buses

Downside Risk Mitigation

Break-even volume (based on Adj. EBITDA) of 315 units per month in 2014 compared with 400 in 2010

Strong liquidity and cash flow

Significant Upside Potential

Early stages of school bus industry rebound following trough in 2011

Only ~360 customers have purchased propane to date from potential of ~10,000

Present and future products focus on affordable and exclusive differentiation

Proven track record in reducing costs and growing bus and parts sales

Central and South America and Middle East are new-market growth opportunities

Experienced and committed management team that delivers results

Highlights

Why

Blue Bird

What

We've Done

Where

We're Going

Agenda

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

Experienced Management Team  
16  
Years  
Name  
Position  
Key Prior Experience  
Auto  
Industry

Blue  
Bird  
Phil Horlock  
President & Chief Executive Officer  
37  
5  
Phil Tighe  
Chief Financial Officer  
38  
2  
John Kwapis  
Chief Operating Officer  
29  
5  
Dale Wendell  
Chief Commercial Officer  
38  
3  
Mike McCurdy  
VP HR & External Affairs  
15  
15  
Paul Yousif  
VP Legal Affairs & Treasurer  
14  
7  
Dave Whelan  
SVP Supply Chain & Quality  
12  
12  
Dennis Whitaker  
VP Engineering  
35  
35  
John McKowen  
VP Manufacturing  
18  
8  
Bill Landreth  
VP Service Parts  
40  
1  
Jeff Terlep  
VP Marketing & Product Planning  
22  
New  
Dean Coulson  
VP International & Commercial Bus  
17  
12



Jeff Carpenter

VP North American Sales

30

30

Trey Jenkins

VP Alternative Fuels

22

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**Strong Reputation**

Blue Bird is an iconic brand with a track record of innovation

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Blue Bird is the school bus brand

most likely to be recommended

(1)

Singularly focused on building the  
world's finest school bus

Purpose-built chassis designed  
exclusively for safe transportation of  
school children

Passionate about safety, quality,  
durability and serviceability

Innovation that leads to unique-and-  
affordable features

Key Blue Bird Industry Innovations

All Steel-Body School Bus (1937)

All American Forward Engine (1948)

Rear Engine Chassis (1978)

First CNG School Bus (1991)

First Propane School Bus (1992)

First All-Electric School Bus (1994)

Type C on Unique School Bus Chassis (2003)

First OEM-Manufactured Propane Bus (2007)

Ford/Roush CleanTech Propane Bus (2012)

OEM-installed telematics (2014)

(1)

Source: VSA Partners Research 3/22/2013 (study commissioned by Blue Bird)

Product-Focused Company

Focus on translating market wants into sustainable growth

18

Full Product Range

Type A Buses

(Unconsolidated)

Aftermarket

6% Net Sales

(2014)

Specialty Buses

7% Net Sales

(2014)

Expansive & innovative product  
cycle plans

Proven product development  
process

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)

Build the Best Bus

Product Leadership

Blue Bird viewed as the leader in four of the five top attributes

19

(1)

Checkmarks/Corp. Logo indicate leadership in category

Ranked in Order of

Importance

(1)

Blue

Bird

Competitor A

Competitor B

#1

Safety

--

--

#2 Quality, Reliability &  
Durability

--

--

#3 Operating Costs

--

--

#4 Acquisition Cost

--

--

#5 How the Bus Drives

--

--

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

Strong Dealer Network  
Customer base is diverse  
20  
Source: Blue Bird Management  
Export  
2%  
~3,400  
Contractors



21%

~10,000 School

Districts

67%

49 U.S. & Canadian

dealers address

~3,400 Contractors &

~10,000 Districts

Blue Bird

North American Dealer Network

GSA

5%

3 Nat 1 Fleets

5%

Blue Bird

FY2014 Sales by Customer Type

Note: Many dealers have multiple locations

= Dealer Location

= Service Center

Substantial production complexity  
Stringent, industry-specific regulatory specifications  
Unique customer requirements at both state and district levels  
~14,000 active production parts/bus  
Average same-bus order less than 2 units  
Labor-intensive production process with high employee know-how

Significant capital and expertise required  
Initial investment in facilities and tooling  
Significant engineering to meet Federal and state regulations  
Development of an extensive distribution and service channel with strong community ties  
Conservative customers who demand proven products  
Industry with High Barriers to Entry  
Industry comprised of three material competitors since 2000  
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What We've Done  
Why  
Blue Bird  
What  
We've Done  
Where  
We're Going

Transformational Initiatives

Goal is sustained profitable growth

23

Reduced product cost and improved quality, cutting warranty claims by 39%

Operational

Commercial

2010

2009

2014

2013

2012

2011

Placed more than 85% of material purchases on long term contracts

Launched several leading and proprietary product features

Cut complexity by reducing body styles from 8 to 3

Increased productivity by reducing assembly plants from 2 to 1

Added 25% more capacity with 5-crew rolling shifts

Replaced 20% of dealer network

Institutionalized robust customer planning process with dealer body

Grew propane bus business with proprietary product offering

Started growing relationships with national fleets

Entered int l business with Sigma bus for Bogota

Focused marketing on distinct product advantages

Formed JV with industry leader to design, produce and sell Type A bus

#### Propane Advantage

Blue Bird is the undisputed leader in propane bus sales

24

#### Blue Bird Propane Sales (units)

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

Blue Bird sold approximately ~6x more

alternative fuel buses than competitors

combined since 2010

Gained first mover advantage in propane

with introduction in 2007

Exclusive

relationships

with

both

Ford

and

Roush CleanTech

Adoption of propane-powered buses is

accelerating; run rate at about 20% of Blue

Bird's mix

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

~1,900

Major fleet purchased

over 400 units from

bankrupt Atlantic

Express displacing

planned Blue Bird

propane purchases

430 unit

one-time

fleet order

2,033

1,476

524

426

356

FY2010

FY2011

FY2012

FY2013

FY2014

Cum. # of

Customers

Buying



Propane

118

146

193

281

359

Strong Market Share and Profit Growth  
Track record of winning and growing the business  
Market Share  
25  
Actual  
Actual  
Estimate  
Adj. EBITDA

Revenue

\$566M

Revenue

\$856M

Up 51%

(\$ in millions)

\$14

\$17

\$50

\$67

3%

3%

7%

8%

FY2011

FY2012

FY2013

FY2014

Adjusted EBITDA

% of Revenue

FY2011

FY2012

FY2013

FY2014

FY2010

23%

26%

27%

30%

30%-31%

Why  
Blue Bird  
What  
We've Done  
Where  
We're Going  
Where We're Going  
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Future Growth & Profit Drivers  
Build on track record of profitable growth  
27  
Industry Volume Upside  
School Bus Market Recovery  
New Markets & Products  
International & Commercial Buses  
Higher Operating Margins

Drive Productivity  
Deliver Parts Growth  
Market Share Growth  
Increasing Propane Penetration  
Continuous Product Enhancements  
Dealer Network Improvements  
Future  
Growth &  
Profitability  
Long-Term Financial  
Objective:  
EBITDA 10%  
of Sales

Early Stages of Industry Recovery  
Fundamentals support strong industry growth  
28  
U.S. Aggregate Housing Price Index  
U.S. Total Student Enrollment  
Source: National Center for Education Statistics  
U.S. Property Tax Revenue Recovery  
Type C/D School Bus Recovery

Source: U.S. Census Bureau

Source: CoreLogic House Price Index

Mean: 30,550

Source: Historical results are based on RL Polk vehicle registration data, and the estimated 2014-2016 periods are based on BL registration data, population of school age children forecasts from the National Center for Education Statistics and bus ridership

37,641

34,882

23,822

31,600

15,000

20,000

25,000

30,000

35,000

40,000

1985

1987

1989

1991

1993

1995

1997

1999

2001

2003

2005

2007

2009

2011

2013

2015

2017

Historical Registrations

Projected Registrations

Historical Avg. ('85-'14)

6.8%

7.4%

9.3%

0.0%

(1.0%)

1.4%

3.1%

(4.0%)

0.0%

4.0%

8.0%

12.0%

2007

2008

2009



2010  
2011  
2012  
2013  
55.2  
55.0  
54.8  
54.9  
54.8  
54.8  
54.9  
55.1  
55.3  
55.6  
54.0  
54.6  
55.3  
55.9  
56.5  
2007  
2008  
2009  
2010  
2011  
2012  
2013  
2014E  
2015E  
2016E  
187.0  
161.0  
144.0  
143.0  
137.0  
144.0  
160.0  
170.0  
177.0  
183.0  
100.0  
130.0  
160.0  
190.0  
220.0  
2007  
2008  
2009  
2010  
2011  
2012

2013  
2014E  
2015E  
2016E

Propane competitiveness is increasing;  
Lower diesel fuel costs potentially support higher bus sales  
Fuel cost reductions have produced a greater  
benefit for propane buses to date  
The value proposition for propane buses relative  
to diesel has improved considerably  
Propane autogas pricing has decreased 47% over  
the past year, while diesel has only decreased 20%

Lower propane prices could result in more converts from diesel to propane  
Oil price reductions may have a positive impact on the school bus business  
Fuel costs make up a large portion of school transportation budgets  
Lower fuel prices can translate into lower fuel spending and budget favorability  
Funds that were budgeted for fuel can potentially be freed up for more school bus purchases  
Some school districts enter longer term fuel contracts that lock in prices over a period of time, so these districts may not immediately benefit from price reductions

29

Source  
of  
fuel  
pricing:  
[www.eia.gov](http://www.eia.gov)

January

2014

compared

to

January

2015

with

typical

propane

mark-up

over

terminal

price

of

\$0.50

per

gallon

-20%

-47%

Diesel

Propane

2014

2015

2014

2015

Business Benefits from Lower Oil Prices

\$1.90

\$1.01

\$3.89

\$3.13

Share Growth: Propane Opportunity

Significant growth potential as many districts test propane

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 buy propane  
buses are purchasing more  
propane buses  
Order sizes are growing as  
existing customers come  
back for more  
Superior product offering  
Exclusive contracts with Ford  
and ROUSH CleanTech  
Proven design with high  
customer satisfaction  
Only company offering an  
extended-range fuel tank  
Blue Bird is the undisputed  
sales leader in this segment

30

Fewer than 4% of Customers Have Tried Propane

Share Growth: Product & Dealer Initiatives

Focus on initiatives designed to grow market share

31

Dealer network is strong and getting stronger

Improve or replace underperforming dealers

School bus focused dealerships

Using data to drive best practices  
Enhanced marketing tools  
Energized dealers will drive increased sales penetration  
Level of dealer engagement growing  
New dealers that have replaced underperforming dealers are contributing to growth  
Singular focus on buses  
Purpose-built school bus chassis  
Leading quality, reliability & durability  
Outstanding warranty performance  
Leadership in propane  
Continue to enhance propane package  
Leverage differentiators like exclusive Ford/ROUSH relationship and industry s only extended-range propane fuel tank  
Steady stream of new products and industry-first innovations  
OEM telematics pre-wiring through exclusive partnership with Synovia  
Industry-leading new E-Z windows  
Proprietary powertrain offerings  
Other differentiated products, features and services in the pipeline  
Dealer Network Improvements  
Continuous Product Enhancements



Margin Expansion: Productivity

Identified opportunities to continue enhancing margins

32

Lower Break-Even

Break-even volume (based on Adjusted

EBITDA) was 315 units per month in

2014; down from 400 units per month

in 2010

Continuous improvement  
manufacturing mindset

Reduce overhead/unit

Increase labor productivity

Use and control of bulk materials

Reduce complexity

Highly skilled workforce with average  
tenure of approximately 14 years

No significant capacity investments  
required to support near-term growth

Note: Labor Productivity is Standard Hours per Bus divided by Actual Hours per Bus

89%

96%

102%

106%

FY2011

FY2012

FY2013

FY2014

Labor Productivity

Margin Expansion: Growing Parts Business  
Growth in Parts revenue will drive margin expansion  
33  
2014  
Platform for growth  
Installed base of ~180,000 buses in  
North America  
Blue Bird's dealers maintain ~250

dealer-authorized service locations  
across North America  
New and experienced leadership  
Focus of organic growth  
Direct sales to dealer-authorized  
service centers  
Increased focus on best practices  
deployment  
Electronic parts catalog  
Increased merchandising of high  
volume parts  
Direct marketing to end-customers  
Parts Sales Outlook  
Parts Sales Revenue & Gross Margin  
Revenue  
Gross Profit Margin  
(\$ in millions)  
\$44  
\$46  
\$54  
FY2012  
FY2013  
FY2014  
35%  
36%  
37%

New Markets & Growth Beyond School Buses

Will continually explore and pursue new growth opportunities

Continue to grow Sigma Bus sales in Colombia and expand to other markets

Continue to be preferred vehicle choice for General Services Administration (GSA)

Grow international Type C & D bus sales through Bukkehave distributor

Expand commercial bus business in North America  
Explore school bus sales opportunities in the Middle  
East  
Explore long-term service and vehicle refurbishment  
contracts

34

35  
Phil Tighe  
CFO  
Blue Bird

Substantial Revenue Growth

Consistently driven volume and revenue growth

36

\$566

\$598

\$777

\$856

(1) Total does not sum precisely due to rounding



(1)  
\$80  
\$80  
\$84  
Memo:  
Revenue/Unit  
\$84  
(\$ in thousands)  
(\$ in millions)  
\$522  
\$554  
\$730  
\$802  
\$44  
\$44  
\$46  
\$54  
6,525  
6,882  
8,654  
9,604  
FY2011  
FY2012  
FY2013  
FY2014  
Bus  
Parts  
Volume

Impressive Profit Growth

EBITDA has grown at a faster rate than revenue

37

Note: Numbers have been rounded

9%

9%

12%

Memo:

GP Margin

13%

(\$ in millions)

\$

\$17

\$50

\$67

3%

3%

7%

8%

FY2011

FY2012

FY2013

FY2014

Adjusted EBITDA

% of Revenue

14

Profit Drivers: FY2012 to FY2014

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

38

Note: Total Adj. EBITDA walk does not sum precisely due to rounding  
(\$ in millions)

\$17

\$67

\$(1)

\$21

\$29

FY2012

Adj. EBITDA

Cost Reductions

Volume & Mix

Other

FY2014

Adj. EBITDA

Profit Drivers: FY2013 to FY2014

Continuous improvements from cost reductions and mix

39

(\$ in millions)

\$67

\$3

\$10

\$4

\$50  
FY2013  
Adj. EBITDA  
Cost Reductions  
Volume & Mix  
Other  
FY2014  
Adj. EBITDA

Substantial Free Cash Flow

Strong free cash flow enables optionality

40

(1)

FY2014 Free Cash Flow includes a \$24.7 million special compensation payment related to Blue Bird's 2014 dividend recapitalization and future cash taxes

\$5

\$4



\$5

Memo: Capex

\$6

(\$ in millions)

(1)

\$15

\$12

\$31

\$32

FY2011

FY2012

FY2013

FY2014

Free Cash Flow

Source: Blue Bird Management

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

School Bus Business is Highly Seasonal  
Seasonality drives higher revenue and earnings in Second Half  
R.L. Polk Unit  
Registration Seasonality  
Based on 3-Year Average  
FY2012-FY2014  
41  
School districts typically purchase

buses for the start of the school year, driving higher volumes in April through September

Blue Bird's quarterly financial results are impacted by these seasonal practices; the first fiscal quarter is the most impacted and we take planned shutdowns during this period

Working capital is typically a significant use of cash during the first fiscal quarter and a significant source of cash in the fourth fiscal quarter

Blue Bird generally operates with negative working capital

33%

67%

Oct -

Mar

(First Half)

Apr -

Sep

(Second Half)

Flexible Capital Structure

42

Pro Forma Capital Structure (9/27/14)

Considerations

Undrawn Revolving Credit Facility

with \$60 million of availability

supports working capital

seasonality

Convertible Preferred Stock

dividends are payable in stock or

cash, at the Company's option

Pension plan has been frozen

since 2006

Pension liability of \$40.9 million as

of September 27, 2014

\$5.7 million projected 2015E pension

cash contribution

(1)

Reflects \$12.1 million of unamortized discount

(2)

Net Debt is defined as Total Debt less Cash and Cash Equivalents

(3)

Liquidity is defined as Cash and Cash Equivalents plus \$60 million of availability under revolving credit facility less \$5.3 million

(4)

Based on FY2014 Adj. EBITDA of \$66.8 million

(5)

Reflects \$17.0 million of pro forma net interest expense for full-year 2014 assuming approximately \$222 million of debt at Jun

(\$ in millions)

Cash and Cash Equivalents

\$53.0

Revolving Credit Facility

\$0.0

Term Loan Facility

(1)

222.9

Total Debt

\$222.9

Net Debt

(2)

169.9

Memo:

Liquidity

(3)

\$107.7

Convertible Preferred Stock

40.0

Capital Leases

0.2

Metrics based FY2014 Financials

(4)

Total Debt / Adj. EBITDA

3.3x

Net Debt / Adj. EBITDA

2.5x

Adj. EBITDA / PF Net Interest

(5)

3.9x

43  
Phil Horlock  
President and CEO  
Blue Bird

Summary: Significant Momentum & Upside  
Led by an Experienced and Committed  
Management Team that Delivers Results  
Iconic and Fastest Growing School Bus Brand  
Undisputed Leader in Alternative Fuel-Powered Bus Sales  
Downside Risk Mitigation  
Significant Upside Potential

44

2015 Guidance

EBITDA projected to grow 7-12% in FY2015

45

Revenue

\$918 \$940

Revenue

\$856

(1)



Adj. EBITDA  
(\$ in millions)

(1)

See

Important  
Disclaimers

for  
information  
regarding

FY

2015

estimated  
information

\$67

\$72 -

\$75

FY2014

FY2015

Guidance

Up

7%-12%

Up

7%-10%

Range

Source: Blue Bird Management

Note:

Adjusted

EBITDA

excludes

public

company

costs,

stock

based

compensation,

amounts

payable

under

the

Blue

Bird

Phantom

Award

Plan,

and

transaction

expenses

Our Growth Objectives are Clear

Deliver sustained growth and profitability

#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  
46



Public Company Valuation Benchmarks

FY 2014 EV / EBITDA

FY 2015 EV / EBITDA

Deal Multiple: 7.2x

Deal

Multiple

Range:

6.4

6.7x

Mean: 10.8x

Large Cap Branded Industrials  
& Specialty Vehicles

Mean: 9.7x

Mean: 9.8x

Mean: 9.1x

Small Cap Branded Industrials  
& Specialty Vehicles

Large Cap Branded Industrials  
& Specialty Vehicles

Small Cap Branded Industrials  
& Specialty Vehicles

24.3x

(1)

(1)

(1)

Deal Multiple calculated as Pro Forma Enterprise Value of \$481 million (assuming issuance of 1,212,500 shares pursuant to the Convertible Preferred Stock) divided by Adjusted EBITDA of \$67 million for FY2014 and \$72 to \$75 million for FY2015E

(2)

FY2014

multiples

for

Power

Solutions

International,

Inc.

are

not

included

in

mean

and

median

calculations

10.9x

12.8x

12.4x

7.1x

12.7x

9.6x

10.4x

9.7x

10.2x

11.9x

9.6x

8.3x

8.4x

10.0x

5.0x  
10.0x  
15.0x  
8.3x  
11.8x  
11.5x  
6.7x  
12.3x  
7.7x  
10.2x  
8.1x  
8.7x  
9.3x  
7.6x  
14.3x  
7.5x  
11.7x  
5.9x  
5.0x  
10.0x  
15.0x

Source: SEC Filings, Wall Street Research and First Call Consensus estimates. Blue Bird company management

Note: Multiples exclude Pension Liability from the calculation of Enterprise Value; multiples have been calendarized to Blue Bird companies wherever available

Note: Adj. EBITDA excludes public company costs, stock based compensation and transaction expenses. Adjusted EBITDA excludes Incentive Compensation and other non-recurring expenses

48

Detailed Comparable Company Benchmarks

49

(\$ in millions, except per share values)

Source: SEC Filings, Wall Street Research and First Call Consensus estimates

Note: N.M. represents negative multiples, EBITDA multiples greater than 35.0x, EBIT multiples greater than 25.0x, P/E multi

Note: Multiples have been calendarized to Blue Bird September fiscal year end. Quarterly consensus was used for comparable

(1)

FY 2014 multiples for Power Solutions International, Inc. are not included in mean and median calculations



(1)  
Stock Price  
Market Value  
Balance Sheet  
Valuation Multiples  
Large Cap Branded Industrials  
Above  
Below  
Equity  
Ent.  
EV / Rev  
EV / EBITDA  
EV / EBIT  
P/E  
Price/  
& Specialty Vehicles  
1/2/15  
Low  
High  
Value  
Value  
Cash  
Debt  
FY13  
FY14  
FY15  
FY13  
FY14  
FY15  
FY13  
FY14  
FY15  
FY13  
FY14  
FY15  
Book  
Cummins Inc.  
146.42  
19%  
9%  
26,663  
26,320  
2,381  
2,038  
1.5x  
1.4x  
1.3x  
12.4x  
10.9x  
8.3x

15.2x

13.3x

9.5x

18.8x

17.0x

14.0x

3.4x

Harley-Davidson, Inc.

65.79

21%

11%

14,193

18,949

688

5,444

3.6x

3.4x

3.2x

14.5x

12.8x

11.8x

16.5x

14.5x

13.5x

19.5x

16.8x

15.5x

4.3x

Allison Transmission Holdings, Inc.

33.85

29%

2%

6,170

8,560

208

2,597

4.5x

4.1x

4.0x

14.7x

12.4x

11.5x

23.5x

17.3x

15.9x

46.2x

27.9x

23.6x

4.6x

Oshkosh Corporation

48.31  
22%  
20%  
3,807  
4,388  
314  
895  
0.6x  
0.6x  
0.7x  
6.9x  
7.1x  
6.7x  
8.5x  
8.7x  
8.5x  
11.4x  
12.3x  
11.8x  
1.9x  
Generac Holdings Inc.  
46.37  
20%  
26%  
3,313  
4,252  
173  
1,112  
2.9x  
3.0x  
2.9x  
11.6x  
12.7x  
12.3x  
13.0x  
14.1x  
12.6x  
11.6x  
13.6x  
13.9x  
7.4x  
Thor Industries Inc.  
55.48  
15%  
14%  
2,962  
2,649  
314  
0  
0.8x

0.7x

0.7x

10.4x

9.6x

7.7x

11.5x

10.6x

8.8x

18.5x

16.6x

14.3x

3.0x

The Manitowoc Company, Inc.

21.88

35%

35%

3,006

4,687

75

1,755

1.2x

1.2x

1.2x

10.0x

10.4x

10.2x

12.9x

13.4x

13.4x

18.7x

16.2x

15.9x

3.4x

Mean

2.2x

2.1x

2.0x

11.5x

10.8x

9.8x

14.4x

13.1x

11.7x

20.7x

17.2x

15.6x

4.0x

Median

1.5x

1.4x

1.3x  
11.6x  
10.9x  
10.2x  
13.0x  
13.4x  
12.6x  
18.7x  
16.6x  
14.3x  
3.4x  
Stock Price  
Market Value  
Balance Sheet  
Valuation Multiples  
Small Cap Branded Industrials  
Above  
Below  
Equity  
Ent.  
EV / Rev  
EV / EBITDA  
EV / EBIT  
P/E  
Price/  
& Specialty Vehicles  
1/2/15  
Low  
High  
Value  
Value  
Cash  
Debt  
FY13  
FY14  
FY15  
FY13  
FY14  
FY15  
FY13  
FY14  
FY15  
FY13  
FY14  
FY15  
Book  
Briggs & Stratton Corporation  
20.27  
18%  
12%

920  
1,083  
62  
226  
0.6x  
0.6x  
0.6x  
8.8x  
9.7x  
8.1x  
15.7x  
16.2x  
10.6x  
22.0x  
19.9x  
17.5x  
1.5x  
Federal Signal Corp.  
15.34  
33%  
4%  
974  
1,014  
29  
69  
1.2x  
1.2x  
1.1x  
13.3x  
10.2x  
8.7x  
16.3x  
12.0x  
10.1x  
22.0x  
15.8x  
15.0x  
2.6x  
Astec Industries, Inc.  
38.73  
13%  
16%  
888  
885  
16  
13  
0.9x  
0.9x  
0.9x  
9.5x

11.9x  
9.3x  
16.7x  
17.6x  
12.5x  
24.6x  
25.9x  
18.6x  
1.5x  
New Flyer Industries Inc.  
11.44  
30%  
5%  
641  
884  
9  
252  
0.9x  
0.6x  
0.6x  
14.2x  
9.6x  
7.6x  
N.M.  
14.9x  
12.9x  
37.8x  
17.2x  
15.8x  
1.4x  
Power Solutions International, Inc.  
51.55  
18%  
42%  
553  
624  
8  
78  
2.7x  
2.0x  
1.4x  
N.M.  
24.3x  
14.3x  
N.M.  
N.M.  
15.9x  
63.0x  
42.4x  
23.6x

6.7x  
Winnebago Industries, Inc.  
21.90  
8%  
24%  
590  
562  
28  
0  
0.7x  
0.6x  
0.6x  
11.4x  
8.3x  
7.5x  
12.6x  
8.9x  
8.0x  
18.5x  
13.1x  
12.3x  
3.0x  
Douglas Dynamics, Inc.  
21.34  
51%  
14%  
476  
616  
4  
144  
4.1x  
2.2x  
2.2x  
24.3x  
8.4x  
11.7x  
N.M.  
9.5x  
12.6x  
N.M.  
13.6x  
20.0x  
2.8x  
Manitex International, Inc.  
12.60  
33%  
29%  
174  
224  
5



55  
0.9x  
0.9x  
0.6x  
11.3x  
10.0x  
5.9x  
14.2x  
12.8x  
7.7x  
18.9x  
18.1x  
12.2x  
1.9x  
Mean  
1.5x  
1.0x  
1.0x  
13.3x  
9.7x  
9.1x  
15.1x  
13.1x  
11.3x  
29.5x  
17.7x  
16.9x  
2.7x  
Median  
0.9x  
0.9x  
0.7x  
11.4x  
9.7x  
8.4x  
15.7x  
12.8x  
11.5x  
22.0x  
17.2x  
16.6x  
2.2x

Detailed Comparable Company Benchmarks

50

(\$ in millions)

Source: SEC Filings, Wall Street Research and First Call Consensus estimates

Note: N.M. represents negative multiples, EBITDA multiples greater than 35.0x, EBIT multiples greater than 25.0x, P/E multi

Note: Financials have been calendarized to Blue Bird September fiscal year end. Quarterly consensus was used for comparabl

Revenue

Revenue Growth

Margin Analysis

Large Cap Branded Industrials

EBITDA

EBIT

Net Income

& Specialty Vehicles

FY13

FY14

FY15

FY13

FY14

FY15

FY13

FY14

FY15

FY14

FY15

FY13

FY14

FY15

Cummins Inc.

\$17,005

\$18,719

\$20,503

(2%)

10.1%

9.5%

12.5%

12.9%

15.5%

10.6%

13.5%

8.3%

8.4%

9.3%

Harley-Davidson, Inc.

5,237

5,569

5,915

(6%)

6.3%

6.2%

25.0%

26.6%

27.2%

23.4%

23.7%

13.9%

15.2%

15.5%

Allison Transmission Holdings, Inc.

1,923  
2,074  
2,163  
(10%)  
7.9%  
4.3%  
30.3%  
33.2%  
34.5%  
23.8%  
24.9%  
7.0%  
10.7%  
12.1%

Oshkosh Corporation

7,665  
6,808  
6,495  
(4%)  
(11.2%)  
(4.6%)  
8.3%  
9.1%  
10.1%  
7.4%  
8.0%  
4.3%  
4.5%  
5.0%

Generac Holdings Inc.

1,452  
1,433  
1,457  
23%  
(1.3%)  
1.7%  
25.3%  
23.4%  
23.7%  
21.0%  
23.2%  
19.6%  
17.0%  
16.3%

Thor Industries Inc.

3,280  
3,647  
4,021  
19%

11.2%  
10.2%  
7.8%  
7.6%  
8.5%  
6.9%  
7.5%  
4.9%  
4.9%  
5.1%  
The Manitowoc Company, Inc.  
4,061  
3,938  
4,027  
4%  
(3.0%)  
2.3%  
11.6%  
11.4%  
11.4%  
8.9%  
8.7%  
4.0%  
4.7%  
4.7%  
Mean  
3%  
2.9%  
4.2%  
17.3%  
17.7%  
18.7%  
14.6%  
15.7%  
8.9%  
9.3%  
9.7%  
Median  
(2%)  
6.3%  
4.3%  
12.5%  
12.9%  
15.5%  
10.6%  
13.5%  
7.0%  
8.4%  
9.3%  
Revenue

Revenue Growth  
Margin Analysis  
Small Cap Branded Industrials  
EBITDA  
EBIT  
Net Income  
& Specialty Vehicles  
FY13  
FY14  
FY15  
FY13  
FY14  
FY15  
FY13  
FY14  
FY15  
FY14  
FY15  
FY13  
FY14  
FY15  
Briggs & Stratton Corporation  
1,871  
1,834  
1,955  
(5%)  
(1.9%)  
6.6%  
6.6%  
6.1%  
6.9%  
3.6%  
5.2%  
2.2%  
2.5%  
2.7%  
Federal Signal Corp.  
849  
874  
949  
6%  
2.9%  
8.7%  
9.0%  
11.4%  
12.3%  
9.7%  
10.5%  
5.2%  
7.1%

6.8%

Astec Industries, Inc.

937

960

1,026

0%

2.5%

6.9%

9.9%

7.7%

9.3%

5.2%

6.9%

3.9%

3.6%

4.6%

New Flyer Industries Inc.

1,020

1,406

1,514

18%

37.7%

7.7%

6.1%

6.6%

7.6%

4.2%

4.5%

1.7%

2.6%

2.7%

Power Solutions International, Inc.

229

306

449

13%

33.6%

47.1%

6.8%

8.4%

9.7%

7.2%

8.7%

3.8%

4.3%

5.2%

Winnebago Industries, Inc.

803

945

1,018

25%  
17.7%  
7.7%  
6.1%  
7.1%  
7.3%  
6.7%  
6.9%  
4.0%  
4.8%  
4.7%

Douglas Dynamics, Inc.

150  
276  
286  
7%  
84.9%  
3.4%  
16.9%  
26.6%  
18.5%  
23.3%  
17.1%  
1.6%  
12.7%  
8.3%

Manitex International, Inc.

236  
263  
383  
15%  
11.2%  
46.0%  
8.4%  
8.5%  
9.8%  
6.7%  
7.6%  
3.9%  
3.7%  
3.7%

Mean

10%  
23.6%  
16.8%  
8.7%  
10.3%  
10.2%  
8.3%  
8.4%



3.3%

5.1%

4.9%

**Median**

10%

14.4%

7.7%

7.6%

8.1%

9.5%

6.7%

7.2%

3.8%

4.0%

4.7%

51  
Blue Bird GAAP/Non-GAAP Reconciliation  
(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 was later cancelled. 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 acquisition of the business

(4)

Represents the add-back of an out-of-period vacation pay and holiday bonus expense resulting from a change in policy to accrue vacation pay and holiday bonus expense

(5)

Represents incentive compensation paid to officers in excess of a related accrual (typically recorded at 100% target level) due to performance above 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 unshipped chassis were scrapped

(7)

Represents costs incurred in redesigning Blue Bird's Type D bus in fiscal 2012. The costs associated with this redesign related to design 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 exploration included 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 thousands)

Year Ended

Net Income to Adjusted EBITDA Reconciliation

October 1, 2011

September 29, 2012

September 28, 2013

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%

52

Blue Bird Income Statement

(1)

(2)

(\$ 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

(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  
 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 B  
 (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

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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	
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>	
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

54

Blue Bird Statement of Cash Flows

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

(\$ in thousands)