

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):

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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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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 of the above named entities, has performed any procedures with respect to the projections for the purpose of their inclusion in this presentation and the preliminary proxy statement, nor has any of the above named entities expressed an opinion or provided any other form of assurance with respect thereto for the purpose of this presentation or the preliminary proxy statement. Hennessy Capital LLC 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," 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 may affect the results of the proposed business combination from those indicated by such forward looking statements. These factors include, but are not limited to: (1) the failure of the parties to complete the purchase agreement relating to the proposed business combination (the Purchase Agreement) including the occurrence of an event that 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 business combination and transactions contemplated thereby; (3) the inability to complete the transactions contemplated by the proposed business combination, the stockholders of HCAC, or the failure to satisfy other conditions to closing in the Purchase Agreement; (4) the inability to obtain listing 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 and the ability of the combined business to grow and manage growth profitably; (7) costs related to the business combination; (8) the fact that Blue Bird or HCAC may 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. You 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 statements, whether as a result of new information, future events or otherwise. In most instances, where third party sources are used, the data is provided 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 performance 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 adjustments, such as 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, including the proxy statement to 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. 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, trend analyses, for purposes of determining management incentive compensation, and for budgeting and planning purposes. These measures are 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) 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) are available on the SEC through its website at www.sec.gov. Security holders may also obtain free copies of the documents filed with the SEC by contacting 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. 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.

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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

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Daniel Hennessy

Vice Chairman

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

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

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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

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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

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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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Blue Bird
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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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Transformational Initiatives

Goal is sustained profitable growth

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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 1 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

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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
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Future Growth & Profit Drivers
Build on track record of profitable growth
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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

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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

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Source
of
fuel
pricing:
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 Blue Bird

(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

(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	
LIABILITIES AND STOCKHOLDERS EQUITY	
Accounts payable	
\$72,960	
\$94,294	
Accrued warranty costs - current portion	
5,917	
6,594	
Accrued expenses	
25,133	
37,319	

Deferred warranty income - current portion
 3,767
 4,117
 Other current liabilities
 3,020
 5,668
 Current portion of senior term debt.
 2,979
 11,750
 Total current liabilities
 \$113,776
 \$159,742
 Revolving senior credit facility
 71

 Long-term term debt
 10,009
 211,118
 Accrued warranty costs
 7,530
 8,965
 Deferred warranty income
 6,976
 7,886
 Other liabilities
 7,502
 12,136
 Accrued pension liability
 37,703
 40,881
 Total long-term liabilities
 \$69,791
 \$280,986
 Common stock
 1
 1
 Additional paid-in capital
 94,999

 Retained (deficit) earnings
 26,836
 (102,229)
 Accumulated other comprehensive loss
 (42,418)
 (46,568)
 Total stockholder's (deficit) equity
 \$79,418
 (\$148,796)
 Total liabilities and stockholder's (deficit) equity
 \$262,985

\$291,932

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)