UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 29, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from .... to ....

Commission File Number 001-36267

BLUE BIRD CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**46-3891989**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3920 Arkwright Road, 2nd Floor, Macon, Georgia 31210
(Address of principal executive offices and zip code)

(478) 822-2801
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.0001 par value	**BLBD**	**NASDAQ Global Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated Filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At August 2, 2024, 32,355,645 shares of the registrant’s common stock, $0.0001 par value, were outstanding.

BLUE BIRD CORPORATION
FORM 10-Q

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands of dollars, except for share data)	June 29, 2024	September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 88,416	$ 78,988
Accounts receivable, net	34,006	12,574
Inventories	144,537	135,286
Other current assets	8,738	9,215
Total current assets	$ 275,697	$ 236,063
Property, plant and equipment, net	$ 97,608	$ 95,101
Goodwill	18,825	18,825
Intangible assets, net	44,022	45,424
Equity investment in affiliate	28,715	17,619
Deferred tax assets	—	2,182
Finance lease right-of-use assets	507	1,034
Other assets	2,696	1,518
Total assets	$ 468,070	$ 417,766
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 128,144	$ 137,140
Warranty	6,796	6,711
Accrued expenses	36,817	32,894
Deferred warranty income	9,075	8,101
Finance lease obligations	1,124	583
Other current liabilities	10,618	24,391
Current portion of long-term debt	5,000	19,800
Total current liabilities	$ 197,574	$ 229,620
Long-term liabilities		
Revolving credit facility	$ —	$ —
Long-term debt	91,158	110,544
Warranty	8,700	8,723
Deferred warranty income	17,978	15,022
Deferred tax liabilities	4,620	2,513
Finance lease obligations	6	987
Other liabilities	8,757	7,955
Pension	1,994	2,404
Total long-term liabilities	$ 133,213	$ 148,148
Guarantees, commitments and contingencies (Note 6)		
Stockholders' equity		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized, 0 shares outstanding at June 29, 2024 and September 30, 2023	$ —	$ —
Common stock, $0.0001 par value, 100,000,000 shares authorized, 32,331,161 and 32,165,225 shares outstanding at June 29, 2024 and September 30, 2023, respectively	3	3
Additional paid-in capital	193,869	177,861
Retained earnings (accumulated deficit)	25,184	(55,700)
Accumulated other comprehensive loss	(31,491)	(31,884)
Treasury stock, at cost, 1,782,568 shares at June 29, 2024 and September 30, 2023	(50,282)	(50,282)
Total stockholders' equity	$ 137,283	$ 39,998
Total liabilities and stockholders' equity	$ 468,070	$ 417,766

The accompanying notes are an integral part of these condensed consolidated financial statements.

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
(in thousands of dollars except for share data)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net sales	$ 333,367	$ 294,284	$ 996,942	$ 829,830
Cost of goods sold	264,014	248,534	800,392	740,974
Gross profit	$ 69,353	$ 45,750	$ 196,550	$ 88,856
Operating expenses				
Selling, general and administrative expenses	29,625	26,328	82,798	66,365
Operating profit	$ 39,728	$ 19,422	$ 113,752	$ 22,491
Interest expense	(2,107)	(4,507)	(8,550)	(13,895)
Interest income	990	246	3,132	258
Other expense, net	(2,729)	(6,421)	(5,918)	(6,999)
Loss on debt refinancing or modification	—	—	(1,558)	(537)
Income before income taxes	$ 35,882	$ 8,740	$ 100,858	$ 1,318
Income tax expense	(9,938)	(1,884)	(26,645)	(292)
Equity in net income of non-consolidated affiliate	2,767	2,502	6,671	4,168
Net income	$ 28,711	$ 9,358	$ 80,884	$ 5,194
Earnings per share:				
Basic weighted average shares outstanding	32,305,396	32,073,497	32,238,805	32,044,581
Diluted weighted average shares outstanding	33,653,447	32,598,938	33,222,354	32,335,381
Basic earnings per share	$ 0.89	$ 0.29	$ 2.51	$ 0.16
Diluted earnings per share	$ 0.85	$ 0.29	$ 2.43	$ 0.16

The accompanying notes are an integral part of these condensed consolidated financial statements.

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	**June 29, 2024**	**July 1, 2023**	**June 29, 2024**	**July 1, 2023**
Net income	$ 28,711	$ 9,358	$ 80,884	$ 5,194
Other comprehensive income, net of tax:				
Net change in defined benefit pension plan	131	227	393	681
Total other comprehensive income	$ 131	$ 227	$ 393	$ 681
Comprehensive income	$ 28,842	$ 9,585	$ 81,277	$ 5,875

The accompanying notes are an integral part of these condensed consolidated financial statements.

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands of dollars)	Nine Months Ended June 29, 2024	Nine Months Ended July 1, 2023
Cash flows from operating activities		
Net income	$ 80,884	$ 5,194
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	10,913	12,077
Non-cash interest expense	305	1,124
Share-based compensation expense	7,017	2,229
Equity in net income of non-consolidated affiliate	(6,671)	(4,168)
Dividend from equity investment in affiliate	2,991	—
Loss on disposal of fixed assets	33	13
Deferred income tax expense	4,165	522
Amortization of deferred actuarial pension losses	516	896
Loss on debt refinancing or modification	1,558	537
Changes in assets and liabilities:		
Accounts receivable	(21,432)	1,105
Inventories	(9,251)	13,808
Other assets	680	(228)
Accounts payable	(9,961)	27,953
Accrued expenses, pension and other liabilities	(5,987)	23,069
Total adjustments	$ (25,124)	$ 78,937
Total cash provided by operating activities	$ 55,760	$ 84,131
Cash flows from investing activities		
Cash paid for fixed assets	$ (10,137)	$ (6,390)
Total cash used in investing activities	$ (10,137)	$ (6,390)
Cash flows from financing activities		
Revolving credit facility borrowings (Note 4)	$ 36,220	$ 45,000
Revolving credit facility repayments	(36,220)	(65,000)
Term loan borrowings - new credit agreement (Note 4)	100,000	—
Term loan repayments (Note 4)	(134,300)	(14,850)
Principal payments on finance leases	(440)	(425)
Cash paid for debt costs (Note 4)	(3,128)	(3,272)
Repurchase of common stock in connection with stock award exercises	(301)	(57)
Cash received from stock option exercises	1,974	1,119
Total cash used in financing activities	$ (36,195)	$ (37,485)
Change in cash, cash equivalents, and restricted cash	9,428	40,256
Cash, cash equivalents, and restricted cash at beginning of period	78,988	10,479
Cash, cash equivalents, and restricted cash at end of period	$ 88,416	$ 50,735

(in thousands of dollars)	Nine Months Ended			
	June 29, 2024		July 1, 2023	
Supplemental disclosures of cash flow information				
Cash paid or received during the period:				
Interest paid, net of interest received	$	4,725	$	12,202
Income tax paid (received), net of tax refunds		18,856		(33)
Non-cash investing and financing activities:				
Changes in accounts payable for capital additions to property, plant and equipment	$	2,336	$	745
Right-of-use assets obtained in exchange for operating lease obligations		1,682		199
Warrants issued for equity investment in affiliate		7,416		—

The accompanying notes are an integral part of these condensed consolidated financial statements.

BLUE BIRD CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

	Three Months Ended									
(in thousands of dollars, except for share data)	Common Stock			Convertible Preferred Stock				Treasury Stock		
	Shares	Par Value	Additional Paid-In-Capital	Shares	Amount	Accumulated Other Comprehensive Loss	(Accumulated Deficit) Retained Earnings	Shares	Amount	Total Stockholders' Equity (Deficit)
Balance, March 30, 2024	32,299,065	$ 3	$191,216	—	$ —	$ (31,622)	$ (3,527)	1,782,568	$(50,282)	$ 105,788
Restricted stock activity	18,896	—	—	—	—	—	—	—	—	—
Stock option activity	13,200	—	223	—	—	—	—	—	—	223
Share-based compensation expense	—	—	2,430	—	—	—	—	—	—	2,430
Net income	—	—	—	—	—	—	28,711	—	—	28,711
Other comprehensive income, net of tax	—	—	—	—	—	131	—	—	—	131
Balance, June 29, 2024	32,331,161	$ 3	$193,869	—	$ —	$ (31,491)	$ 25,184	1,782,568	$(50,282)	$ 137,283
Balance, April 1, 2023	32,036,149	$ 3	$174,313	—	$ —	$ (41,476)	$ (83,676)	1,782,568	$(50,282)	$ (1,118)
Restricted stock activity	28,771	—	—	—	—	—	—	—	—	—
Stock option activity	56,687	—	1,053	—	—	—	—	—	—	1,053
Share-based compensation expense	—	—	924	—	—	—	—	—	—	924
Net income	—	—	—	—	—	—	9,358	—	—	9,358
Other comprehensive income, net of tax	—	—	—	—	—	227	—	—	—	227
Balance, July 1, 2023	32,121,607	$ 3	$176,290	—	$ —	$ (41,249)	$ (74,318)	1,782,568	$(50,282)	$ 10,444

(in thousands of dollars, except for share data)	Nine Months Ended									
	Common Stock			Convertible Preferred Stock				Treasury Stock		
	Shares	Par Value	Additional Paid-In-Capital	Shares	Amount	Accumulated Other Comprehensive Loss	(Accumulated Deficit) Retained Earnings	Shares	Amount	Total Stockholders' Equity
Balance, September 30, 2023	32,165,225	$ 3	$177,861	—	$ —	$ (31,884)	$ (55,700)	1,782,568	$(50,282)	$ 39,998
Issuance of warrants (Note 12)	—	—	7,416	—	—	—	—	—	—	7,416
Restricted stock activity	41,011	—	(301)	—	—	—	—	—	—	(301)
Stock option activity	124,925	—	1,974	—	—	—	—	—	—	1,974
Share-based compensation expense	—	—	6,919	—	—	—	—	—	—	6,919
Net income	—	—	—	—	—	—	80,884	—	—	80,884
Other comprehensive income, net of tax	—	—	—	—	—	393	—	—	—	393
Balance, June 29, 2024	32,331,161	$ 3	$193,869	—	$ —	$ (31,491)	$ 25,184	1,782,568	$(50,282)	$ 137,283
Balance, October 1, 2022	32,024,911	$ 3	$173,103	—	$ —	$ (41,930)	$ (79,512)	1,782,568	$(50,282)	$ 1,382
Restricted stock activity	35,927	—	(57)	—	—	—	—	—	—	(57)
Stock option activity	60,769	—	1,119	—	—	—	—	—	—	1,119
Share-based compensation expense	—	—	2,125	—	—	—	—	—	—	2,125
Net income	—	—	—	—	—	—	5,194	—	—	5,194
Other comprehensive income, net of tax	—	—	—	—	—	681	—	—	—	681
Balance, July 1, 2023	32,121,607	$ 3	$176,290	—	$ —	$ (41,249)	$ (74,318)	1,782,568	$(50,282)	$ 10,444

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Business and Basis of Presentation

Nature of Business

Blue Bird Body Company ("BBBC"), a wholly-owned subsidiary of Blue Bird Corporation, was incorporated in 1958 and has manufactured, assembled and sold school buses to a variety of municipal, federal and commercial customers since 1927. The majority of BBBC’s sales are made to an independent dealer network, which in turn sells buses to ultimate end users. References in these notes to condensed consolidated financial statements to “Blue Bird,” the “Company,” “we,” “our,” or “us” relate to Blue Bird Corporation and its wholly-owned subsidiaries, unless the context specifically indicates otherwise. We are headquartered in Macon, Georgia.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions and accounts have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial reporting and Article 10 of Regulation S-X. The Company’s fiscal year ends on the Saturday closest to September 30 with its quarters consisting of thirteen weeks in most years. The fiscal years ending September 28, 2024 ("fiscal 2024") and ended September 30, 2023 ("fiscal 2023") consist or consisted of 52 weeks. The third quarters of fiscal 2024 and fiscal 2023 both included 13 weeks. The nine month periods in fiscal 2024 and 2023 both included 39 weeks.

In the opinion of management, all adjustments considered necessary for a fair presentation of financial results have been made. Such adjustments consist of only those of a normal recurring nature. Operating results for any interim period are not necessarily indicative of the results that may be expected for the entire year. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The Condensed Consolidated Balance Sheet data as of September 30, 2023 was derived from the Company’s audited financial statements but does not include all disclosures required by U.S. GAAP. For additional information, including the Company’s significant accounting policies, refer to the consolidated financial statements and related footnotes as of and for the fiscal year ended September 30, 2023 as set forth in the Company's fiscal 2023 Form 10-K filed with the Securities and Exchange Commission ("SEC") on December 11, 2023.

Impacts of COVID-19 and Subsequent Supply Chain Constraints on our Business

As discussed in detail in the fiscal 2023 Form 10-K filed with the SEC on December 11, 2023, the novel coronavirus known as "COVID-19" materially affected demand for new buses and replacement/maintenance parts during the second half of our fiscal year that ended October 3, 2020 ("fiscal 2020") and first half of our fiscal year that ended October 2, 2021 ("fiscal 2021"), significantly impacting our business and operations. Although demand for school buses strengthened substantially during the second half of fiscal 2021, the Company, and automotive industry as a whole, began experiencing significant supply chain constraints around this same period of time. These supply chain disruptions had a significant adverse impact on our operations and results during the second half of fiscal 2021 and all of fiscal 2022 due to higher purchasing costs, including freight costs incurred to expedite receipt of critical components, increased manufacturing inefficiencies and our inability to complete the production of buses to fulfill sales orders.

Additionally, Russian military forces launched a large-scale invasion of Ukraine on February 24, 2022, which further exacerbated global supply chain disruptions. While the Company has no assets or customers in either of these countries, this military conflict has significantly impacted our financial results, primarily in an indirect manner since the Company does not sell to customers located in, or source goods directly from, either country. Specifically, it contributed to increased a) costs charged by suppliers for the purchase of inventory that is at least partially dependent on resources originating from either of the countries and b) freight costs, both of which negatively impacted the gross profit recognized on sales during fiscal 2022, fiscal 2023 and continuing into fiscal 2024.

Towards the end of fiscal 2022 and continuing into fiscal 2023, there were slight improvements in the supply chain's ability to deliver the parts and components necessary to support our production operations, resulting in increased (i) manufacturing efficiencies and (ii) production of buses to fulfill sales orders during fiscal 2023. However, the higher costs charged by suppliers to procure inventory that continued into fiscal 2023 had a significant adverse impact on our operations and results. Specifically, such cost increases outpaced the increases in sales prices that we charged for the buses that were sold during the first quarter of fiscal 2023, many of which were included in the backlog of fixed price sales orders originating in fiscal 2021 and the early months of fiscal 2022 that carried forward into fiscal 2023. During the remainder of fiscal 2023, the buses that were sold were generally included in the backlog of fixed price sales orders originating more recently (i.e., the latter months of fiscal 2022 and in fiscal 2023), with the cumulative increases in sales prices we charged for those buses generally outpacing the higher costs we paid to procure inventory, resulting in gross profit during the quarters. While the gross margin on bus sales during the second quarter of fiscal 2023 lagged the historical gross margin reported prior to the COVID-19 pandemic, it returned to more normal historical levels during the latter half of fiscal 2023.

Supply chain disruptions continued during the first nine months of fiscal 2024 as there were still occasional shortages of certain critical components as well as ongoing increases in raw materials costs, both of which impacted our business and operations by limiting the number of school buses that we could produce and sell as well as increasing the costs to manufacture buses. Nonetheless, the lessons learned, and resulting actions taken, by management over the past three fiscal years allowed the Company to better navigate these supply chain challenges and consistently produce buses to fulfill sales orders. Ongoing improvements in manufacturing operations, when coupled with periodic pricing actions taken by the Company to ensure that the increased sales prices charged for buses kept pace with increased costs to procure inventory to produce the buses, allowed the Company to report gross profit and gross margin during the first nine months of fiscal 2024 that were consistent with, or better than, historic levels experienced prior to the COVID-19 pandemic.

Use of Estimates and Assumptions

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. At the date of the financial statements, these estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, and during the reporting period, these estimates and assumptions affect the reported amounts of revenues and expenses. For example, significant management judgments are required in determining excess, obsolete, or unsalable inventory; the allowance for doubtful accounts; potential impairment of long-lived assets, goodwill and intangible assets; and the accounting for self-insurance reserves, warranty reserves, pension obligations, income taxes, environmental liabilities and contingencies. Future events, including the extent and duration of continued supply chain constraints and their related economic impacts, and their effects cannot be predicted with certainty, and, accordingly, the Company's accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the Company's condensed consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. The Company evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in the Company's evaluations. Actual results could differ from the estimates that the Company has used.

2. Summary of Significant Accounting Policies and Recently Issued Accounting Standards

The Company's significant accounting policies are described in the Company's fiscal 2023 Form 10-K, filed with the SEC on December 11, 2023. Our senior management has reviewed these significant accounting policies and related disclosures and determined that there were no significant changes in our critical accounting policies in the nine months ended June 29, 2024.

Recently Issued Accounting Standards

ASU 2023-07 On November 27, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* , which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024, with early adoption permitted.

ASU 2023-09 On December 14, 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* , which requires entities to disclose more detailed information in their reconciliation of their statutory tax rate to their effective tax rate. Public business entities ("PBEs") are required to provide this incremental detail in a numerical, tabular format. The ASU also requires entities to disclose more detailed information about income taxes paid, including by jurisdiction; pretax income (or loss) from continuing operations; and income tax expense (or benefit). The ASU is effective for PBEs in fiscal years beginning after December 15, 2024, and interim periods beginning after December 15, 2025, with early adoption permitted.

The new ASUs will not impact amounts recorded in the financial statements but instead, will require more detailed disclosures in the footnotes to the financial statement. The Company plans to provide the updated disclosures required by the ASUs in the periods in which they are effective.

3. Supplemental Financial Information

Inventories

The following table presents the components of inventories at the dates indicated:

(in thousands of dollars)	June 29, 2024	September 30, 2023
Raw materials	$ 77,716	$ 88,116
Work in process	32,462	45,875
Finished goods	34,359	1,295
Total inventories	$ 144,537	$ 135,286

Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the applicable Condensed Consolidated Balance Sheets that sum to the total of such amounts reported on the Condensed Consolidated Statements of Cash Flows:

(in thousands of dollars)	June 29, 2024	July 1, 2023
Cash and cash equivalents	$ 88,416	$ 50,497
Restricted cash	—	238
Total cash, cash equivalents, and restricted cash reported on the Condensed Consolidated Statements of Cash Flows	$ 88,416	$ 50,735

Amounts included in restricted cash represent those that were required by a contractual agreement with a financial institution to serve as collateral against outstanding balances pertaining to the Company's corporate credit card program.

Product Warranties

The following table reflects activity in accrued warranty cost (current and long-term portions combined) for the periods presented:

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Balance at beginning of period	$ 15,476	$ 15,554	$ 15,434	$ 15,970
Add current period accruals	2,414	2,291	7,267	6,756
Current period reductions of accrual	(2,394)	(2,468)	(7,205)	(7,349)
Balance at end of period	$ 15,496	$ 15,377	$ 15,496	$ 15,377

Extended Warranties

The following table reflects activity in deferred warranty income (current and long-term portions combined), for the sale of extended warranties of two to five years, for the periods presented:

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Balance at beginning of period	$ 25,563	$ 20,081	$ 23,123	$ 18,795
Add current period deferred income	3,547	3,507	10,107	8,599
Current period recognition of income	(2,057)	(1,953)	(6,177)	(5,759)
Balance at end of period	$ 27,053	$ 21,635	$ 27,053	$ 21,635

The outstanding balance of deferred warranty income in the table above is considered a "contract liability," and represents a performance obligation of the Company that we satisfy over the term of the arrangement but for which we have been paid in full at the time the warranty was sold. We expect to recognize $2.4 million of the outstanding contract liability during the remainder of fiscal 2024, $ 8.7 million in fiscal 2025, and the remaining balance thereafter.

Self-Insurance

The following table reflects our total accrued self-insurance liability, comprised of workers' compensation and health insurance related claims, at the dates indicated:

(in thousands of dollars)	June 29, 2024	September 30, 2023
Current portion	$ 5,041	$ 4,475
Long-term portion	2,273	1,771
Total accrued self-insurance	$ 7,314	$ 6,246

The current and long-term portions of the accrued self-insurance liability are reflected in accrued expenses and other liabilities, respectively, on the Condensed Consolidated Balance Sheets.

Shipping and Handling Revenues

Shipping and handling revenues were $5.9 million and $4.6 million for the three months ended June 29, 2024 and July 1, 2023, respectively, and $ 15.6 million and $13.1 million for the nine months ended June 29, 2024 and July 1, 2023, respectively. The related cost of goods sold was $ 5.5 million and $4.0 million for the three months ended June 29, 2024 and July 1, 2023, respectively, and $ 14.2 million and $11.7 million for the nine months ended June 29, 2024 and July 1, 2023, respectively.

Pension Expense

Components of net periodic pension benefit expense were as follows for the periods presented:

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Interest cost	$ 1,484	$ 1,509	$ 4,452	$ 4,527
Expected return on plan assets	(1,620)	(1,630)	(4,860)	(4,890)
Amortization of prior loss	172	299	516	897
Net periodic pension benefit expense	$ 36	$ 178	$ 108	$ 534
Amortization of prior loss, recognized in other comprehensive income	(172)	(299)	(516)	(897)
Total recognized in net periodic pension benefit expense and other comprehensive income	$ (136)	$ (121)	$ (408)	$ (363)

4. Debt

On November 17, 2023 (the “Closing Date”), BBBC, as Borrower, executed a $ 250.0 million five-year credit agreement with Bank of Montreal, acting as administrative agent and an issuing bank; several joint lead arranger partners and issuing banks, including Bank of America; and a syndicate of other lenders (the "Credit Agreement").

The credit facilities provided for under the Credit Agreement consist of a term loan facility in an aggregate initial principal amount of $ 100.0 million (the “Term Loan Facility”) and a revolving credit facility with aggregate commitments of $150.0 million. The revolving credit facility includes a $25.0 million letter of credit sub-facility and $5.0 million swingline sub-facility (the “Revolving Credit Facility,” and together with the Term Loan Facility, each a “Credit Facility” and collectively, the “Credit Facilities”).

A minimum of $100.0 million of additional term loans and/or revolving credit commitments may be incurred under the Credit Agreement, subject to certain limitations as set forth in the Credit Agreement, and which additional loans and/or commitments would require further commitments from existing lenders or from new lenders.

Borrower has the right to prepay the loans outstanding under the Credit Facilities without premium or penalty (subject to customary breakage costs, if applicable). Additionally, proceeds from asset sales, condemnation, casualty insurance and/or debt issuances (in certain circumstances) are required to be used to prepay borrowings outstanding under the Credit Facilities. Borrowings under the Term Loan Facility, which were made on the Closing Date, may not be reborrowed once they are repaid while borrowings under the Revolving Credit Facility may be repaid and reborrowed from time to time at our election.

The Term Loan Facility is subject to amortization of principal, payable in equal quarterly installments on the last day of each fiscal quarter, which commenced on March 30, 2024, with 5.0% of the $100.0 million aggregate principal amount of all initial term loans outstanding at the Closing Date payable each year prior to the maturity date of the Term Loan Facility. The remaining initial aggregate principal amount outstanding under the Term Loan Facility, as well as any outstanding borrowings under the Revolving Credit Facility, will be payable on the November 17, 2028 maturity date of the Credit Agreement.

The Credit Facilities are guaranteed by all of the Company's wholly-owned domestic restricted subsidiaries (subject to customary exceptions) and are secured by a security agreement which pledges a lien on virtually all of the assets of Borrower, the Company and the Company's other wholly-owned domestic restricted subsidiaries, other than any owned or leased real property and subject to customary exceptions.

The $100.0 million of Term Loan Facility proceeds and $ 36.2 million of Revolving Credit Facility proceeds that were borrowed on the Closing Date were used to pay (i) the $131.8 million of term loan indebtedness outstanding under the previous credit agreement ("Amended Credit Agreement"), (ii) interest and commitment fees accrued under the Amended Credit Agreement through the Closing Date and (iii) transaction costs associated with the consummation of the Credit Agreement.

Under the terms of the Credit Agreement, Borrower, the Company and the Company's other wholly-owned domestic restricted subsidiaries are subject to customary affirmative and negative covenants and events of default for facilities of this type (with customary grace periods, as applicable, and lender remedies).

Borrowings under the Credit Facilities bear interest, at our option, at (i) base rate ("ABR") or (ii) the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York ("SOFR") plus 0.10%, plus an applicable margin depending on the Total Net Leverage Ratio ("TNLR," which is defined in the Credit Agreement as the ratio of consolidated net debt to consolidated EBITDA on a trailing four quarter basis) of the Company as follows:

Level	TNLR	ABR Loans	SOFR Loans
I	Less than 1.00x	0.75%	1.75%
II	Greater than or equal to 1.00x and less than 1.50x	1.50%	2.50%
III	Greater than or equal to 1.50x and less than 2.25x	2.00%	3.00%
IV	Greater than or equal to 2.25x	2.25%	3.25%

Pricing on the Closing Date was set at Level III until receipt of the financial information and related compliance certificate for the first fiscal quarter that ended after the Closing Date, with pricing as of June 29, 2024 set at Level I.

Borrower is also required to pay lenders an unused commitment fee of between 0.25% and 0.45% per annum on the undrawn commitments under the Revolving Credit Facility, depending on the TNLR, quarterly in arrears.

The Credit Agreement also includes a requirement that the Company comply with the following financial covenants on the last day of each fiscal quarter through maturity: (i) a pro forma TNLR of not greater than 3.00:1.00 and (ii) a pro forma fixed charge coverage ratio (as defined in the Credit Agreement) of not less than 1.20:1.00. The Company was in compliance with such covenants as of June 29, 2024.

The Company incurred approximately $3.1 million in lender fees and other issuance costs relating to the Credit Agreement. Of such total, approximately $1.9 million and $0.8 million was capitalized within other assets and long-term debt (as a contra-balance), respectively, on the Condensed Consolidated Balance Sheets and will be amortized as an adjustment to interest expense on a straight-line basis and utilizing the effective interest method, respectively, until maturity of the Credit Agreement. The remaining approximate $0.4 million was recorded to loss on debt refinancing or modification on the Condensed Consolidated Statements of Operations.

In conjunction with executing the Credit Agreement, previously capitalized lender fees and other issuance costs relating to the Amended Credit Agreement and incurred in prior periods totaling $1.1 million were also expensed to loss on debt refinancing or modification on the Condensed Consolidated Statements of Operations.

Term loan borrowings consisted of the following at the dates indicated:

(in thousands of dollars)	June 29, 2024	September 30, 2023
Term loan borrowings, net of deferred financing costs of $ 1,342 and $1,456, respectively	$ 96,158	$ 130,344
Less: current portion of long-term debt	5,000	19,800
Long-term debt, net of current portion	$ 91,158	$ 110,544

Term loan borrowings are recognized on the Condensed Consolidated Balance Sheets at the unpaid principal balance, and are not subject to fair value measurement; however, given the variable rates on the loans, the Company estimates that the unpaid principal balance approximates fair value. If measured at fair value in the financial statements, the term loans would be classified as Level 2 in the fair value hierarchy. At June 29, 2024 and September 30, 2023, $ 97.5 million and $131.8 million, respectively, were outstanding on the term loans.

At June 29, 2024 and September 30, 2023, the stated interest rates on the term loans were 7.2% and 10.0%, respectively. At June 29, 2024 and September 30, 2023, the weighted-average annual effective interest rates for the term loans were 8.5% and 10.9%, respectively, which include amortization of the deferred financing costs.

At June 29, 2024, $6.7 million of letters of credit were outstanding, which reduces the availability on the revolving line of credit. There were no borrowings outstanding on the Revolving Credit Facility; therefore, the Company would have been able to borrow $143.3 million on the revolving line of credit.

Interest expense on all indebtedness was $2.1 million and $4.5 million for the three months ended June 29, 2024 and July 1, 2023, respectively, and $ 8.6 million and $13.9 million for the nine months ended June 29, 2024 and July 1, 2023, respectively.

The schedule of remaining principal payments through maturity for the term loans is as follows:

(in thousands of dollars)

Fiscal Year	Principal Payments
2024	$ 1,250
2025	5,000
2026	5,000
2027	5,000
2028	5,000
Thereafter	76,250
Total remaining principal payments	$ 97,500

5. Income Taxes

Income tax provisions for interim periods are based on estimated annual income tax rates, adjusted to reflect the effects of any significant infrequent or unusual items that are required to be discretely recognized within the current interim period. The effective tax rates in the periods presented are largely based upon the annual forecasted pre-tax earnings mix and allocation of certain expenses in various taxing jurisdictions where the Company conducts its business, primarily in the United States of America ("U.S."). In periods where our pre-tax income approximates or is equal to break-even, the effective tax rates for quarter-to-date and full-year periods may not be meaningful due to discrete period items.

Three Months

The effective tax rate for the three months ended June 29, 2024 was 27.7% and differed from the statutory federal income tax rate of 21%. The increase was primarily due to the impacts from state taxes and certain permanent items on the federal rate, which were partially offset by the impacts from federal and state tax credits (net of valuation allowances) and discrete period items during the quarter.

The effective tax rate for the three months ended July 1, 2023 was 21.6%, which aligned with the statutory federal income tax rate of 21% and is comprised of normal tax rate items, including impacts from state taxes, federal and state tax credits (net of valuation allowances) and permanent differences, which were partially offset by the impact of discrete period items during the quarter.

Nine Months

The effective tax rate for the nine months ended June 29, 2024 was 26.4% and differed from the statutory federal income tax rate of 21%. The increase was primarily due to the impacts from state taxes and certain permanent items on the federal rate, which were partially offset by the impacts from federal and state tax credits (net of valuation allowances) and discrete period items during the period.

The effective tax rate for the nine months ended July 1, 2023 was 22.2%, which aligned with the statutory federal income tax rate of 21% and is comprised of normal tax rate items, including impacts from state taxes, federal and state tax credits (net of valuation allowances) and permanent differences, which were partially offset by the impact of discrete period items during the period.

6. Guarantees, Commitments and Contingencies

Litigation

At June 29, 2024, the Company had a number of product liability and other cases pending. Management believes that, considering the Company's insurance coverage and its intention to vigorously defend its positions, the ultimate resolution of these matters will not have a material adverse effect on the Company's financial statements.

Environmental

The Company is subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous materials used in its manufacturing processes. Failure by the Company to comply with present and future regulations could subject it to future liabilities. In addition, such regulations could require the Company to acquire costly equipment or to incur other significant expenses to comply with environmental regulations. The Company is currently not involved in any material environmental proceedings and therefore, management believes that the resolution of pending environmental matters will not have a material adverse effect on the Company's financial statements.

7. Segment Information

We manage our business in two operating segments: (i) the Bus segment, which includes the manufacturing and assembly of buses to be sold to a variety of customers across the U.S., Canada and in certain limited international markets; and (ii) the Parts segment, which consists primarily of the purchase of parts from third parties to be sold to dealers within the Company's network and certain large fleet customers. Management evaluates the segments based primarily upon revenues and gross profit, which are reflected in the tables below for the periods presented:

Net sales

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Bus (1)	$ 308,037	$ 270,282	$ 919,433	$ 757,003
Parts (1)	25,330	24,002	77,509	72,827
Segment net sales	$ 333,367	$ 294,284	$ 996,942	$ 829,830

(1) Parts segment revenue includes $2.6 million and $1.7 million for the three months ended June 29, 2024 and July 1, 2023, respectively, and $ 6.9 million and $4.1 million for the nine months ended June 29, 2024 and July 1, 2023, respectively, related to inter-segment sales of parts that was eliminated by the Bus segment upon consolidation.

Gross profit (loss)

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Bus	$ 56,545	$ 34,176	$ 157,428	$ 53,544
Parts	12,808	11,574	39,122	35,312
Segment gross profit	$ 69,353	$ 45,750	$ 196,550	$ 88,856

The following table is a reconciliation of segment gross profit to consolidated income before income taxes for the periods presented:

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Segment gross profit	$ 69,353	$ 45,750	$ 196,550	$ 88,856
Adjustments:				
Selling, general and administrative expenses	(29,625)	(26,328)	(82,798)	(66,365)
Interest expense	(2,107)	(4,507)	(8,550)	(13,895)
Interest income	990	246	3,132	258
Other expense, net	(2,729)	(6,421)	(5,918)	(6,999)
Loss on debt refinancing or modification	—	—	(1,558)	(537)
Income before income taxes	$ 35,882	$ 8,740	$ 100,858	$ 1,318

Sales are attributable to geographic areas based on customer location and were as follows for the periods presented:

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
U.S.	$ 291,374	$ 282,908	$ 910,489	$ 751,730
Canada	41,804	9,801	85,981	72,556
Rest of world	189	1,575	472	5,544
Total net sales	$ 333,367	$ 294,284	$ 996,942	$ 829,830

8. Revenue

The following table disaggregates revenue by product category for the periods presented:

	Three Months Ended		Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Diesel buses	$ 109,797	$ 87,318	$ 318,239	$ 248,607
Alternative power buses (1)	185,453	172,234	560,944	475,449
Other (2)	13,393	11,326	42,081	34,821
Parts	24,724	23,406	75,678	70,953
Net sales	$ 333,367	$ 294,284	$ 996,942	$ 829,830

(1) Includes buses sold with any power source other than diesel (e.g., gasoline, propane, compressed natural gas ("CNG") or electric).
(2) Includes shipping and handling revenue, extended warranty income, surcharges and chassis and bus shell sales .

9. Earnings Per Share

The following table presents the earnings per share computation for the periods presented:

(in thousands except for share data)	Three Months Ended		Nine Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Numerator:				
Net income	$ 28,711	$ 9,358	$ 80,884	$ 5,194
Denominator:				
Weighted-average common shares outstanding	32,305,396	32,073,497	32,238,805	32,044,581
Weighted-average dilutive securities, restricted stock	533,789	407,015	382,523	286,989
Weighted-average dilutive securities, stock options	357,124	118,426	277,468	3,811
Weighted-average dilutive securities, warrants (Note 12)	457,138	—	323,558	—
Weighted-average shares and dilutive potential common shares (1)	33,653,447	32,598,938	33,222,354	32,335,381
Earnings per share:				
Basic earnings per share	$ 0.89	$ 0.29	$ 2.51	$ 0.16
Diluted earnings per share	$ 0.85	$ 0.29	$ 2.43	$ 0.16

(1) Potentially dilutive securities representing approximately 0.1 million shares of common stock and 0.5 million shares of common stock were excluded from the computation of diluted earnings per share for the three and nine months ended July 1, 2023, respectively, as their effect would have been antidilutive.

10. Accumulated Other Comprehensive Loss

The following table provides information on changes in accumulated other comprehensive loss ("AOCL") for the periods presented:

(in thousands of dollars)	Three Months Ended		Nine Months Ended	
	Defined Benefit Pension Plan	Total AOCL	Defined Benefit Pension Plan	Total AOCL
June 29, 2024				
Beginning Balance	$ (31,622)	$ (31,622)	$ (31,884)	$ (31,884)
Amounts reclassified and included in earnings	172	172	516	516
Total before taxes	172	172	516	516
Income taxes	(41)	(41)	(123)	(123)
Ending Balance June 29, 2024	$ (31,491)	$ (31,491)	$ (31,491)	$ (31,491)
July 1, 2023				
Beginning Balance	$ (41,476)	$ (41,476)	$ (41,930)	$ (41,930)
Amounts reclassified and included in earnings	299	299	897	897
Total before taxes	299	299	897	897
Income taxes	(72)	(72)	(216)	(216)
Ending Balance July 1, 2023	$ (41,249)	$ (41,249)	$ (41,249)	$ (41,249)

11. Stockholder Transaction Costs

On December 14, 2023, the Company entered into an underwriting agreement with BofA Securities, Inc. and Barclays Capital Inc., as representatives of the several underwriters and American Securities LLC ("Selling Stockholder"), pursuant to which the Selling Stockholder agreed to sell 2,500,000 shares of common stock at a purchase price of $25.10 per share (“December Offering”).

On February 15, 2024, the Company entered into an underwriting agreement with Barclays Capital Inc., as representative of the several underwriters and the Selling Stockholder, pursuant to which the Selling Shareholder agreed to sell 4,042,650 shares of common stock at a purchase price of $ 32.90 per share ("February Offering," and collectively with the December Offering, “Offerings”).

The December Offering was conducted pursuant to a prospectus supplement, dated December 14, 2023, and the February Offering was conducted pursuant to a prospectus supplement, dated February 15, 2024, both to the prospectus dated December 22, 2021 included in the Company’s registration statement on Form S-3 (File No. 333-261858) that was initially filed with the SEC on December 23, 2021.

The December Offering closed on December 19, 2023 and the February Offering closed on February 21, 2024. Although the Company did not sell any shares or receive any proceeds from the Offerings, it was required to pay certain expenses in connection with the Offerings that totaled approximately $3.2 million for the nine months ended June 29, 2024, with $5.5 million and $ 6.3 million of similar expense recorded for the three and nine months ended July 1, 2023, respectively. The $3.2 million of expense is included within other expense, net on the Condensed Consolidated Statements of Operations for the nine months ended June 29, 2024. The $6.3 million of expense is included within other expense, net on the Condensed Consolidated Statements of Operations for both the three and nine months ended July 1, 2023, although approximately $0.7 million of such expense was initially recorded within selling, general and administrative expenses during the second quarter of fiscal 2023 and reclassified to other expense, net during the third quarter of fiscal 2023.

12. Joint Ventures

Micro Bird Holdings, Inc.

In December 2023, Micro Bird Holdings, Inc., our unconsolidated Canadian joint venture, paid dividends to all common stockholders, with the Company's proportionate share totaling $3.0 million, gross of required withholding taxes. The dividend was recorded as a reduction in the balance of equity investment in affiliate on the Condensed Consolidated Balance Sheets and is presented as a cash inflow in the operating section of the Condensed Consolidated Statements of Cash Flows.

Clean Bus Solutions, LLC

On December 7, 2023, the Company, through its wholly owned subsidiary, BBBC, and GC Mobility Investments I, LLC, a wholly owned subsidiary of Generate Capital, PBC (“Generate Capital”), a sustainable investment company focusing on clean energy, transportation, water, waste, agriculture, smart cities and industrial decarbonization, executed a definitive agreement (“Joint Venture Agreement”) establishing a joint venture, Clean Bus Solutions, LLC, to provide a fleet-as-a-service ("FaaS") offering using electric school buses manufactured and sold by the Company (“Joint Venture”). The service will be offered to qualified customers of the Company. Through the Joint Venture, the Company will provide its end customers with turnkey electrification solutions, including a wide product range consisting of, among others, electric school buses, financing of electric buses and supporting charging infrastructure, project planning and management, and fleet optimization.

The Company and Generate Capital will initially have an equal common ownership interest in the Joint Venture, and will initially jointly share management responsibility and control, with each party having certain customary consent and approval rights and control triggers. The parties have each agreed to contribute up to $10.0 million to the Joint Venture, as agreed from time to time, for common interests to fund administrative expenses, and up to an additional $100.0 million of capital in the form of preferred interests to fund the purchase, delivery, installation, operation and maintenance of FaaS projects, inclusive of Blue Bird electric school buses and associated charging infrastructure. Of this amount, the Company has committed to provide up to $20.0 million and Generate Capital has committed to provide up to $ 80.0 million, with the Company’s aggregate commitment in any one year not to exceed $10.0 million without its consent.

In accordance with the terms of the Joint Venture Agreement, the Company will promote the Joint Venture as the Company’s preferred FaaS offering for electric school buses and has agreed to not participate as a joint venture partner in any other similar FaaS offering for electric school buses, except as an original equipment manufacturer of buses. The Company’s obligations do not prevent or limit any activities of its dealers.

The Joint Venture has a perpetual duration subject to the right of either party to terminate early upon the occurrence of certain events of default or the failure to achieve certain milestones set forth in the terms of the Joint Venture Agreement.

In connection with the execution of the Joint Venture Agreement, the Company granted Generate Capital warrants to purchase an aggregate of 1,000,000 shares of Company common stock at an exercise price of $ 25.00 per share during a five-year exercise period (“Warrants”). Two-thirds of the Warrants were immediately exercisable while the remaining Warrants will become exercisable upon Generate Capital satisfying certain funding conditions. The exercise price and the number of shares issuable upon exercise of the Warrants are subject to adjustment in the event of a recapitalization, stock dividend or similar event.

The Company recorded the $7.4 million fair value of the Warrants upon issuance as permanent equity within additional paid-in capital on the Condensed Consolidated Balance Sheets and is not required to subsequently record changes in fair value as long as the Warrants continue to be classified within stockholders' equity. Additionally, since the Warrants were provided in exchange for an investment in the Joint Venture, the Company recorded the cost of its investment based on the fair value of the Warrants upon issuance, which increased the balance of equity investment in affiliate on the Condensed Consolidated Balance Sheets by a corresponding $7.4 million. No other activity was recorded relating to the Joint Venture during the three and nine months ended June 29, 2024.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition and results of operations of Blue Bird Corporation (the "Company," "Blue Bird," "we," "our," or "us") should be read in conjunction with the Company’s unaudited condensed consolidated financial statements as of and for the three and nine months ended June 29, 2024 and July 1, 2023 and related notes appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q ("Report"). Our actual results may not be indicative of future performance. This discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those discussed or incorporated by reference in the sections of this Report entitled “Special Note Regarding Forward-Looking Statements” and “Risk Factors.” Actual results may differ materially from those contained in any forward-looking statements. Certain monetary amounts, percentages and other figures included in this Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated, may not be the arithmetic aggregation of the percentages that precede them.

Special Note Regarding Forward-Looking Statements

This Report contains forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Except as otherwise indicated by the context, references in this Report to “we,” “us” and “our” are to the consolidated business of the Company. All statements in this Report, including those made by the management of the Company, other than statements of historical fact, are forward-looking statements. These forward-looking statements are based on management’s estimates, projections and assumptions as of the date hereof and include the assumptions that underlie such statements. Forward-looking statements may contain words such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “estimate,” “project,” “forecast,” “seek,” “target,” “anticipate,” “believe,” “predict,” “potential” and “continue,” the negative of these terms, or other comparable terminology. Examples of forward-looking statements include statements regarding the Company’s future financial results, research and development results, regulatory approvals, operating results, business strategies, projected costs, products, competitive positions, management’s plans and objectives for future operations, and industry trends. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for our business. Specifically, forward-looking statements may include statements relating to:

- *the future financial performance of the Company;*
- *negative changes in the market for Blue Bird products;*
- *expansion plans and opportunities;*
- *challenges or unexpected costs related to manufacturing;*
- *future impacts from the novel coronavirus pandemic known as "COVID-19," and any other pandemics, public health crises, or epidemics, on capital markets, manufacturing and supply chain abilities, consumer and customer demand, school system operations, workplace conditions, and any other unexpected impacts, which include or could include, among other effects:*
    - *disruption in global financial and credit markets;*
    - *supply shortages and supplier financial risk, especially from our single-source suppliers impacted by the pandemic;*
    - *negative impacts to manufacturing operations or the supply chain from shutdowns or other disruptions in operations;*
    - *negative impacts on capacity and/or production in response to changes in demand due to the pandemic, including possible cost containment actions;*
    - *financial difficulties of our customers impacted by the pandemic;*

    - *reductions in market demand for our products due to the pandemic; and*
    - *potential negative impacts of various actions taken by federal, state and/or local governments in response to the pandemic.*
- *future impacts resulting from Russia's invasion of Ukraine, which include or could include, among other effects:*
    - *disruption in global commodity and other markets;*
    - *supply shortages and supplier financial risk, especially from suppliers providing inventory that is dependent on resources originating from either of these countries; and*
    - *negative impacts to manufacturing operations resulting from inventory cost volatility or the supply chain due to shutdowns or other disruptions in operations.*

These forward-looking statements are based on information available as of the date of this Report (or, in the case of forward-looking statements incorporated herein by reference, as of the date of the applicable filed document), and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different than those expressed or implied by these forward-looking statements.

Any expectations based on these forward-looking statements are subject to risks and uncertainties and other important factors, including those discussed in the reports we file with the Securities and Exchange Commission ("SEC"), specifically the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's fiscal year 2023 Form 10-K, filed with the SEC on December 11, 2023. Other risks and uncertainties are and will be disclosed in the Company's prior and future SEC filings. The following information should be read in conjunction with the financial statements included in the Company's fiscal year 2023 Form 10-K, filed with the SEC on December 11, 2023.

Available Information

We are subject to the reporting and information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as a result are obligated to file or furnish, as applicable, annual, quarterly, and current reports, proxy statements, and other information with the SEC. We make these documents available free of charge on our website (http://www.blue-bird.com) as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. Information on our website does not constitute part of this Report. In addition, the SEC maintains a website (http://www.sec.gov) that contains our annual, quarterly, and current reports, proxy and information statements, and other information we electronically file with, or furnish to, the SEC.

Executive Overview

Blue Bird is the leading independent designer and manufacturer of school buses. Our longevity and reputation in the school bus industry have made Blue Bird an iconic American brand. We distinguish ourselves from our principal competitors by dedicating our focus to the design, engineering, manufacture and sale of school buses, and related parts. As the only principal manufacturer of chassis and body production specifically designed for school bus applications in the United States of America ("U.S."), Blue Bird is recognized as an industry leader for school bus innovation, safety, product quality/reliability/durability, efficiency, and lower operating costs. In addition, Blue Bird is the market leader in alternative powered product offerings with its propane-powered, gasoline-powered and all-electric-powered school buses.

Blue Bird sells its buses and parts through an extensive network of U.S. and Canadian dealers that, in their territories, are exclusive to Blue Bird on Type C and Type D school buses. Blue Bird also sells directly to major fleet operators, the U.S. Government, state governments, and authorized dealers in certain limited foreign countries.

Throughout this Report, we refer to the fiscal year ending September 28, 2024 as "fiscal 2024," the fiscal year ended September 30, 2023 as "fiscal 2023," the fiscal year ended October 1, 2022 as "fiscal 2022," the fiscal year ended October 2, 2021 as "fiscal 2021" and the fiscal year ended October 3, 2020 as "fiscal 2020." There will be or were 52 weeks in fiscal 2024, fiscal 2023 and fiscal 2022. The third quarters of fiscal 2024 and fiscal 2023 both included 13 weeks. The nine month periods in fiscal 2024 and 2023 both included 39 weeks.

Impacts of COVID-19 and Subsequent Supply Chain Constraints on Our Business

As discussed in detail in the fiscal 2023 Form 10-K filed with the SEC on December 11, 2023, the novel coronavirus known as "COVID-19" materially affected demand for new buses and replacement/maintenance parts during the second half of fiscal 2020 and first half of fiscal 2021, significantly impacting our business and operations. Although demand for school buses strengthened substantially during the second half of fiscal 2021, the Company, and automotive industry as a whole, began experiencing significant supply chain constraints around this same period of time. Additionally, the already challenged global supply chain for automotive parts that began in fiscal 2021 was further impacted, including continuing escalating inventory purchase costs, by additional stress resulting from Russia’s invasion of Ukraine in February 2022 (see further discussion below). These supply chain disruptions had a significant adverse impact on our operations and results during the second half of fiscal 2021 and all of fiscal 2022 due to higher purchasing costs, including freight costs incurred to expedite receipt of critical components, increased manufacturing inefficiencies and our inability to complete the production of buses to fulfill sales orders.

Towards the end of fiscal 2022 and continuing into fiscal 2023, there were slight improvements in the supply chain's ability to deliver the parts and components necessary to support our production operations, resulting in increased (i) manufacturing efficiencies and (ii) production of buses to fulfill sales orders during fiscal 2023. However, the higher costs charged by suppliers to procure inventory that continued into fiscal 2023 had a significant adverse impact on our operations and results. Specifically, such cost increases outpaced the increases in sales prices that we charged for the buses that were sold during the first quarter of fiscal 2023, many of which were included in the backlog of fixed price sales orders originating in fiscal 2021 and the early months of fiscal 2022 that carried forward into fiscal 2023. During the remainder of fiscal 2023, the buses that were sold were generally included in the backlog of fixed price sales orders originating more recently (i.e., the latter months of fiscal 2022 and in fiscal 2023), with the cumulative increases in sales prices we charged for those buses generally outpacing the higher costs we paid to procure inventory, resulting in gross profit during the quarters. While the gross margin on bus sales during the second quarter of fiscal 2023 lagged the historical gross margin reported prior to the COVID-19 pandemic, it returned to more normal historical levels during the latter half of fiscal 2023.

Supply chain disruptions continued into the first nine months of fiscal 2024 as there were still occasional shortages of certain critical components as well as ongoing increases in raw materials costs, both of which impacted our business and operations by limiting the number of school buses that we could produce and sell as well as increasing the costs to manufacture buses. Nonetheless, the lessons learned, and resulting actions taken, by management over the past three fiscal years allowed the Company to better navigate these supply chain challenges and consistently produce buses to fulfill sales orders. Ongoing improvements in manufacturing operations, when coupled with periodic pricing actions taken by the Company to ensure that the increased sales prices charged for buses kept pace with increased costs to procure inventory to produce the buses, allowed the Company to report gross profit and gross margin during the first nine months of fiscal 2024 that were consistent with, or better than, historic levels experienced prior to the COVID-19 pandemic.

New bus orders during fiscal 2023 and continuing into fiscal 2024 remained robust, primarily due to a combination of (i) pent-up demand resulting from the cumulative effect of the COVID-19 pandemic when many school systems conducted virtual learning and (ii) the challenged global supply chain for automotive parts that hindered the school bus industry's ability to produce and sell buses that began during the latter half of fiscal 2021 and continued through the third quarter of fiscal 2024. Accordingly, the Company's backlog remained strong at approximately 4,600 units and 5,200 units as of September 30, 2023 and June 29, 2024, respectively, despite it selling over 8,500 units during fiscal 2023, the majority of which were included in the backlog that existed as of October 1, 2022, and over 6,500 units in the first nine months of fiscal 2024.

In general, management believes that supply chain disruptions could continue in future periods and could materially impact our results if we are unable to i) obtain parts and supplies in sufficient quantities to meet our production needs and/or ii) pass along rising costs to our customers. They have resulted, and could continue to result, in significant economic disruption and have adversely affected our business. They could adversely impact our business for the remainder of fiscal 2024 and perhaps beyond. Significant uncertainty exists concerning the magnitude of the impact and duration of ongoing supply chain constraints and their potential impact on the overall economy, both within the U.S and globally. Accordingly, the magnitude and duration of any production and supply chain disruptions and their related financial impacts on our business cannot be estimated at this time.

The impacts from supply chain constraints on the Company's business and operations beginning during the second half of fiscal 2021 and continuing into fiscal 2024 negatively affected our inventory procurement costs, gross profit, income and cash flows. We continue to monitor and assess the ability of suppliers to maintain operations and to provide parts and supplies in sufficient quantities to meet our production needs and our ability to maintain continuous production during the remainder of fiscal 2024 and beyond. See PART I, Item 1.A. "Risk Factors," of our fiscal 2023 Form 10-K, filed with the SEC on December 11, 2023, for a discussion of the material risks we believe we face particularly related to supply chain disruptions and related constraints.

Impact of Russia’s Invasion of Ukraine on Our Business

On February 24, 2022, Russian military forces launched a large-scale invasion of Ukraine. While the Company has no assets or customers in either of these countries, this military conflict has had a significant negative impact on the Company’s operations, cash flows and results beginning in fiscal 2022 and continuing into fiscal 2024, primarily in an indirect manner since the Company does not sell to customers located in, or source goods directly from, either country.

Specifically, Ukraine has historically been a large exporter of ferroalloy materials used in the manufacture of steel and the disruption in the supply of these minerals has resulted in significant volatility in the price of steel. While the Company has generally mitigated its direct exposure to steel prices by executing fixed price purchase contracts (generally purchased up to four quarters in advance) for the majority of the significant amount of steel used in the manufacture of school bus bodies, many suppliers from which the Company purchases components containing steel increased the price that they charge the Company to acquire such inventory, primarily on a lagged basis, starting from the latter half of fiscal 2022 and continuing into fiscal 2024, as applicable. These inventory costs impact gross profit when school buses are sold and cash flows when the related invoices are paid.

Additionally, Russia has historically been a large global exporter of oil and many countries have ceased buying Russian oil in protest of the invasion and to comply with sanctions imposed by the U.S. and many European countries. Accordingly, the disruption in the supply of oil has significantly impacted the price of goods refined from oil, such as diesel fuel, the price of which has been volatile and has remained high since the latter half of fiscal 2022. These higher costs significantly impacted the Company both as a result of the price that suppliers charge the Company to acquire inventory (since diesel fuel impacts their cost of acquiring the inventory used in producing their goods) and the price that the Company pays for freight to deliver the inventory that it acquires. Additionally, such increases are generally implemented with very little lag so that they impact the purchase cost of inventory and cash flows on an almost real-time basis.

Finally, both countries have large quantities of other minerals that impact commodity costs, such as rubber and resin, among others, and the disruption caused by the ongoing military conflict increased the cost and/or decreased the supply of components containing these materials, further impacting an already challenged global supply chain for automotive parts.

Russia’s invasion of Ukraine has resulted, and is likely to continue to result, in significant economic disruption and has adversely affected our business. Specifically, it has contributed to higher inventory purchase costs, including freight costs, that negatively impacted the gross profit recognized on sales beginning during the latter part of fiscal 2022 and continuing into fiscal 2024. Because peace negotiations do not appear to be productive and because Russia has continued to intensify its military operations in Ukraine, we currently believe that this matter will continue to adversely impact our business for the remainder of fiscal 2024 and perhaps beyond. Significant uncertainty exists concerning the magnitude of the impact and duration of the ongoing military conflict and its impact on the overall economy, both within the U.S. and globally. Accordingly, the duration of any production and supply chain disruptions, and related financial impacts, cannot be estimated at this time.

Critical Accounting Policies and Estimates, Recent Accounting Pronouncements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Blue Bird evaluates its estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

The Company’s accounting policies that we believe are the most critical to aid in fully understanding and evaluating our reported financial results are described in the Company’s fiscal 2023 Form 10-K, filed with the SEC on December 11, 2023, under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates,” which description is incorporated herein by reference. Our senior management has reviewed these critical accounting policies and related disclosures and determined that there were no significant changes in our critical accounting policies during the nine months ended June 29, 2024.

Recent Accounting Pronouncements

See Note 2 of Notes to Condensed Consolidated Financial Statements (Unaudited) included in Part I, Item 1 of this Report for a discussion of new and/or recently adopted accounting pronouncements, as applicable.

Factors Affecting Our Revenues

Our revenues are driven primarily by the following factors:

- *Property tax revenues*. Property tax revenues are one of the major sources of funding for school districts, and therefore new school buses. Property tax revenues are a function of land and building prices, relying on assessments of property value by state or county assessors and millage rates voted by the local electorate.
- *Student enrollment and delivery mechanisms for learning.* Increases or decreases in the number of school bus riders have a direct impact on school district demand. Evolving protocols for public health concerns and/or continued technological advancements could shift the future form of educational delivery away from in-person learning on a more permanent basis, with increased remote learning reasonably expected to decrease the number of school bus riders.
- *Revenue mix*. We are able to charge more for certain of our products (e.g., Type C propane-powered school buses, electric-powered buses, Type D buses, and buses with higher option content) than other products. The mix of products sold in any fiscal period can directly impact our revenues for the period.
- *Strength of the dealer network*. We rely on our dealers, as well as a small number of major fleet operators, to be the direct point of contact with school districts and their purchasing agents. An effective dealer is capable of expanding revenues within a given school district by matching that district's needs to our capabilities, offering options that would not otherwise be provided to the district.
- *Pricing*. Our products are sold to school districts throughout the U.S. and Canada. Each state and each Canadian province has its own set of regulations that governs the purchase of products, including school buses, by their school districts. We and our dealers must navigate these regulations, purchasing procedures, and the districts' specifications in order to reach mutually acceptable price terms. Pricing may or may not be favorable to us, depending upon a number of factors impacting purchasing decisions. Additionally, in certain cases, prices originally quoted with dealers and school districts may have become less favorable, or more unfavorable, to us given increasing inventory costs between the time the sales order was contractually agreed upon and the bus is built and delivered as a result of ongoing supply chain disruptions and general inflationary pressures.
- *Buying patterns of major fleets*. Major fleets regularly compete against one another for existing accounts. Fleets are also continuously trying to win the business of school districts that operate their own transportation services. These activities can have either a positive or negative impact on our sales, depending on the brand preference of the fleet that wins the business. Major fleets also periodically review their fleet sizes and replacement patterns due to funding availability as well as the profitability of existing routes. These actions can impact total purchases by fleets in a given year.
- *Seasonality.* Historically, our sales have been subject to seasonal variation based on the school calendar with the peak season during our third and fourth fiscal quarters. Sales during the third and fourth fiscal quarters are typically greater than the first and second fiscal quarters due to the desire of municipalities to have any new buses that they order available to them at the beginning of the new school year. With the COVID-19 pandemic impacting the demand for Company products and the impact of the subsequent supply chain constraints hindering the Company's ability to produce and sell buses, seasonality has become unpredictable. Seasonality and variations from historical seasonality have impacted the comparison of results between fiscal periods.
- *Inflation.* As discussed previously above, supply chain disruptions developing subsequent to the COVID-19 pandemic and Russia's invasion of Ukraine have significantly increased our inventory purchase costs, including freight costs incurred to expedite receipt of critical components, reflected in cost of goods sold during the latter half of fiscal 2021, all of fiscal 2022 and continuing, to a lesser extent, into fiscal 2023 and fiscal 2024. In response, beginning in July 2021, the Company announced several sales price increases that applied to new sales orders and partially applied to backlog orders that were both intended to mitigate the impact of rising purchase costs on our operations and results. Most of these price increases only began to marginally impact sales and gross profit in the latter half of fiscal 2022. Specifically, they did not offset the significant continued increase in the Company's production costs, resulting in further deterioration of the Company's gross profit during the second half of fiscal 2022 and continuing into the first quarter of fiscal 2023 as it produced and sold the oldest units included in the backlog as of the end of fiscal 2022. However, they began to have a more significant, positive impact on sales and gross profit during the remainder of fiscal 2023, as the Company fulfilled sales orders (i) from the backlog existing as of the end of fiscal 2022 that originated more recently (i.e., during the latter months of fiscal 2022) and (ii) that were taken during fiscal 2023, both of which contained most or all of the cumulative sales prices increases that have been announced. These cumulative price increases also continued to have a significant, positive impact on sales and gross profit during the first nine months of fiscal 2024.

Factors Affecting Our Expenses and Other Items

Our expenses and other line items on our unaudited Condensed Consolidated Statements of Operations are principally driven by the following factors:

- *Cost of goods sold*. The components of our cost of goods sold consist of material costs (principally powertrain components, steel and rubber, as well as aluminum and copper) including freight costs, labor expense, and overhead. Our cost of goods sold may vary from period to period due to changes in sales volume, efforts by certain suppliers to pass through the economics associated with key commodities, fluctuations in freight costs, design changes with respect to specific components, design changes with respect to specific bus models, wage increases for plant labor, productivity of plant labor, delays in receiving materials and other logistical problems, and the impact of overhead items such as utilities.
- *Selling, general and administrative expenses*. Our selling, general and administrative expenses include costs associated with our selling and marketing efforts, engineering, centralized finance, human resources, purchasing, information technology services, along with other administrative matters and functions. In most instances, other than direct costs associated with sales and marketing programs, the principal component of these costs is salary expense. Changes from period to period are typically driven by the number of our employees, as well as by merit increases provided to experienced personnel.
- *Interest expense*. Our interest expense relates to costs associated with our debt instruments and reflects both the amount of indebtedness and the interest rate that we are required to pay on our debt. Interest expense also includes unrealized gains or losses from interest rate hedges, if any, and changes in the fair value of interest rate derivatives not designated in hedge accounting relationships, if any, as well as expenses related to debt guarantees, if any.
- *Income taxes*. We make estimates of the amounts to recognize for income taxes in each tax jurisdiction in which we operate. In addition, provisions are established for withholding taxes related to the transfer of cash between jurisdictions and for uncertain tax positions taken.
- *Other expense/income, net.* This balance includes periodic pension expense or income as well as gains or losses on foreign currency, if any. Other amounts not associated with operating expenses may also be included in this balance.
- *Equity in net income or loss of non-consolidated affiliate*. We include in this line item our 50% share of net income or loss from our investment in Micro Bird Holdings, Inc., our unconsolidated Canadian joint venture.

Key Non-GAAP Financial Measures We Use to Evaluate Our Performance

The condensed consolidated financial statements included in this Report in Item 1. "Financial Statements (Unaudited)" are prepared in conformity with U.S. GAAP. This Report also includes the following financial measures that are not prepared in accordance with U.S. GAAP ("non-GAAP"): “Adjusted EBITDA;” “Adjusted EBITDA Margin;” and “Free Cash Flow.” Adjusted EBITDA and Free Cash Flow are financial metrics that are utilized by management and the board of directors, as and when applicable, to determine (a) the annual cash bonus payouts, if any, to be made to certain employees based upon the terms of the Company’s Management Incentive Plan, and (b) whether the performance criteria have been met for the vesting of certain equity awards granted annually to certain members of management based upon the terms of the Company’s Omnibus Equity Incentive Plan. Additionally, consolidated EBITDA, which is an adjusted EBITDA metric defined by our Credit Agreement (defined below) that could differ from Adjusted EBITDA discussed above as the adjustments to the calculations are not uniform, is used to determine the Company's ongoing compliance with several financial covenant requirements, including being utilized in the denominator of the calculation of the Total Net Leverage Ratio ("TNLR"), which is also utilized in determining the interest rate we pay on borrowings under our Credit Agreement (defined below). Accordingly, management views these non-GAAP financial metrics as key for the above purposes and as a useful way to evaluate the performance of our operations as discussed further below.

Adjusted EBITDA is defined as net income or loss prior to interest income; interest expense including the component of operating lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our U.S. GAAP financial statements) that represents interest expense on lease liabilities; income taxes; and depreciation and amortization including the component of operating lease expense (which is presented as a single operating expense in selling, general and administrative expenses in our U.S. GAAP financial statements) that represents amortization charges on right-of-use lease assets; as adjusted for certain non-cash charges or credits that we may record on a recurring basis such as share-based compensation expense and unrealized gains or losses on certain derivative financial instruments; net gains or losses on the disposal of assets as well as certain charges such as (i) significant product design changes; (ii) transaction related costs; or (iii) discrete expenses related to major cost cutting and/or operational transformation initiatives. While certain of the charges that are added back in the Adjusted EBITDA calculation, such as transaction related costs and operational transformation and major product redesign initiatives, represent operating expenses that may be recorded in more than one annual period, the significant project or transaction giving rise to such expenses is not considered to be indicative of the Company’s normal operations. Accordingly, we believe that these, as well as the other credits and charges that comprise the amounts utilized in the determination of Adjusted EBITDA described above, should not be used in evaluating the Company's ongoing annual operating performance.

We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of net sales. Adjusted EBITDA and Adjusted EBITDA Margin are not measures of performance defined in accordance with U.S. GAAP. The measures are used as a supplement to U.S. GAAP results in evaluating certain aspects of our business, as described below.

We believe that Adjusted EBITDA and Adjusted EBITDA Margin are useful to investors in evaluating our performance because the measures consider the performance of our ongoing operations, excluding decisions made with respect to capital investment, financing, and certain other significant initiatives or transactions as outlined in the preceding paragraphs. We believe the non-GAAP measures offer additional financial metrics that, when coupled with the U.S. GAAP results and the reconciliation to U.S. GAAP results, provide a more complete understanding of our results of operations and the factors and trends affecting our business.

Adjusted EBITDA and Adjusted EBITDA Margin should not be considered as alternatives to net income or loss as an indicator of our performance or as alternatives to any other measure prescribed by U.S. GAAP as there are limitations to using such non-GAAP measures. Although we believe that Adjusted EBITDA and Adjusted EBITDA Margin may enhance an evaluation of our operating performance based on recent revenue generation and product/overhead cost control because they exclude the impact of prior decisions made about capital investment, financing, and certain other significant initiatives or transactions, (i) other companies in Blue Bird's industry may define Adjusted EBITDA and Adjusted EBITDA Margin differently than we do and, as a result, they may not be comparable to similarly titled measures used by other companies in Blue Bird's industry, and (ii) Adjusted EBITDA and Adjusted EBITDA Margin exclude certain financial information that some may consider important in evaluating our performance.

We compensate for these limitations by providing disclosure of the differences between Adjusted EBITDA and U.S. GAAP results, including providing a reconciliation to U.S. GAAP results, to enable investors to perform their own analysis of our ongoing operating results.

Our measure of Free Cash Flow is used in addition to and in conjunction with results presented in accordance with U.S. GAAP and it should not be relied upon to the exclusion of U.S. GAAP financial measures. Free Cash Flow reflects an additional way of evaluating our liquidity that, when viewed with our U.S. GAAP results, provides a more complete understanding of factors and trends affecting our cash flows. We strongly encourage investors to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

We define Free Cash Flow as total cash provided by/used in operating activities as adjusted for cash paid for the acquisition of fixed assets and intangible assets. We use Free Cash Flow, and ratios based on Free Cash Flow, to conduct and evaluate our business because, although it is similar to cash flow from operations, we believe it is a more conservative measure of cash flow since purchases of fixed assets and intangible assets are a necessary component of ongoing manufacturing operations. Accordingly, Free Cash Flow will be less than operating cash flows.

Our Segments

We manage our business in two operating segments, which are also our reportable segments: (i) the Bus segment, which involves the design, engineering, manufacture and sales of school buses and extended warranties; and (ii) the Parts segment, which includes the sale of replacement bus parts. Financial information is reported on the basis that it is used internally by the chief operating decision maker ("CODM") in evaluating segment performance and deciding how to allocate resources to segments. The Chief Executive Officer of the Company has been identified as the CODM. Management evaluates the segments based primarily upon revenues and gross profit.

Consolidated Results of Operations for the Three Months Ended June 29, 2024 and July 1, 2023:

(in thousands of dollars)	Three Months Ended June 29, 2024	Three Months Ended July 1, 2023
Net sales	$ 333,367	$ 294,284
Cost of goods sold	264,014	248,534
Gross profit	$ 69,353	$ 45,750
Operating expenses		
Selling, general and administrative expenses	29,625	26,328
Operating profit	$ 39,728	$ 19,422
Interest expense	(2,107)	(4,507)
Interest income	990	246
Other expense, net	(2,729)	(6,421)
Income before income taxes	$ 35,882	$ 8,740
Income tax expense	(9,938)	(1,884)
Equity in net income of non-consolidated affiliate	2,767	2,502
Net income	$ 28,711	$ 9,358
Other financial data:		
Adjusted EBITDA	$ 48,246	$ 29,665
Adjusted EBITDA margin	14.5 %	10.1 %

The following provides the results of operations of Blue Bird's two reportable segments:

(in thousands of dollars)	Three Months Ended June 29, 2024	Three Months Ended July 1, 2023
Net Sales by Segment		
Bus	$ 308,037	$ 270,282
Parts	25,330	24,002
Total	$ 333,367	$ 294,284
Gross Profit (Loss) by Segment		
Bus	$ 56,545	$ 34,176
Parts	12,808	11,574
Total	$ 69,353	$ 45,750

Net sales. Net sales were $333.4 million for the third quarter of fiscal 2024, an increase of $39.1 million, or 13.3%, compared to $294.3 million for the third quarter of fiscal 2023. The increase in net sales is primarily due to product and mix changes, pricing actions taken by management in response to increased inventory purchase costs and a small increase in unit bookings.

Bus sales increased $37.8 million, or 14.0%, reflecting an 13.2% increase in average sales price per unit and a 0.7% increase in units booked. In the third quarter of fiscal 2024, 2,151 units were booked compared to 2,137 units booked for the same period in fiscal 2023. The small increase in units sold was primarily due to customer and product mix changes, although both quarters were negatively impacted by supply chain constraints that limited the Company's ability to produce and deliver buses due to shortages of critical components. The increase in unit price for the third quarter of fiscal 2024 compared to the same period in fiscal 2023 reflects pricing actions taken by management as well as product and customer mix changes.

Parts sales increased $1.3 million, or 5.5%, for the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023. This increase is primarily attributed to price increases, driven by ongoing inflationary pressures, as well as higher fulfillment volumes and slight variations due to product and channel mix.

Cost of goods sold. Total cost of goods sold was $264.0 million for the third quarter of fiscal 2024, an increase of $15.5 million, or 6.2%, compared to $248.5 million for the third quarter of fiscal 2023. As a percentage of net sales, total cost of goods sold improved from 84.5% to 79.2%, primarily due to the pricing actions discussed above.

Bus segment cost of goods sold increased $15.4 million, or 6.5%, for the third quarter of fiscal 2024 compared to the same period in fiscal 2023. The increase was primarily driven by increased inventory costs, as the average cost of goods sold per unit for the third quarter of fiscal 2024 was 5.8% higher compared to the third quarter of fiscal 2023, primarily due to product and mix changes as well as increases in manufacturing costs attributable to a) increased raw materials costs resulting from ongoing inflationary pressures and b) ongoing supply chain disruptions that resulted in higher purchase costs for components. The increase also partially resulted from the 0.7% increase in units booked in the third quarter of fiscal 2024 compared to the same period in fiscal 2023.

The $0.1 million, or 0.8%, increase in parts segment cost of goods sold for the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023 was primarily due to increased purchased parts costs, driven by ongoing inflationary pressures and supply chain disruptions, as well as slight variations due to product and channel mix.

Operating profit. Operating profit was $39.7 million for the third quarter of fiscal 2024, an increase of $20.3 million, compared to operating profit of $19.4 million for the third quarter of fiscal 2023. Profitability was primarily impacted by an increase of $23.6 million in gross profit as outlined in the revenue and cost of goods sold discussions above. The increase in gross profit was partially offset by an increase of $3.3 million in selling, general and administrative expenses, primarily due to an increase in labor costs.

Interest expense. Interest expense was $2.1 million for the third quarter of fiscal 2024, a decrease of $2.4 million, or 53.3%, compared to $4.5 million for the third quarter of fiscal 2023. The decrease was primarily attributable to a decrease in the stated term loan interest rate from 11.1% at July 1, 2023 to 7.2% at June 29, 2024, as well as lower outstanding borrowings in the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023.

Other expense, net. Other expense, net was $2.7 million for the third quarter of fiscal 2024, a decrease of $3.7 million, or 57.5%, compared to $6.4 million of other expense, net for the same period in fiscal 2023.

On May 23, 2024, eligible members of the United Steelworkers Union (“USW”) voted to ratify a three-year collective bargaining agreement (“CBA”) with Blue Bird Body Company ("BBBC"), a wholly-owned subsidiary of Blue Bird Corporation.

Among other items, the CBA required the payment of a $750 signing bonus to the approximate 1,500 covered production workers in our Fort Valley and Perry, Georgia facilities as well as a lump-sum payment to certain employees who were not eligible for the approximate 12%, on average, year one wage increase because their current hourly wage rate exceeded the rate required by the terms of the CBA. During the third quarter of fiscal 2024, the Company paid the above amounts to those employees covered by the CBA as well as similar amounts to a small number of hourly employees not covered by the CBA so that their total compensation is competitive with that of unionized employees performing comparable job functions. These payments totaled $2.7 million for the three months ended June 29, 2024 and were recorded in other expense, net because such compensation is not reflective of wages paid for services provided by the direct and indirect employees who support our operating activities and is expensed within cost of goods sold. There was no similar expense recorded during the three months ended July 1, 2023.

Additionally, on June 7, 2023, the Company entered into an underwriting agreement with BofA Securities, Inc. and Barclays Capital Inc., as representatives of the several underwriters and American Securities LLC, Coliseum Capital Partners, L.P., and Blackwell Partners LLC – Series A ("2023 Selling Stockholders"), pursuant to which the 2023 Selling Stockholders agreed to sell 5,175,000 shares of common stock, including the sale of 675,000 shares pursuant to the underwriters’ exercise of their over-allotment option, at a purchase price of $20.00 per share (“2023 Offering”).

The 2023 Offering was conducted pursuant to a prospectus supplement, dated June 7, 2023, to the prospectus, dated December 22, 2021, included in the Company’s registration statement on Form S-3 (File No. 333-261858) that was initially filed with the SEC on December 23, 2021.

The 2023 Offering closed on June 12, 2023. Although the Company did not sell any shares or receive any proceeds from the 2023 Offering. it was required to pay certain expenses in connection with the 2023 Offering that totaled $6.3 million (approximately $0.7 million of which were expensed in the second quarter of fiscal 2023 within selling, general and administrative expenses and reclassified to other expense, net during the third quarter of fiscal 2023), with no similar expense recorded during the same period of fiscal 2024.

Income taxes. Income tax expense was $9.9 million for the third quarter of fiscal 2024 compared to $1.9 million for the same period in fiscal 2023.

The effective tax rate for the three months ended June 29, 2024 was 27.7% and differed from the statutory federal income tax rate of 21%. The increase was primarily due to the impacts from state taxes and certain permanent items on the federal rate, which were partially offset by the impacts from federal and state tax credits (net of valuation allowances) and discrete period items during the quarter.

The effective tax rate for the three months ended July 1, 2023 was 21.6%, which aligned with the statutory federal income tax rate of 21% and was comprised of normal tax rate items, including impacts from state taxes, federal and state tax credits (net of valuation allowances) and permanent differences, which were partially offset by the impact of discrete period items during the quarter.

Adjusted EBITDA. Adjusted EBITDA was $48.2 million, or 14.5% of net sales, for the third quarter of fiscal 2024, an increase of $18.6 million, or 62.6%, compared to $29.7 million, or 10.1% of net sales, for the third quarter of fiscal 2023. The increase is primarily the result of the $19.4 million increase in net income as a result of the factors discussed above.

The following table sets forth a reconciliation of net income to Adjusted EBITDA for the periods presented:

	Three Months Ended	
(in thousands of dollars)	**June 29, 2024**	**July 1, 2023**
Net income	$ 28,711	$ 9,358
Adjustments:		
Interest expense, net (1)	1,214	4,353
Income tax expense	9,938	1,884
Depreciation, amortization, and disposals (2)	4,055	5,481
Operational transformation initiatives	—	196
Share-based compensation expense	2,474	941
Stockholder transaction costs	—	5,509
Other	2	293
Subtotal (Adjusted EBITDA as previously presented)	$ 46,394	$ 28,015
Micro Bird Holdings, Inc. total interest expense, net; income tax expense or benefit; depreciation expense and amortization expense	1,852	1,650
Adjusted EBITDA	$ 48,246	$ 29,665
Adjusted EBITDA margin (percentage of net sales)	14.5 %	10.1 %

(1) Includes $0.1 million for both fiscal periods, representing interest expense on operating lease liabilities, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.
(2) Includes $0.3 million and $0.5 million for the three months ended June 29, 2024 and July 1, 2023, respectively, representing amortization charges on right-of-use lease assets, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.

Consolidated Results of Operations for the Nine Months Ended June 29, 2024 and July 1, 2023:

(in thousands of dollars)	Nine Months Ended June 29, 2024	Nine Months Ended July 1, 2023
Net sales	$ 996,942	$ 829,830
Cost of goods sold	800,392	740,974
Gross profit	$ 196,550	$ 88,856
Operating expenses		
Selling, general and administrative expenses	82,798	66,365
Operating profit	$ 113,752	$ 22,491
Interest expense	(8,550)	(13,895)
Interest income	3,132	258
Other expense, net	(5,918)	(6,999)
Loss on debt refinancing or modification	(1,558)	(537)
Income before income taxes	$ 100,858	$ 1,318
Income tax expense	(26,645)	(292)
Equity in net income of non-consolidated affiliate	6,671	4,168
Net income	$ 80,884	$ 5,194
Other financial data:		
Adjusted EBITDA	$ 141,601	$ 47,217
Adjusted EBITDA margin	14.2 %	5.7 %

The following provides the results of operations of Blue Bird's two reportable segments:

ı thousands of dollars)	Nine Months Ended June 29, 2024	Nine Months Ended July 1, 2023
et Sales by Segment		
Bus	$ 919,433	$ 757,003
Parts	77,509	72,827
Total	$ 996,942	$ 829,830
ross Profit by Segment		
Bus	$ 157,428	$ 53,544
Parts	39,122	35,312
Total	$ 196,550	$ 88,856

Net sales. Net sales were $996.9 million for the nine months ended June 29, 2024, an increase of $167.1 million, or 20.1%, compared to $829.8 million for the nine months ended July 1, 2023. The increase in net sales is primarily due to increased unit bookings, product and mix changes, as well as pricing actions taken by management in response to increased inventory purchase costs.

Bus sales increased $162.4 million, or 21.5%, reflecting a 2.1% increase in units booked and a 18.9% increase in average sales price per unit. 6,534 units booked in the nine months ended June 29, 2024 compared with 6,398 units booked during the same period in fiscal 2023. The increase in units sold was primarily due to slight improvements in supply chain constraints impacting the Company's ability to produce and deliver buses due to shortages of critical components during the first nine months of fiscal 2024 relative to the same period in fiscal 2023. The increase in unit price for the first nine months of fiscal 2024 compared to the same period in fiscal 2023 reflects pricing actions taken by management as well as product and customer mix changes.

Parts sales increased $4.7 million, or 6.4%, for the nine months ended June 29, 2024 compared to the nine months ended July 1, 2023. This increase is primarily attributed to price increases, driven by ongoing inflationary pressures, as well as higher fulfillment volumes and slight variations due to product and channel mix.

Cost of goods sold. Total cost of goods sold was $800.4 million for the nine months ended June 29, 2024, an increase of $59.4 million, or 8.0%, compared to $741.0 million for the nine months ended July 1, 2023. As a percentage of net sales, total cost of goods sold improved from 89.3% to 80.3%.

Bus segment cost of goods sold increased $58.5 million, or 8.3%, for the nine months ended June 29, 2024 compared to the nine months ended July 1, 2023. The increase was partially attributable to the 2.1% increase in units booked in the nine months ended June 29, 2024 compared to the same period in fiscal 2023. Also contributing was increased inventory costs, as the average cost of goods sold per unit for the nine months ended June 29, 2024 was 6.1% higher compared to the nine months ended July 1, 2023, primarily due to product and mix changes as well as increases in manufacturing costs attributable to a) increased raw materials costs resulting from ongoing inflationary pressures and b) ongoing supply chain disruptions that resulted in higher purchase costs for components.

The $0.9 million, or 2.3%, increase in parts segment cost of goods sold for the nine months ended June 29, 2024 compared to the nine months ended July 1, 2023 was primarily due to increased purchased parts costs, driven by ongoing inflationary pressures and supply chain disruptions, as well as slight variations due to product and channel mix.

Operating profit. Operating profit was $113.8 million for the nine months ended June 29, 2024, an increase of $91.3 million compared to operating profit of $22.5 million for the nine months ended July 1, 2023. Profitability was primarily impacted by an increase of $107.7 million in gross profit as outlined in the revenue and cost of goods sold discussions. The increase in gross profit was partially offset by an increase of $16.4 million in selling, general and administrative expenses, primarily due to an increase in labor costs. Additionally, selling, general and administrative expenses during the first quarter of fiscal 2023 benefited from actions taken by management to reduce labor costs and certain discretionary spending to mitigate the significant adverse impact of ongoing supply chain constraints on the Company's operations and results.

Interest expense. Interest expense was $8.6 million for the nine months ended June 29, 2024, a decrease of $5.3 million, or 38.5%, compared to $13.9 million for the nine months ended July 1, 2023. The decrease was primarily attributable to a decrease in the stated term loan interest rate from 11.1% at July 1, 2023 to 7.2% at June 29, 2024, as well as lower outstanding borrowings in the first nine months of fiscal 2024 compared to the first nine months of fiscal 2023.

Other expense, net. Other expense, net was $5.9 million for the nine months ended June 29, 2024, a decrease of $1.1 million, or 15.4%, compared to $7.0 million for the nine months ended July 1, 2023. We recorded $0.1 million of net periodic pension expense during the nine months ended June 29, 2024 when compared with $0.5 million recorded during the nine months ended July 1, 2023.

On May 23, 2024, eligible members of the USW voted to ratify a three-year CBA with BBBC. Among other items, the CBA required the payment of a $750 signing bonus to the approximate 1,500 covered production workers in our Fort Valley and Perry, Georgia facilities as well as a lump-sum payment to certain employees who were not eligible for the approximate 12%, on average, year one wage increase because their current hourly wage rate exceeded the rate required by the terms of the CBA. During the third quarter of fiscal 2024, the Company paid the above amounts to those employees covered by the CBA as well as similar amounts to a small number of hourly employees not covered by the CBA so that their total compensation is competitive with that of unionized employees performing comparable job functions. These payments totaled $2.7 million for the nine months ended June 29, 2024 and were recorded in other expense, net because such compensation is not reflective of wages paid for services provided by the direct and indirect employees who support our operating activities and is expensed within cost of goods sold. There was no similar expense recorded during the nine months ended July 1, 2023.

Additionally, on December 14, 2023, the Company entered into an underwriting agreement with BofA Securities, Inc. and Barclays Capital Inc., as representatives of the several underwriters and American Securities LLC ("Selling Stockholder"), pursuant to which the Selling Stockholder agreed to sell 2,500,000 shares of common stock at a purchase price of $25.10 per share ("December Offering").

On February 15, 2024, the Company entered into an underwriting agreement with Barclays Capital Inc., as representative of the several underwriters and the Selling Stockholder, pursuant to which the Selling Shareholder agreed to sell 4,042,650 shares of common stock at a purchase price of $32.90 per share ("February Offering," and collectively with the December Offering, "Offerings").

The December Offering was conducted pursuant to a prospectus supplement, dated December 14, 2023, and the February Offering was conducted pursuant to a prospectus supplement, dated February 15, 2024, both to the prospectus dated December 22, 2021 included in the Company’s registration statement on Form S-3 (File No. 333-261858) that was initially filed with the SEC on December 23, 2021.

The December Offering closed on December 19, 2023 and the February Offering closed on February 21, 2024. Although the Company did not sell any shares or receive any proceeds from the Offerings, it was required to pay certain expenses in connection with the Offerings that totaled approximately $3.2 million for the nine months ended June 29, 2024, with $6.3 million of similar expense recorded for the nine months ended July 1, 2023. However, approximately $0.7 million of the $6.3 million of expense recorded for the nine months ended July 1, 2023 was initially recorded within selling, general and administrative expenses during the second quarter of fiscal 2023 and reclassified to other expense, net during the third quarter of fiscal 2023.

Income taxes. Income tax expense was $26.6 million for the nine months ended June 29, 2024 compared to $0.3 million for the nine months ended July 1, 2023.

The effective tax rate for the nine months ended June 29, 2024 was 26.4% and differed from the statutory federal income tax rate of 21%. The increase was primarily due to the impacts from state taxes and certain permanent items on the federal rate, which were partially offset by the impacts from federal and state tax credits (net of valuation allowances) and discrete period items during the period.

The effective tax rate for the nine months ended July 1, 2023 was 22.2%, which aligned with the statutory federal income tax rate of 21% and is comprised of normal tax rate items, including impacts from state taxes, federal and state tax credits (net of valuation allowances) and permanent differences, which were partially offset by the impact of discrete period items during the period.

Adjusted EBITDA. Adjusted EBITDA was $141.6 million, or 14.2% of net sales, for the nine months ended June 29, 2024, an increase of $94.4 million, or 199.9%, compared to $47.2 million, or 5.7% of net sales, for the nine months ended July 1, 2023. The increase in Adjusted EBITDA is primarily the result of the $75.7 million increase in net income as a result of the factors discussed above as well as the $26.4 million corresponding increase in income tax expense.

The following table sets forth a reconciliation of net income to Adjusted EBITDA for the periods presented:

	Nine Months Ended	
(in thousands of dollars)	**June 29, 2024**	**July 1, 2023**
Net income	$ 80,884	$ 5,194
Adjustments:		
Interest expense, net (1)	5,729	13,923
Income tax expense	26,645	292
Depreciation, amortization, and disposals (2)	12,253	13,477
Operational transformation initiatives	—	1,133
Loss on debt refinancing or modification	1,558	537
Share-based compensation expense	7,017	2,229
Stockholder transaction costs	3,154	6,252
Other	(81)	574
Subtotal (Adjusted EBITDA as previously presented)	$ 137,159	$ 43,611
Micro Bird Holdings, Inc. total interest expense, net; income tax expense or benefit; depreciation expense and amortization expense	4,442	3,606
Adjusted EBITDA	$ 141,601	$ 47,217
Adjusted EBITDA margin (percentage of net sales)	14.2 %	5.7 %

(1) Includes $0.3 million for both nine month periods, representing interest expense on operating lease liabilities, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.
(2) Includes $1.3 million for both nine month periods, representing amortization charges on right-of-use lease assets, which are a component of lease expense and presented as a single operating expense in selling, general and administrative expenses on our Condensed Consolidated Statements of Operations.

Liquidity and Capital Resources

The Company's primary sources of liquidity are cash generated from its operations, available cash and cash equivalents and borrowings under its revolving credit facility. At June 29, 2024, the Company had $88.4 million of available cash (net of outstanding checks) and $143.3 million of additional borrowings available under the revolving line of credit portion of its credit facility. The

Company’s revolving line of credit is available for working capital requirements, capital expenditures and other general corporate purposes.

Credit Agreement

On November 17, 2023 (the “Closing Date”), BBBC ("Borrower") executed a $250.0 million five-year credit agreement with Bank of Montreal, acting as administrative agent and an issuing bank; several joint lead arranger partners and issuing banks, including Bank of America; and a syndicate of other lenders (the "Credit Agreement").

The credit facilities provided for under the Credit Agreement consist of a term loan facility in an aggregate initial principal amount of $100.0 million (the “Term Loan Facility”) and a revolving credit facility with aggregate commitments of $150.0 million. The revolving credit facility includes a $25.0 million letter of credit sub-facility and $5.0 million swingline sub-facility (the “Revolving Credit Facility,” and together with the Term Loan Facility, each a “Credit Facility” and collectively, the “Credit Facilities”).

A minimum of $100.0 million of additional term loans and/or revolving credit commitments may be incurred under the Credit Agreement, subject to certain limitations as set forth in the Credit Agreement, and which additional loans and/or commitments would require further commitments from existing lenders or from new lenders.

Borrower has the right to prepay the loans outstanding under the Credit Facilities without premium or penalty (subject to customary breakage costs, if applicable). Additionally, proceeds from asset sales, condemnation, casualty insurance and/or debt issuances (in certain circumstances) are required to be used to prepay borrowings outstanding under the Credit Facilities. Borrowings under the Term Loan Facility, which were made at the Closing Date, may not be reborrowed once they are repaid while borrowings under the Revolving Credit Facility may be repaid and reborrowed from time to time at our election.

The Term Loan Facility is subject to amortization of principal, payable in equal quarterly installments on the last day of each fiscal quarter, which commenced on March 30, 2024, with 5.0% of the $100.0 million aggregate principal amount of all initial term loans outstanding at the Closing Date payable each year prior to the maturity date of the Term Loan Facility. The remaining initial aggregate principal amount outstanding under the Term Loan Facility, as well as any outstanding borrowings under the Revolving Credit Facility, will be payable on the November 17, 2028 maturity date of the Credit Agreement.

The Credit Facilities are guaranteed by all of the Company’s wholly-owned domestic restricted subsidiaries (subject to customary exceptions) and are secured by a security agreement which pledges a lien on virtually all of the assets of Borrower, the Company and the Company’s other wholly-owned domestic restricted subsidiaries, other than any owned or leased real property and subject to customary exceptions.

The $100.0 million of Term Loan Facility proceeds and $36.2 million of Revolving Credit Facility proceeds that were borrowed on the Closing Date were used to pay (i) the $131.8 million of term loan indebtedness outstanding under the previous credit agreement ("Amended Credit Agreement"), (ii) interest and commitment fees accrued under the Amended Credit Agreement through the Closing Date and (iii) transaction costs associated with the consummation of the Credit Agreement.

Under the terms of the Credit Agreement, Borrower, the Company and the Company’s other wholly-owned domestic restricted subsidiaries are subject to customary affirmative and negative covenants and events of default for facilities of this type (with customary grace periods, as applicable, and lender remedies).

Borrowings under the Credit Facilities bear interest, at our option, at (i) base rate ("ABR") or (ii) the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York ("SOFR") plus 0.10%, plus an applicable margin depending on the TNLR (which is defined in the Credit Agreement as the ratio of consolidated net debt to consolidated EBITDA on a trailing four quarter basis) of the Company as follows:

Level	TNLR	ABR Loans	SOFR Loans
I	Less than 1.00x	0.75%	1.75%
II	Greater than or equal to 1.00x and less than 1.50x	1.50%	2.50%
III	Greater than or equal to 1.50x and less than 2.25x	2.00%	3.00%
IV	Greater than or equal to 2.25x	2.25%	3.25%

Pricing on the Closing Date was set at Level III until receipt of the financial information and related compliance certificate for the first fiscal quarter ending after the Closing Date, with pricing as of June 29, 2024 set at Level I.

Borrower is also required to pay lenders an unused commitment fee of between 0.25% and 0.45% per annum on the undrawn commitments under the Revolving Credit Facility, depending on the TNLR, quarterly in arrears.

The Credit Agreement also includes a requirement that the Company comply with the following financial covenants on the last day of each fiscal quarter through maturity: (i) a pro forma TNLR of not greater than 3.00:1.00 and (ii) a pro forma fixed charge coverage ratio (as defined in the Credit Agreement) of not less than 1.20:1.00.

Detailed descriptions of the Amended Credit Agreement are set forth under “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” contained in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the SEC on December 11, 2023.

At June 29, 2024, Borrower and the guarantors under the Credit Agreement were in compliance with all covenants.

Short-Term and Long-Term Liquidity Requirements

Our ability to make principal and interest payments on borrowings under our Credit Facilities, as applicable, and our ability to fund planned capital expenditures will depend on our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, regulatory and other conditions. The adverse impacts from ongoing supply chain disruptions materially impacted our operations and results during the second half of fiscal 2021 and all of fiscal 2022 due to higher purchasing costs, including freight costs incurred to expedite receipt of critical components, increased manufacturing inefficiencies and our inability to complete the production of buses to fulfill sales orders.

Towards the end of fiscal 2022 and continuing into fiscal 2023, there were slight improvements in the supply chain's ability to deliver the parts and components necessary to support our production operations, resulting in increased (i) manufacturing efficiencies and (ii) production of buses to fulfill sales orders during fiscal 2023. However, the higher costs charged by suppliers to procure inventory that continued into fiscal 2023 had a significant adverse impact on our operations and results. Specifically, such cost increases outpaced the increases in sales prices that we charged for the buses that were sold during the first quarter of fiscal 2023, many of which were included in the backlog of fixed price sales orders originating in fiscal 2021 and the early months of fiscal 2022 that carried forward into fiscal 2023. During the remainder of fiscal 2023, the buses that were sold were generally included in the backlog of fixed price sales orders originating more recently (i.e., the latter months of fiscal 2022 and in fiscal 2023), with the cumulative increases in sales prices we charged for those buses generally outpacing the higher costs we paid to procure inventory, resulting in gross profit during the quarters. While the gross margin on bus sales during the second quarter of fiscal 2023 lagged the historical gross margin reported prior to the COVID-19 pandemic, it returned to more normal historical levels during the latter half of fiscal 2023.

Supply chain disruptions continued into the first nine months of fiscal 2024 as there were still occasional shortages of certain critical components as well as ongoing increases in raw materials costs, both of which impacted our business and operations by limiting the number of school buses that we could produce and sell as well as increasing the costs to manufacture buses. Nonetheless, ongoing improvements in manufacturing operations, when coupled with periodic pricing actions taken by the Company to ensure that the increased sales prices charged for buses kept pace with increased costs to procure inventory to produce the buses, allowed the Company to report gross profit and gross margin during the first nine months of fiscal 2024 that were consistent with, or better than, historic levels experienced prior to the COVID-19 pandemic.

The development and fluidity of ongoing or future supply chain constraints preclude any prediction as to the ultimate severity of the adverse impacts on our business, financial condition, results of operations, and liquidity. See PART I, Item 1.A. "Risk Factors," of our fiscal 2023 Form 10-K, filed with the SEC on December 11, 2023, for a discussion of the material risks we believe we face particularly related to health epidemics and supply chain constraints.

Future health epidemics and/or continuing supply chain constraints could cause a contraction in our profits and/or liquidity, which could lead to issues complying with our Credit Agreement covenants. If we are not able to comply with covenants, we may need to seek amendment for covenant relief or even refinance the debt to a "covenant lite" or "no covenant" structure. We can offer no assurance that we would be successful in amending or refinancing the existing debt. An amendment or refinancing of our existing debt could lead to higher interest rates and possible up-front expenses not included in our historical financial statements.

To increase our liquidity in future periods, we could pursue raising additional capital via an equity or debt offering utilizing a currently effective "shelf" registration statement. However, we can offer no assurance that we would be successful in raising this additional capital, which could also lead to increased expense and larger up-front fees when compared with our historical financial statements.

Seasonality

Historically, our business has been highly seasonal with school districts buying their new school buses so that they will be available for use on the first day of the school year, typically in mid-August to early September. This has, in fiscal years prior to the COVID-19 pandemic, resulted in our third and fourth fiscal quarters representing our two busiest quarters from a sales and production perspective, the latter ending on the Saturday closest to September 30. Our quarterly results of operations, cash flows, and liquidity have historically been, and are likely to be in future periods, impacted by seasonal patterns. Working capital has historically been a significant use of cash during the first fiscal quarter due to planned shutdowns and a significant source of cash generation in the fourth fiscal quarter. With the COVID-19 pandemic and subsequent supply chain constraints, seasonality and working capital trends have become unpredictable. Seasonality and variations from historical seasonality have impacted the comparison of working capital and liquidity results between fiscal periods.

Cash Flows

The following table sets forth general information derived from our Condensed Consolidated Statements of Cash Flows:

	Nine Months Ended	
(in thousands of dollars)	June 29, 2024	July 1, 2023
Cash, cash equivalents and restricted cash at beginning of period	$ 78,988	$ 10,479
Total cash provided by operating activities	55,760	84,131
Total cash used in investing activities	(10,137)	(6,390)
Total cash used in financing activities	(36,195)	(37,485)
Change in cash, cash equivalents and restricted cash	$ 9,428	$ 40,256
Cash, cash equivalents and restricted cash at end of period	$ 88,416	$ 50,735

Total cash provided by operating activities

Cash flows provided by operating activities totaled $55.8 million for the nine months ended June 29, 2024, a decrease of $28.4 million from the $84.1 million of cash flows provided by operating activities during the nine months ended July 1, 2023.

The net decrease primarily resulted from the effect of net changes in operating assets and liabilities that negatively impacted operating cash flows by $111.7 million during the nine months ended June 29, 2024 when compared with the nine months ended July 1, 2023. The primary drivers in this category were unfavorable changes in accounts receivable; inventory; accounts payable and accrued expenses, pension and other liabilities of $22.5 million, $23.1 million, $37.9 million and $29.1 million, respectively, as follows:

- A shift in our customer mix resulted in increases in the accounts receivable and inventory balances (a net use of cash) at the end of the third quarter of fiscal 2024 when compared with the corresponding period in fiscal 2023. Specifically, we had a significant increase in fleet orders during fiscal 2024 when compared with fiscal 2023, with the delivery of many of the buses scheduled to occur in the months leading up to the beginning of the school year. We built many of these units during the third quarter of fiscal 2024, a portion of which were booked in the latter part of the quarter that resulted in an increase in accounts receivable, with the remainder to be booked in the early part of the fourth quarter that resulted in an increase in finished goods inventory, at the end of the third quarter of fiscal 2024 when compared with the corresponding period in fiscal 2023. In comparison, we became more efficient at managing supply chain disruptions, and thus building and selling buses, during the first nine months of fiscal 2023 when compared with the corresponding period in fiscal 2022. These efficiencies resulted in us consuming more inventory in production, which resulted in a significant decrease in the inventory balance at the end of the third quarter of fiscal 2023 (a net source of cash).

- At the end of fiscal 2022 and during the first nine months of fiscal 2023, inflationary pressures and supply chain disruptions significantly increased our purchase costs for components and freight, which, when coupled with increased production and sales volumes during the first nine months of fiscal 2023, resulted in a significant increase in the accounts payable balance (a net source of cash). Although inflationary pressures continued during the first nine months of fiscal 2024, they were smaller when compared with the corresponding period of fiscal 2023. This factor, when coupled with our production and sales volumes largely stabilizing during the first nine months of fiscal 2024, resulted in a decrease in the accounts payable balance during the first nine months of fiscal 2024 (a net use of cash).

- Our profitability increased significantly during the first nine months of fiscal 2024 when compared with the corresponding period in fiscal 2023. Because we were able to utilize net operating loss carryforwards generated in fiscal 2021 and fiscal 2022 to offset federal and state income tax obligations relating to the income we generated in the first nine months of fiscal 2023, we made no estimated tax payments during this period. Because of our significant profitability and due to the fact that we primarily utilized available net operating loss carryforwards during fiscal 2023, we made $18.9 million of estimated federal and state income tax payments during the first nine months of fiscal 2024, resulting in a significant use of cash impacting other current liabilities (which is included within accrued expenses, pension and other liabilities) during this period.

  Additionally, as of the end of the third quarter of fiscal 2023, we had received approximately $13.2 million of advanced funds awarded by the U.S. Environmental Protection Agency in administering the U.S. Infrastructure Investment and Jobs Act

("IIJA") that were recorded as unearned revenue within other current liabilities (which is included within accrued expenses, pension and other liabilities). As we built and sold the underlying buses in subsequent quarters, we recognized this amount in revenue and had no corresponding balance as of the end of the third quarter of fiscal 2024, representing a net use of cash when comparing the two periods.

The above decreases were partially offset by a $75.7 million increase in net income and a $3.0 million increase in the dividend received from our unconsolidated Canadian joint venture during the first nine months of fiscal 2024 when compared with the corresponding period in fiscal 2023.

Total cash used in investing activities

Cash flows used in investing activities totaled $10.1 million for the nine months ended June 29, 2024 as compared to $6.4 million for the nine months ended July 1, 2023. The $3.7 million increase was primarily due to an increase in spending on fixed assets, as increased profitability in the first nine months of fiscal 2024 when compared with the same period in fiscal 2023 allowed for more capital spending. During the first half of fiscal 2023, capital spending was reduced to lower than normal amounts in an effort to mitigate the impact of supply chain constraints on our operations, financial results and cash flows.

Total cash used in financing activities

Cash flows used in financing activities totaled $36.2 million for the nine months ended June 29, 2024 as compared to $37.5 million for the nine months ended July 1, 2023. The $1.3 million decrease between fiscal periods was primarily attributable to $100.0 million of proceeds received from term loan borrowings under the Credit Agreement, a $20.0 million net increase in revolving line of credit borrowings and a $0.9 million increase in cash received from stock option exercises, which were partially offset by a $119.5 million increase in term loan principal repayments.

Free cash flow

Management believes the non-GAAP measurement of Free Cash Flow, defined as net cash provided by operating activities less cash paid for fixed assets and acquired intangible assets, fairly represents the Company’s ability to generate surplus cash that could fund activities not in the ordinary course of business. See “Key Non-GAAP Financial Measures We Use to Evaluate Our Performance” for further discussion. The following table sets forth the calculation of Free Cash Flow for the periods presented:

	Nine Months Ended	
(in thousands of dollars)	**June 29, 2024**	**July 1, 2023**
Net cash provided by operating activities	$ 55,760	$ 84,131
Cash paid for fixed assets	(10,137)	(6,390)
Free Cash Flow	$ 45,623	$ 77,741

Free Cash Flow for the nine months ended June 29, 2024 was $32.1 million lower than for the nine months ended July 1, 2023 due to a $28.4 million decrease in net cash provided by operating activities and a $3.7 million increase in cash paid for fixed assets, both as discussed above.

Off-Balance Sheet Arrangements

We had outstanding letters of credit totaling $6.7 million at June 29, 2024, the majority of which secure our self-insured workers compensation program, the collateral for which is regulated by the State of Georgia.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have not been any material changes to our interest rate, commodity or currency risks previously disclosed in Part II, Item 7A of the Company’s fiscal 2023 Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including, as appropriate, the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Based on their evaluations, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 29, 2024.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 29, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Items required under Part II not specifically shown below are not applicable.

Item 1. Legal Proceedings.

Blue Bird is engaged in legal proceedings in the ordinary course of its business. Although no assurances can be given about the final outcome of pending legal proceedings, at the present time management does not believe that the resolution or outcome of any of Blue Bird's pending legal proceedings will have a material adverse effect on its financial condition, liquidity or results of operations.

Item 1A. Risk Factors.

In addition to the other information set forth in this Report, you should carefully consider the risk factors discussed in Part I, Item 1A of the Company's fiscal 2023 Form 10-K. Such risk factors are expressly incorporated herein by reference, and could materially adversely affect our business, financial condition, cash flows or operating results. The risks described in the fiscal 2023 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, cash flows and/or operating results.

Item 5. Other Information.

(c) During the third quarter of fiscal 2024, none of the Company's directors or officers adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

The following Exhibits are filed with this Report:

Exhibit No.	Description
3.1	The registrant's Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K, filed by the registrant with the SEC on February 26, 2015).
3.2	Bylaws of Blue Bird Corporation, as amended, effective February 2, 2023 (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K, filed by the registrant with the SEC on February 3, 2023).
31.1*	Chief Executive Officer's Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2*	Chief Financial Officer's Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1*	Chief Executive Officer and Chief Financial Officer Joint Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*^	XBRL Instance Document
101.SCH*^	XBRL Taxonomy Extension Schema Document
101.CAL*^	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*^	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*^	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*^	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* Filed herewith.

^ In accordance with Regulation S-T, XBRL (Extensible Business Reporting Language) related information in Exhibit No. 101 to this Quarterly Report on Form 10-Q shall be deemed "furnished" and not "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Blue Bird Corporation

Dated:	August 7, 2024	*/s/ Philip Horlock*
		Philip Horlock
		Chief Executive Officer
Dated:	August 7, 2024	*/s/ Razvan Radulescu*
		Razvan Radulescu
		Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Philip Horlock, the Chief Executive Officer of Blue Bird Corporation (the "*registrant*"), certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Blue Bird Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 7, 2024 *[/s/ Philip Horlock]*

Philip Horlock
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Razvan Radulescu, the Chief Financial Officer of Blue Bird Corporation (the "*registrant*"), certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Blue Bird Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 7, 2024

/s/ Razvan Radulescu

Razvan Radulescu
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Blue Bird Corporation (the " ***Company***") on Form 10-Q for the quarterly period ended June 29, 2024, as filed with the United States Securities and Exchange Commission on the date hereof (the "***Report***"), the undersigned, Philip Horlock, Chief Executive Officer of the Company, and Razvan Radulescu, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	August 7, 2024	*/s/ Philip Horlock*
		Philip Horlock
		Chief Executive Officer

Dated:	August 7, 2024	*/s/ Razvan Radulescu*
		Razvan Radulescu
		Chief Financial Officer