NFI Group Announces Fourth Quarter and Full Year 2019 Results with Record Deliveries and Revenue

March 12, 2020

All figures quoted in US dollars unless otherwise noted:

- **NFI delivered a record 1,845 EUs in the quarter, resulting in record fourth quarter revenue of $918 million; full year deliveries of 5,315 EUs and revenue of $2.9 billion.**
- **Adjusted EBITDA of $103.9 million in 2019 Q4; full year Adjusted EBITDA of $322.2 million.**
- **Fourth quarter 2019 Free Cash Flow of $49.0 million and C$1.03 per Share. Full year Free Cash Flow of $160.4 million and C$3.42 per share. Total Leverage ratio of 3.24x, down from 3.75x at the end of the previous quarter.**
- **Declared dividends of C$26.6 million in the quarter; full year declared dividends of C$105.5 million, representing payout ratios of 41% and 50%, respectively.**
- **Net earnings of $34.1 million, or $0.55 per Share, in 2019 Q4; full year net earnings of $57.7 million, or $0.93 per Share.**
- **2019 Q4 Adjusted Net Earnings of $30.9 million, or $0.49 per Share, which is normalized for $3.2 million of non-cash adjustments impacting net earnings; full year 2019 Adjusted Net Earnings of $101.7 million, or $1.65 per Share.**
- **2019 year ending Backlog, consisting of firm and option orders, was 10,742 EUs (valued at $5.2 billion).**
- **2020 full year Adjusted EBITDA guidance of $320 million to $350 million. This guidance does not include any potential impact from COVID-19 (which has not materially impacted NFI's operations to date).**

WINNIPEG, March 12, 2020 - (TSX:NFI) NFI Group Inc., ("NFI" or the "Company"), one of the world's leading independent bus manufacturers, today announced its financial results for 2019 Q4(1) and Fiscal 2019.

Fourth quarter Adjusted EBITDA increased to $103.9 million, an improvement of 30% from the same period in 2018. Other key financial highlights for the quarter and year:

(in millions except EPS)	**2019 Q4**	**Change 2018**	**FY 2019**	**Change 2018**
Deliveries (EUs)	1,845	*719*	5,315	*1,002*
IFRS Measures				
Revenue	$917.7	*$255.7*	$2,893.4	*$374.4*
Net earnings	$34.1	*($8.7)*	$57.7	*($102.2)*
Net earnings per Share	$0.55	*($0.14)*	$0.93	*($1.63)*
Non-IFRS Measures(2)				
Adjusted EBITDA	$103.9	*$24.0*	$322.2	*$6.8*
Adjusted Net Earnings	$30.9	*($14.0)*	$101.7	*($65.9)*
Adjusted Net earnings per Share	$0.49	*($0.23)*	$1.65	*($1.04)*
Free Cash Flow	$49.0	*$6.6*	$160.4	*$0.74*
Leverage	3.24x	*(1.15x)*	3.24x	*(1.15x)*

(1) Results noted herein are for the 13-week period ("2019 Q4") and the 52-week period ("Fiscal 2019") ended December 29, 2019. The comparisons reported in this press release compare 2019 Q4 to the 13-week period ("2018 Q4") and Fiscal 2019 to the 52-week period ended December 30, 2018 ("Fiscal 2018"). Comparisons and comments are also made to the 13-week period ("2019 Q3") ended September 29, 2019. Readers are advised to view the audited condensed consolidated financial statements (the "Financial Statements") and the related Management's Discussion and Analysis (the "MD&A") that are available at the Company's website at: https://www.nfigroup.com/investor-relations/performance-reports/ and under the Company's profile on www.sedar.com

(2) Adjusted EBITDA, Adjusted Net Earnings, Adjusted Net Earnings per Share and Free Cash Flow are not recognized earnings measures and do not have standardized meanings prescribed by IFRS. Therefore, they may not be comparable to similar measures presented by other issuers. See "Non-IFRS Measures" and detailed reconciliations of IFRS Measures to Non-IFRS Measures in the Appendix of this press release.

Fourth quarter Adjusted Net Earnings is adjusted for $4.0 million of fair value adjustments on mark-to-market losses on interest rate swap and foreign exchange of intangible asset amortization plus $0.5 million related to the unwinding of fair value adjustments relating to the valuation of Alexander Dennis Limited (ADL) assets. Full year Adjusted Net Earnings is adjusted for $13.0 million in costs associated with assessing strategic and corporate initiatives (primarily the acquisition of ADL) plus $16.7 million related to the unwinding of fair value adjustments related to the valuation of ADL assets, and $11.9 million for mark-to-market losses on interest rate swap and foreign exchange. Full reconciliation of net earnings to Adjusted Net Earnings is available in the accompanying tables of this press release.

"Fiscal 2019 was a period of significant milestones for NFI as we completed the transformative acquisition of ADL and continued to secure our position as a market leader in zero emission buses," said Paul Soubry, President and Chief Executive Officer of NFI. "We were pleased with our performance in the fourth quarter as we recovered from a challenging year with record quarterly vehicle deliveries, revenue and Adjusted EBITDA. The execution of our plan to reduce work-in-progress inventory build-up significantly contributed to lowering our total debt and leverage ratio by year end. These positives were somewhat offset by challenges with the ramp-up of our new parts fabrication facility and learning curve associated with the launch of several new bus and coach models, but we are now largely past those issues and focused on delivering results in 2020, where we expect to see revenue, Adjusted EBITDA, Free Cash Flow and EPS growth while we maintain leadership positions in all of our core markets and deliver an increasingly broad portfolio of mobility solutions."

2019 Q4 and Fiscal 2019 Impact of the Transition to IFRS 16

Effective December 31, 2018, the Company adopted IFRS 16, the accounting standard which specifies how to recognize, present and disclose leases. This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. On transition, the Company has elected to use the following practical expedients and policies:

- To utilize the modified retrospective approach to adopting the standard, accordingly comparative information for 2018 has not been restated
- To utilize the definition of a lease under International Accounting Standard 17 to identify contracts that are, or contain, leases
- To exclude the recognition of the right-of-use asset and lease liability for leases with a term of twelve months or less
- To exclude the recognition of the right-of-use asset and lease liability for leases and of low-value assets
- To value the right-of-use asset as equal to the lease liability, adjusting for related amounts prepaid or accrued

The impact of the adoption of IFRS 16 primarily impacts NFI's Gross Margin, Adjusted EBITDA, net earnings and Adjusted Net Earnings, and the associated per common share ("Share") amounts, and several balance sheet accounts as reported in the Financial Statements and MD&A. Outside of the table below all Q4 2019 numbers referenced in this press release reflect the adoption of IFRS 16 while the comparative numbers do not.

Impact of IFRS 16 Transition (in millions except EPS)	**2019 Q4**	**2019 Q4 (excluding IFRS 16)**	**2018 Q4**	**FY 2019**	**FY 2019 (excluding IFRS 16)**	**FY 2018**
IFRS Measures						
Gross Margin	$138.0	$139.0	$118.3	$413.5	$415.5	$454.2
Net earnings	$34.1	$35.8	$42.8	$57.7	$62.0	$160.0
Net earnings per Share	$0.55	$0.57	$0.69	$0.93	$1.00	$2.56
Non-IFRS Measures						
Adjusted EBITDA	$103.9	$100.0	$79.9	$322.2	$308.0	$315.4
Adjusted Net Earnings	$30.9	$32.5	$44.8	$101.7	$106.0	$167.6
Adjusted Net earnings per Share	$0.49	$0.52	$0.72	$1.65	$1.71	$2.69

2019 Q4 and Fiscal 2019 Segment Highlights

Manufacturing

- Manufacturing Revenue for 2019 Q4 increased by $224.1 million, or 39%, compared to 2018 Q4 primarily driven by the acquisition of ADL, higher motor coach, transit and medium-duty and low-floor cutaway vehicle deliveries. Fiscal 2019 Manufacturing Revenue increased by $334.2 million, or 16%, compared to Fiscal 2018 primarily driven by the acquisition of ADL.
- The company had significant deliveries during 2019 Q4 catching-up on vehicles impacted by the previously reported production and delivery challenges related to new product launches at New Flyer and MCI, the extended start-up of KMG, the Company's new parts fabrication facility, external supply issues and lost production days due to inclement weather.
- Manufacturing gross margins for 2019 Q4 increased by $9.3 million, or 10%, compared to 2018 Q4, with a margin percentage of 12.8%. The increase was driven by the acquisition of ADL and overall higher delivery volumes somewhat offset by costs associated with production inefficiencies and work-in-progress ("WIP") reduction efforts within both the heavy-duty transit and coach businesses. Fiscal 2019 Manufacturing gross margins decreased by $55.8 million, or 16%, compared to Fiscal 2018 with higher revenue and deliveries offset by temporary production inefficiencies within both the motor coach and transit bus businesses. These inefficiencies were a result of learning curves related to the production of new products, startup costs at the KMG parts fabrication facility and higher remediation costs.
- Included in manufacturing gross margin is a charge of $2.2 million for 2019 Q4 and $31.0 million for Fiscal 2019 related to the unwind of fair value adjustments related to the valuation of ADL acquired assets. Also contributing to the decrease in

gross margin is amortization of intangible assets of $5.3 million for 2019 Q4 and $14.4 million for Fiscal 2019 related to the acquisition of ADL. This decreased gross margin as a percentage of revenue by 0.9% for 2019 Q4 and 1.8% for Fiscal 2019.

- 2019 Q4 Manufacturing Adjusted EBITDA increased by $12.9 million, or 18%, compared to 2018 Q4 due to the addition of ADL and overall higher vehicle deliveries, somewhat offset by the items that impacted gross margins and higher selling and general and administrative costs ("SG&A") from the addition of ADL. Fiscal 2019 Manufacturing Adjusted EBITDA decreased by $19.9 million, or 7%, when compared to Fiscal 2018, as the addition of ADL and overall higher heavy-duty transit vehicle deliveries were offset by the impact of KMG, learning curve on new model launches, product mix, margin pressure within the coach business and lower cutaway and medium-duty deliveries.

Aftermarket

- Aftermarket revenue in 2019 Q4 increased by $31.7 million, or 37%, compared to 2018 Q4 with the acquisition of ADL being the primary driver along with higher volumes in NFI's traditional private and public North American markets. Fiscal 2019 Aftermarket revenue increased by $40.3 million, or 11%, compared to Fiscal 2018 with the acquisition of ADL being partially offset by lower sales volumes in the legacy aftermarket business due to competitive pressures in the private motor coach market. Revenue was also impacted by Daimler's 2018 cancellation of MCI's Distribution Rights Agreement ("DRA") relating to the distribution of Daimler's Setra motor coaches and parts. The cancellation of the DRA resulted in a $4.0 million decrease in the aftermarket parts revenue in Fiscal 2019 compared to Fiscal 2018.
- Aftermarket gross margins increased by $10.4 million, or 42%, compared to 2018 Q4, with a gross margin percentage of 30.4%, primarily due to the addition of ADL and sales mix within NFI's traditional parts business. Fiscal 2019 Aftermarket gross margins increased by $15.0 million, or 14%, compared to Fiscal 2018, primarily due to the acquisition of ADL plus favourable sales mix, offset by cancellation of the DRA.
- 2019 Q4 Aftermarket Adjusted EBITDA increased by $1.1 million, or 6%, compared to 2018 Q4 with higher volumes and gross margins from the addition of ADL and sales mix in the traditional aftermarket business being offset by higher SG&A costs from the addition of ADL. Fiscal 2019 Aftermarket Adjusted EBITDA increased by $0.9 million, or 1%, with volume increases from ADL offset by increased SG&A costs from the addition of ADL and decreased contribution due to cancellation of the DRA.

Liquidity

NFI's liquidity position as at December 29, 2019 was $209.3 million an increase from the position of $86.6 million at September 29, 2019. The increase in liquidity primarily relates to changes in non-cash working capital from decreased WIP offset by the amount of capital returned to shareholders through dividends. Management believes these funds, together with share and debt issuances, other borrowings capacity and the cash generated from NFI's operating activities, will provide the Company with sufficient liquidity and capital resources to meet its current financial obligations as they come due, as well as provide funds for its financing requirements, capital expenditures, dividend payments and other operational needs for the foreseeable future.

Outlook

Management remains optimistic about the Company's overall end markets. Public transit remains a primary method of transportation for millions of users, the age of the population is increasing, and numerous jurisdictions are implementing strategies to improve accessibility through advanced mobility solutions while improving air quality through the migration to zero-emission propulsion technology for buses and coaches.   While the Company's overall outlook is positive, management does expect increased competition, softness in some segments and geographic regions and timing of the zero-emission buses ("ZEB") transition to impact project awards, deliveries and margins during Fiscal 2020.

As the Company's product offering and geographic diversity is now broader, for the first-time management is introducing annual Adjusted EBITDA guidance for Fiscal 2020 with a range of $320 million to $350 million, which could represent Adjusted EBITDA growth of up to 9% on a year-over-year basis. Management continues to expect its transformative acquisition of ADL to be a platform for international growth as ADL is the largest bus and coach provider in the UK and the global market leader in double deck vehicles, with an established presence in numerous geographic jurisdictions. Details of Management's 2020 guidance are as follows:

Financial Guidance Full Year 2020	
Adjusted EBITDA	$320 million - $350 million
Cash Capital Expenditures	$45 million - $55 million
Effective Tax Rate ("ETR")	31% - 33%
Free Cash Flow ("FCF") Conversion (as a % of Adjusted EBITDA)	45% - 50%
Seasonality	Q1 slightly down, growth in Q2, Q3 and Q4

The above table outlines guidance ranges for selected Fiscal 2020 consolidated financial metrics. These ranges take into consideration our current outlook and our Fiscal 2019 results and are based on the assumptions below. The purpose of the financial guidance is to assist investors, shareholders and others in understanding certain financial metrics relating to expected Fiscal 2020 financial results for evaluating the performance of our business. The information may not be appropriate for other purposes. Information about our guidance, including the various assumptions underlying it, is forward looking and should be read in conjunction with the "Forward-looking Statements" of this press release and the related disclosure and information about various economic competitive and regulatory assumptions, factors and risks that may cause actual future financial and operating results to differ from management's current expectations. Note that potential impact of COVID-19 (also known as Coronavirus) is not *included in guidance ranges provided above. COVID-19 has not had a material impact on NFI's operations as of March 12, 2020.*

The guidance ranges provided above are driven by numerous assumptions including, but not limited to, the following:

- Does not include any potential impact from COVID-19
- Adjusted EBITDA expectations are based on management's expectations of mid-teen revenue percentage growth, assisted by a full year of ADL operations plus the Company's existing backlog and anticipated new orders and margin improvement as NFI's KMG parts fabrication facility shifts from a loss position to profitability with operations no longer delaying new vehicle production.
- The lower end of the Adjusted EBITDA range is based on scenarios where production is negatively impacted by new model learning curves, weather delays and supply disruption.
- Expected Fiscal 2020 cash capital expenditures are primarily maintenance expenditures with some growth spending following periods of increased investment from 2017 to 2019, primarily driven by strategic projects.
- The Company's ETR range for Fiscal 2020 is based on the Company's corporate structure, operating jurisdictions, existing and proposed tax legislation. It excludes the impact of purchase accounting adjustments related to the acquisition of ADL and other one-time items which may increase the expected ETR. Looking forward, management expects the ETR to decline as global activities are reflected in the Company's financial results.
- FCF conversion is based on the Company's Adjusted EBITDA expectations, historic FCF conversion, projected cash capital expenditures and cash interest and tax expectations.

Management notes that the Company's annual delivery schedule has notable seasonality due to the nature of each unique market segment and the varied annual production and vacation schedules of each production facility. Even after accounting for the addition of ADL, management expects that the first quarter will be the Company's slowest period, and potentially flat with the prior-year, with increased activity expected to occur in the second, third and fourth quarters. Some vehicle deliveries may shift from quarter-to-quarter depending on timing of client inspections and acceptance processes.

NFI is closely monitoring the COVID-19 virus outbreak and while NFI is experiencing some supply delays, the virus has not materially impacted NFI's production operations nor has the Company experienced any adverse impact on delivery of our products. Additional supply delays and possible shortages of critical components may arise if the disruption of certain suppliers' operations and/or subcomponent supply from China or elsewhere continue or escalate. Such occurrences or negative impacts of the outbreak on customer demand for our products could potentially have a material adverse effect on NFI's operations. NFI is monitoring the dynamic situation and actively assessing supply alternatives and developing appropriate mitigation plans. Given that it is nearly impossible to accurately forecast the impact of COVID-19 on NFI, the Company has not included any adjustment related to it in the 2020 guidance or other outlook information contained herein or in the MD&A.

To date, COVID-19 has not caused any delays or reductions in planned vehicle deliveries but could potentially have an impact on our end-customers. While every operator is different, they are all focused on continuing to offer a clean and safe experience for their customers. If the virus continues to spread and prevention policies are escalated there could potentially be an impact on travel of customer inspectors which could impact NFI's new build or bus/coach delivery and acceptance programs. There could also be an impact of lower ridership for operators, which could decrease demand for new and pre-owned vehicles.

"As we begin 2020, we look forward with increased confidence following a strong fourth Quarter in 2019" said Paul Soubry. "We do expect continued mild headwinds in the transit and coach businesses due to price pressure from specific contracts, which appear to be amplified in the short-term as operators evaluate their ZEB transition plans that has resulted in more competitions with less units per contract. However, around the world our customers are increasingly focusing on replacing their aging fleets, transitioning to ZEBs and improving customer accessibility – all of which NFI excels at. We expect to be the beneficiary of market share, revenue and margin growth as these shifts happen over the long term."

Corporate Social Responsibility

NFI's vision is to enable the future of mobility with innovative and sustainable solutions through the design and delivery of exceptional transportation solutions that are safe, accessible, efficient and reliable. NFI's end products are a key driver to enable cities to lower emissions, decrease congestion and drive economic opportunity for less-fortunate members of various communities. NFI is committed to employees, customers and shareholders, while also being responsible to the environment and the communities that we live and work in, by focusing on using renewable power, reducing waste, purchasing supplies from disadvantaged business enterprises, promoting diversity and adhering to our detailed governance structure. NFI's Environmental Social Governance Report can be accessed on the Company's website.

About NFI Group

With more than 9,000 team members operating from 50 facilities across ten countries, NFI is a leading independent global bus manufacturer providing a comprehensive suite of mass transportation solutions under brands: New Flyer® (heavy-duty transit buses), Alexander Dennis Limited (single and double-deck buses), Plaxton (motor coaches), MCI® (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses), and NFI Parts™. NFI vehicles incorporate the widest range of drive systems available including: clean diesel, natural gas, diesel-electric hybrid, and zero-emission electric (trolley, battery, and fuel cell). In total, NFI now supports over 105,000 buses and coaches currently in service around the world.

NFI common shares are traded on the Toronto Stock Exchange under the symbol NFI. Further information is available at www.nfigroup.com, www.newflyer.com, www.mcicoach.com, www.arbocsv.com, www.nfi.parts, www.alexander-dennis.com, and www.carfair.com.

Conference Call

A conference call for analysts and interested listeners will be held on March 12, 2020 at 8 a.m. (ET). The call-in number for listeners is 888-231-8191, 647-427-7450 or 403-451-9838. An accompanying results presentation will be available prior to the call at https://www.nfigroup.com/investor-relations/performance-reports/

A live audio feed of the call will also be available at:

https://event.on24.com/wcc/r/2177532/6159C6CFED8A162767305608E9809B73

A replay of the call will be available from 11:00 a.m. (ET) on March 12, 2020 until 11:59 p.m. (ET) on April 12, 2020. To access the replay, call 855-859-2056 or 416-849-0833 and then enter pass code number 5662858. The replay will also be available on NFI's web site at www.nfigroup.com

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Appendix – Reconciliation Tables

Reconciliation of Net Earnings to Adjusted EBITDA

Management believes that Adjusted EBITDA is an important measure in evaluating the historical operating performance of the Company. However, Adjusted EBITDA is not a recognized earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS. Accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Readers of this press release are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with IFRS as indicators of the Company's performance, or cash flows from operating activities determined in accordance with IFRS as a measure of liquidity and cash flow. See Non-IFRS measures for the definition of Adjusted EBITDA. The following table reconciles net earnings to Adjusted EBITDA based on the historical Financial Statements of the Company for the periods indicated.

(Unaudited, U.S. dollars in thousands)	**2019 Q4**	**2018 Q4**	**Fiscal 2019**	**Fiscal 2018**
Net earnings	34,127	42,815	57,698	159,942
Addback(1)				
Income taxes	26,118	7,933	41,997	50,711
Interest expense	11,301	10,657	73,355	27,693
Amortization	31,134	18,017	104,570	67,796
Loss (gain) on disposition of property, plant and equipment	52	(8)	(46)	267
Fair value adjustment for total return swap(10)	273	5,629	949	6,547
Unrealized foreign exchange loss (gain) on non-current monetary items and forward foreign exchange contracts	(1,640)	1,311	60	1,381
Costs associated with assessing strategic and corporate initiatives(7)	(616)	—	13,069	137
Past service costs(11) and other pension costs	70	—	(1,601)	6,482
Non-recurring restructuring costs (8)	364	—	364	—
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue(9)	2,156	—	31,004	266
Proportion of the total return swap realized(8)	(203)	(4,382)	(626)	(5,139)
Equity settled stock-based compensation	437	34	1,566	1,409
Recovery on currency transactions(13)	—	—	(4,287)	—
Prior year sales tax provision (14)	300	—	4,094	—

Release of provisions related to purchase accounting(12)	—	(2,138)	—	(2,138)	
Adjusted EBITDA(1)	103,875	79,868	322,167	315,354	
Adjusted EBITDA is comprised of:					
Manufacturing	$85,715	$72,817	$256,097	$275,970	275,970
Aftermarket	18,413	17,339	74,572	73,655	
Corporate	(254)	(10,288)	(8,503)	(34,271)	

See footnotes below.

Summary of Free Cash Flow

Management uses Free Cash Flow as a non-IFRS measure to evaluate the Company's operating performance and liquidity and to assess the Company's ability to pay dividends on the Shares, service debt, and meet other payment obligations. The Company generates its Free Cash Flow from operations and management expects this will continue to be the case for the foreseeable future. Net cash flows generated from operating activities are significantly impacted by changes in non-cash working capital. The Company uses its unsecured revolving credit facility to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow. As well, net cash generated by operating activities and net earnings are significantly affected by the volatility of current income taxes, which in turn produces temporary fluctuations in the determination of Free Cash Flow.

The following is a reconciliation of net cash generated by operating activities (an IFRS measure) to Free Cash Flow (a non-IFRS measure) based on the Company's historical Financial Statements. See Non-IFRS measures for the definition of Free Cash Flow.

(Unaudited, U.S. dollars in thousands, except per Share figures)	**2019 Q4**	**2018 Q4**	**Fiscal 2019**	**Fiscal 2018**
Net cash generated from operating activities	$163,761	$67,340	$98,608	$175,144
Changes in non-cash working capital items(3)	(85,382)	1,992	91,324	34,344
Interest paid(3)	15,447	6,338	47,676	23,073
Interest expense(3)	(15,631)	(6,273)	(50,546)	(23,546)
Income taxes paid(3)	7,228	12,154	40,167	73,082
Current income tax expense(3)	(30,842)	(9,495)	(61,339)	(56,263)
Principal portion of finance lease payments	(1,400)	(1,547)	(12,456)	(5,125)
Cash capital expenditures	(6,968)	(20,144)	(37,575)	(70,991)
Proceeds from disposition of property, plant and equipment	—	10	174	235
Costs associated with assessing strategic and corporate initiatives(7)	(616)	—	13,069	137
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue (9)	2,156	—	31,004	266
Defined benefit funding(4)	1,969	608	8,140	22,241
Defined benefit expense(4)	(1,322)	(1,755)	(5,849)	(12,333)
Past service costs(11) and other pension costs	70	—	(1,601)	6,482
Proportion of the total return swap(10)	(203)	(4,382)	(626)	(5,138)
Recovery on currency transactions(13)	—	—	(4,287)	—
Prior year sales tax provision (14)	300	—	4,094	—
Non-recurring restructuring costs(8)	364	—	364	—
Gain on release of provision related to purchase accounting(12)	—	(2,138)	—	(2,138)
Foreign exchange gain (loss) on cash held in foreign currency(5)	102	(289)	83	194
Free Cash Flow (US$)(1)	$49,033	$42,419	$160,424	$159,664
U.S. exchange rate(2)	1.3076	1.3638	1.3180	1.3183

Free Cash Flow (C$)[1]	64,116	57,851	211,439	210,485
Free Cash Flow per Share (C$)[6]	1.0269	0.9302	3.4200	3.3733
Declared dividends on Shares (C$)	26,561	22,890	105,462	90,343
Declared dividends per Share (C$)[6]	$0.4253	$0.3680	$1.7062	$1.4479

See footnotes below.

Reconciliation of Net Earnings to Adjusted Net Earnings

Adjusted Net Earnings and Adjusted Earnings per Share are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Accordingly, Adjusted Net Earnings and Adjusted Earnings per Share may not be comparable to similar measures presented by other issuers. Readers of this press release are cautioned that Adjusted Net Earnings and Adjusted Earnings per Share should not be construed as an alternative to net earnings, or net earnings per Share, determined in accordance with IFRS as indicators of the Company's performance. See Non-IFRS Measures for the definition of Adjusted Net Earnings and Adjusted Earnings per Share. The following tables reconcile net earnings to Adjusted Net Earnings based on the historical Financial Statements of the Company for the periods indicated.

(Unaudited, U.S. dollars in thousands other than earnings per Share and Adjusted Earnings per Share)	**2019 Q4**	**2018 Q4**	**Fiscal 2019**	**Fiscal 2018**
Net earnings	$34,127	$42,815	$57,698	$159,942
Net earnings, excluding IFRS 16	$35,767	$42,815	$62,009	$159,942
Adjustments, net of tax [1] [10]				
Fair value adjustments of total return swap[7]	145	4,274	549	4,971
Unrealized foreign exchange (gain) loss	(981)	995	35	1,049
Unrealized (gain) loss on interest rate swap	(3,115)	1,682	12,721	630
Portion of the total return swap realized[8]	(109)	(3,325)	(362)	(3,900)
Costs associated with assessing strategic and corporate initiatives[4]	(616)	—	13,069	104
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue[6]	707	—	17,943	202
Equity settled stock-based compensation	231	26	906	1,070
Gain on disposition of property, plant and equipment	32	(6)	(27)	203
Past service costs[9] and other pension costs	71	—	(927)	4,922
Gain on release of provision related to purchase accounting [11]	—	(1,623)	—	(1,623)
Recovery on currency transactions[12]	80	—	(2,481)	—
Prior year sales tax provision [13]	102	—	2,369	—
Non-recurring restructuring costs [5]	211	—	211	—
Adjusted Net Earnings	30,885	44,838	101,704	167,570
Adjusted Net Earnings, excluding IFRS 16	$32,525	$44,838	$106,015	$167,570
Earnings per Share (basic)	$0.55	$0.69	$0.93	$2.56
Earnings per Share (fully diluted)	$0.55	$0.68	$0.93	$2.55
Adjusted Earnings per Share (basic)	$0.49	$0.72	$1.65	$2.69
Adjusted Earnings per Share (fully diluted)	$0.49	$0.72	$1.64	$2.67
Earnings per Share and Adjusted Earnings per Share, excluding IFRS 16				
Earnings per Share (basic)	$0.57	$0.69	$1.00	$2.56
Earnings per Share (fully diluted)	$0.57	$0.68	$1.00	$2.55
Adjusted Earnings per Share (basic)	$0.52	$0.72	$1.71	$2.69
Adjusted Earnings per Share (fully diluted)	$0.52	$0.72	$1.71	$2.67

(1) Free Cash Flow is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, Free Cash Flow may not be comparable to similar measures presented by other issuers. See Appendix B for "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings and Adjusted Earnings per Share".

(2) U.S. exchange rate (C$ per US$) is the weighted average exchange rate applicable to dividends declared for the period.

(3) Changes in non-cash working capital are excluded from the calculation of Free Cash Flow as these temporary fluctuations are managed through the Credit Facility which is available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the consolidated statements of cash flows net of interest and incomes taxes paid.

(4) The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.

(5) Foreign exchange loss on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow.

(6) Per Share calculations for Free Cash Flow (C$) are determined by dividing Free Cash Flow by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2019 Q4 was 62,434,520 and 62,192409 for 2018 Q4. The weighted average number of Shares outstanding for Fiscal 2019 and Fiscal 2018 are 61,809,479 and 62,396,962 respectively. Per Share calculations for declared dividends (C$) are determined by dividing the amount of declared dividends by the number of outstanding Shares at the respective period end date.

(7) Normalized to exclude non-recurring expenses related to the costs of assessing strategic and corporate initiatives.

(8) Normalized to exclude non-recurring restructuring costs.

(9) The revaluation of ARBOC's inventory included an adjustment of $0.5 million of which $0.3 million negatively impacted 2018 YTD net earnings. The revaluation of ADL's inventory included an adjustment of $2.2 million in 2019 Q4 and $31.0 million in Fiscal 2019. These revaluation adjustments relate to purchase accounting as a result of the related acquisitions.

(10) A portion of the fair value adjustment of the total return swap is added to Free Cash Flow to match the equivalent portion of the related deferred compensation expense recognized.

(11) A new collective bargaining agreement at the Company's Winnipeg facility commenced on April 1, 2018 which included retroactive changes to New Flyer's Canadian defined benefit pension plan. The effect of the pension plan amendments was to increase the accrued benefit liability and the expected annual pension plan expense in Fiscal 2018 by $6.5 million to reflect pension benefits provided to employees for past service. In 2018 Q2, the Company completed an actuarial valuation related to the past service costs which resulted in an adjustment of $0.7 million.

(12) During the fourth quarter of 2018, purchase accounting provisions recorded during the acquisition of MCI were deemed to be no longer needed and were released resulting in an increase to net earnings. The amounts released have been deducted in the calculation of Free Cash Flow.

(13) Recovery of prior period banking fees related to foreign exchange transactions.

(14) Provision for sales taxes as result of an ongoing state tax review.

Appendix

Non-IFRS Measures

References to "Adjusted EBITDA" are to earnings before interest, income taxes, depreciation and amortization after adjusting for the effects of certain non-recurring and/or non-operations related items that do not reflect the current ongoing cash operations of the Company including: gains or losses on disposal of property, plant and equipment, unrealized foreign exchange losses or gains on non-current monetary items, fair value adjustment for total return swap, non-recurring transitional costs or recoveries relating to business acquisitions, equity settled stock-based compensation, gain on bargain purchase of subsidiary company, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, past service costs, costs associated with assessing strategic and corporate initiatives and proportion of the total return swap realized. "Free Cash Flow" means net cash generated by operating activities adjusted for changes in non-cash working capital items, interest paid, interest expense, income taxes paid, current income tax expense, effect of foreign currency rate on cash, defined benefit funding, non-recurring transitional costs relating to business acquisitions, past service costs, costs associated with assessing strategic and corporate initiatives, defined benefit expense, cash capital expenditures, proportion of the total return swap realized, proceeds on disposition of property, plant and equipment, gain received on total return swap settlement, fair value adjustment to acquired subsidiary company's inventory and deferred revenue and principal payments on capital leases. References to "ROIC" are to net operating profit after taxes (calculated as Adjusted EBITDA less depreciation of plant and equipment and income taxes at the expected effective tax rate) divided by average invested capital for the last twelve-month period (calculated as to shareholders' equity plus long-term debt, obligations under finance leases, other long-term liabilities, convertible debentures and derivative financial instrument liabilities less cash). References to "Adjusted Net Earnings" are to net earnings after adjusting for the after tax effects of certain non-recurring and/or non-operational related items that do not reflect the current ongoing cash operations of the Company including: fair value adjustments of total return swap, unrealized foreign exchange loss or gain, unrealized gain or loss on the interest rate swap, portion of the total return swap realized, costs associated with assessing strategic and corporate initiatives, non-recurring costs or recoveries relating to business acquisition, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, equity settled stock-based compensation, gain or loss on disposal of property, plant and equipment, gain on bargain purchase option, past service costs, recovery on currency transactions, prior year sales tax provision, gain on release of provision related to purchase accounting. References to "Adjusted Net Earnings per Share" are to Adjusted Net Earnings divided by the average number of Shares outstanding.

Management believes Adjusted EBITDA, Free Cash Flow, ROIC, Adjusted Net Earnings and Adjusted Earnings per Share are useful measures in evaluating the performance of the Company. However, Adjusted EBITDA, Free Cash Flow, ROIC, Adjusted Net Earnings and Adjusted Earnings per Share are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Readers of this press release are cautioned that ROIC, Adjusted Net Earnings and Adjusted EBITDA should not be construed as an alternative to net earnings or loss or cash flows from operating activities determined in accordance with IFRS as an indicator of NFI's performance, and Free Cash Flow should not be construed as an alternative to cash flows from operating, investing and financing activities determined in accordance with IFRS as a measure of liquidity and cash flows. A reconciliation of net earnings and cash flows to Adjusted EBITDA, based on the Financial Statements, has been provided in the MD&A under the headings "Reconciliation of Net Earnings to Adjusted EBITDA" and "Reconciliation of Cash Flow to Adjusted EBITDA", respectively. A reconciliation of Free Cash Flow to cash flows from operations is provided under the heading "Summary of Free Cash Flow". A reconciliation of net earnings to Adjusted Net Earnings is provided under the heading "Reconciliation of Net Earnings to Adjusted Net Earnings".

NFI's method of calculating Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings and Adjusted Earnings per Share may differ materially from the methods used by other issuers and, accordingly, may not be comparable to similarly titled measures used by other issuers. Dividends paid from Free Cash Flow are not assured, and the actual amount of dividends received by holders of Shares will depend on, among other things, the Company's financial performance, debt covenants and obligations, working capital requirements and future capital requirements, all of which are susceptible to a number of risks, as described in NFI's public filings available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements in this press release are "forward looking statements", which reflect the expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. The words "believes", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates" and similar expressions are intended to identify forward looking statements. These forward-looking statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this press release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Such differences may be caused by factors which include, but are not limited to, funding may not continue to be available to the Company's customers at current levels or at all; the Company's business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for the Company's products and the results of its operations (including the effect of demand for the Company's products and services as a result of the impact of the COVID-19 virus on customers); currency fluctuations could adversely affect the Company's financial results or competitive position; interest rates could change substantially, materially impacting the Company's revenue and profitability; an active, liquid trading market for the Shares may cease to exist, which may limit the ability of shareholders to trade Shares; the market price for the Shares may be volatile; if securities or industry analysts do not publish research or reports about the Company or if their reports are inaccurate or unfavorable to the Company or its business, or if they adversely change their recommendations regarding the Shares or if the Company's results of operations do not meet their expectations, the Share price and trading volume could decline. In addition, other risk factors may include entrance of new competitors; failure of the ratification of the United States-Mexico-Canada Agreement (USMCA) could be materially adverse to NFI; current requirements under "Buy America" regulations may change and/or become more onerous or suppliers' "Buy America" content may change; changes resulting from a hard exit of United Kingdom (UK) from the European Union (commonly referred to as "Brexit") and/or changes to the US Federal Funding mechanism (FAST Act) or Trade Policies may result in supply chain disruption and a potential downturn in the UK and US economies that may suppress demand; failure of the Company to comply with the disadvantaged business enterprise ("DBE") program requirements or the failure to have its DBE goals approved by the FTA; absence of fixed term customer contracts; exercise of options and customer suspension or termination for convenience; United States content bidding preference rules may create a competitive disadvantage; local content bidding preferences in the United States may create a competitive disadvantage; requirements under Canadian content policies may change and/or become more onerous; operational risk, dependence on limited sources or unique sources of supply (including the risk of supply disruption due to suppliers affected by the COVID-19 virus); dependence on supply of engines that comply with emission regulations; a disruption, termination or alteration of the supply of vehicle chassis or other critical components from third-party suppliers could materially adversely affect the sales of certain of the Company's products; the Company's profitability can be adversely affected by increases in raw material and component costs as well as the imposition of tariffs and surtaxes on material imports; the Company may incur material losses and costs as a result of product warranty costs, recalls and remediation of buses; production delays may result in liquidated damages under the Company's contracts with its customers; catastrophic events may lead to production curtailments or shutdowns; the Company may not be able to successfully renegotiate collective bargaining agreements when they expire and may be adversely affected by labour disruptions and shortages of labour; the Company's operations are subject to risks and hazards that may result in monetary losses and liabilities not covered by insurance or which exceed its insurance coverage; the Company may be adversely affected by rising insurance costs; the Company may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds and letters of credit required for new contracts; the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability claims; the Company may have difficulty selling pre-owned coaches and realizing expected resale values; the Company may incur costs in connection with provincial, state or federal regulations relating to axle weight restrictions and vehicle lengths; the Company may be subject to claims and liabilities under environmental, health and safety laws; dependence on management information systems and cyber security risks; the Company's ability to execute its strategy and conduct operations is dependent upon its ability to attract, train and retain qualified personnel, including its ability to retain and attract executives, senior management and key employees; the Company may be exposed to liabilities under applicable anti-corruption laws and any determination that it violated these laws could have a material adverse effect on its business; the Company's risk management policies and procedures may not be fully effective in achieving their intended purposes; internal controls over financial reporting, disclosure controls and procedures; ability to successfully execute strategic plans and maintain profitability; development of competitive or disruptive products, services or technology; development and testing of new products; acquisition risk; third-party distribution/dealer agreements; availability to the Company of future financing; the Company may not be able to generate the necessary amount of cash to service its existing debt, which may require the Company to refinance its debt; the Company's substantial consolidated indebtedness could negatively impact the business; the restrictive covenants in the Company's credit facilities could impact the Company's business and affect its ability to pursue its business strategies; payment of dividends is not guaranteed; a significant amount of the Company's cash is distributed, which may restrict potential growth; NFI is dependent on its subsidiaries for all cash available for distributions; future sales or the possibility of future sales of a substantial number of Shares may impact the price of the Shares and could result in dilution; if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected; income tax risk, investment eligibility and Canadian Federal Income Tax risks; the effect of comprehensive U.S. tax reform legislation on the NF Holdings and its U.S. subsidiaries (the "NF Group"), whether adverse or favorable, is uncertain; certain U.S. tax rules may limit the ability of NF Group to deduct interest expense for U.S. federal income tax purposes and may increase the NF Group's tax liability; certain financing transactions could be characterized as “hybrid transactions” for U.S. tax purposes, which could increase the NF Group’s tax liability. NFI cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in NFI’s press releases, Annual Information Form and materials filed with the Canadian securities regulatory authorities which are available on SEDAR at www.sedar.com.

Although the forward-looking statements contained in this press release are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this press release and NFI assumes no obligation to update or revise them to reflect new events or circumstances, except as required by applicable securities laws.