Financial Results First Quarter 2024

May 2, 2024

NFI's mobility solutions

Workforce Development & Training

VIC Vehicle Innovation Center

AD24 Training Academy

New Flyer Institute

NFI Learning Institute

MCI Academy Training for Advancing Technology

Buses & Coaches

New Flyer

MCI

Alexander Dennis

ARBOC Specialty Vehicles

Plaxton

Infrastructure Solutions

NFI Infrastructure Solutions™

NFI

Parts, Publications & Service

NFI Service

AD24

nfi.parts

Financing

NFI Financial Solutions™

Connected Vehicles & Diagnostics

NFI Connect™

CONNECT 360

Notes to readers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 52-WEEKS ENDED MARCH 31, 2024

information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. and its subsidiaries (collectively referred to as "NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's audited consolidated financial statements (including notes) (the "Financial Statements") for the 13-week period ended March 31, 2024. and has been prepared as of May 2, 2024.

This MD&A contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such forward-looking statements, including, but not limited to, the factors described in the Company's public filings available on SEDAR at www.sedarplus.ca. See "Forward-Looking Statements" in Appendix A. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, except where otherwise indicated, are presented in U.S. dollars, which is the functional currency of NFI. Unless otherwise indicated, the financial information contained in this MD&A has been prepared in accordance with IFRS and references to "$" or "dollars" mean U.S. dollars, "C$" means Canadian dollars, and "GBP" and "£" mean British Pounds Sterling.

NFI's Financial Statements were prepared on a going concern basis in accordance with IFRS. Readers are recommended to read the section, "capital allocation policy" regarding the completion of the Company's comprehensive refinancing plan.

QUARTERLY AND ANNUAL REPORTING PERIODS

The quarterly and annual reporting periods for Fiscal 2024 and Fiscal 2023 are as follows:

Period from January 1, 2024 to December 29, 2024 ("Fiscal 2024")				Period from January 2, 2023 to December 31, 2023 ("Fiscal 2023")			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	March 31, 2024	("2024 Q1")	13	Quarter 1	April 2, 2023	("2023 Q1")	13
Quarter 2	June 30, 2024	("2024 Q2")	13	Quarter 2	July 2, 2023	("2023 Q2")	13
Quarter 3	September 29, 2024	("2024 Q3")	13	Quarter 3	October 1, 2023	("2023 Q3")	13
Quarter 4	December 29, 2024	("2024 Q4")	13	Quarter 4	December 31, 2023	("2023 Q4")	13
Fiscal year	December 29, 2024		52	Fiscal year	December 31, 2023		52

Specific references and definitions are used throughout this MD&A, please see the Non-IFRS and Other Financial Measures section. References to LTM mean last-twelve months ("LTM"). Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), Invested Capital, net operating profit after taxes ("NOPAT"), *(continued on next page ->)*

Notes to readers

*(-> continued) r*eturn on invested capital ("ROIC"), Free Cash Flow, Free Cash Flow per Share, Adjusted Net Loss, Adjusted Net Loss per Share, Total Liquidity, Banking Covenant Liquidity, Working Capital Days, Payout Ratio, Book-to-Bill Ratio, Backlog, Total Leverage Ratio, Interest Coverage Ratio, Total Net Debt to Capitalization, Minimum Cumulative Adjusted EBITDA and Senior Secured Net Leverage Ratio are non-IFRS measures and should not be considered substitutes or alternatives for IFRS measures. These are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies. Non-IFRS measures in this MD&A have been denoted with an "NG".

The Company has two reportable segments which are the Company's strategic business units: Manufacturing Operations and Aftermarket Operations. The strategic business units offer different products and services, and are managed separately because they require different technology, marketing strategies, and operations.

The Manufacturing Operations segment derives its revenue from the design, manufacture, service and support of new transit buses, motor coaches, medium-duty, cutaway buses, and installation of infrastructure for electric vehicles and the sales of fiberglass reinforced polymer components. Based on management's judgment and applying the aggregation criteria in IFRS 8.12, the Company's bus/coach manufacturing operations and medium-duty/cutaway manufacturing operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution and regulatory environment.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses, coaches and medium-duty/cutaway buses, both for the Company's and third-party products.

Single and double deck buses manufactured by New Flyer and Alexander Dennis Limited ("Alexander Dennis" or "AD") are classified as "transit buses". ARBOC Specialty Vehicles, LLC manufactures body on-chassis or low floor "cutaway" and "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, transit buses, medium-duty buses and cutaways, are referred to as "buses". A "motor coach" or "coach" is a 35-foot to 45-foot over-the-highway bus typically used for intercity transportation and travel over longer distances than heavy-duty transit buses, and is typically characterized by (i) high deck floor, (ii) baggage compartment under the floor, (iii) high-backed seats with a coach-style interior (often including a lavatory), and (iv) no accommodation for standing passengers. "Product lines" include heavy-duty transit buses, motor coaches, pre-owned coaches, cutaway and medium-duty buses.

Zero-emission buses ("ZEBs") consist of trolley-electric, hydrogen fuel cell-electric, and battery-electric buses and motor coaches. All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motor coaches is measured in, or based on, "equivalent units" (or "EUs"). One EU represents one production "slot", being one 30-foot, 35-foot, 40-foot, 45-foot heavy-duty transit bus, one double deck bus, one medium-duty bus, one cutaway bus or one motor coach, whereas one articulated transit bus represents two EUs. An articulated transit bus is an extra-long transit bus (approximately 60-feet in length), composed of two passenger compartments connected by a joint mechanism. The joint mechanism allows the vehicle to bend when the bus turns a corner, yet have a continuous interior.

A summary of the Company's order, delivery, and backlog[NG] information can be found in Appendix B.

Leader in zero-emission transportation

180M+
Electric service miles driven

3,804
ZEB EUs delivered since 2015

201
ZEB EUs delivered in 2024 Q1

18%
of new EUs delivered in 2024 Q1 were ZEBs

52%
of the total North American Public Bid Universe is ZEBs

$11.7B
Value of total backlog^{NG} (14,783 EUs)

5,795
ZEB EUs in backlog^{NG}

39%
of total backlog^{NG} is ZEB EUs

150+
Cities have NFI ZEBs in service or on order

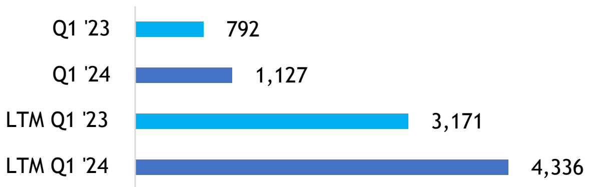
6
Countries have NFI ZEBs in service or on order

475+
EV chargers delivered via Infrastructure Solutions™ since 2018

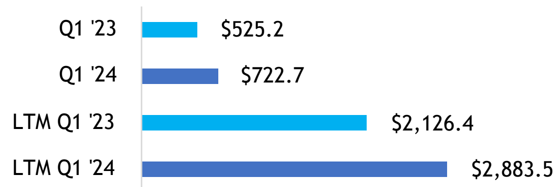
75+
Megawatts charging capacity delivered via Infrastructure Solutions™ since 2018

Key Performance Indicators

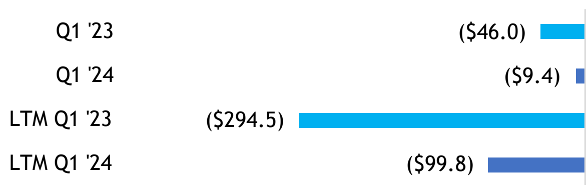
Deliveries (EUs)



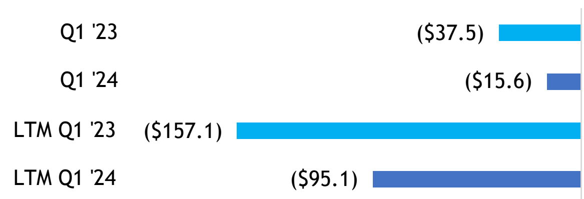
Revenue ($ millions)



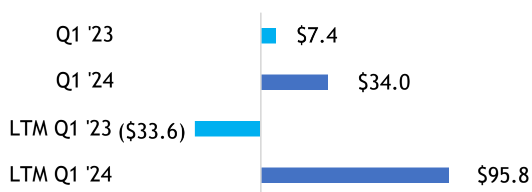
Net Loss ($ millions)



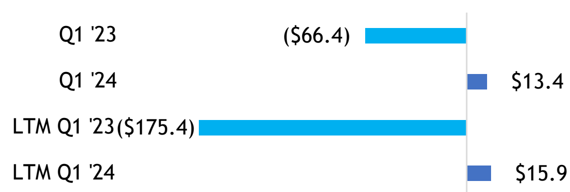
Adjusted Net Loss[NG] ($ millions)



Adjusted EBITDA[NG] ($ millions)

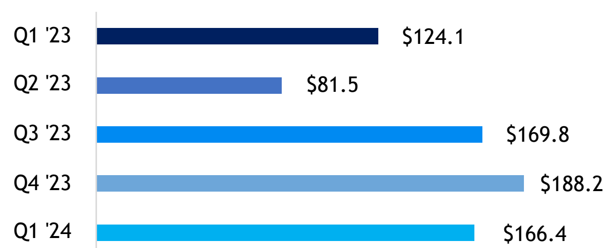


Net cash generated by (used in) operating activities ($ millions)

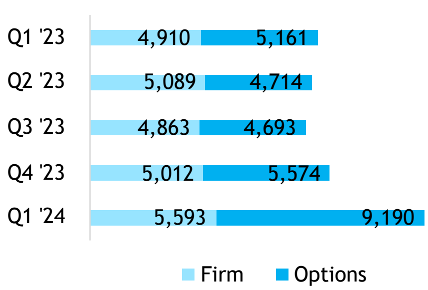


Working Capital Days[NG]

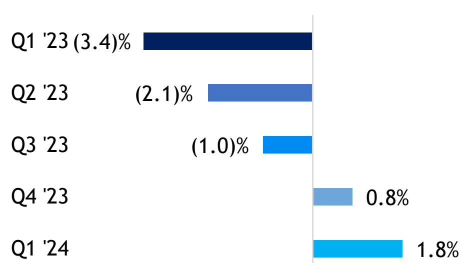
Total Liquidity[NG] ($ millions)



Backlog[NG] (EUs)



ROIC[NG]



Financial Results

NFI's 2024 first quarter financial results saw sequential and year-over-year improvement with increases in vehicle deliveries, revenue and gross profit. In the quarter NFI received the highest number of new vehicle awards ever and the Aftermarket segment also delivered its highest revenue and Adjusted EBITDA[NG] performance in Company history. NFI continued to increase production rates in the first quarter of 2024 as the Company recovers from the impacts of global supply chain challenges, labour supply challenges, and associated production inefficiencies. NFI's 2024 Q1 manufacturing segment financial performance reflects the impacts of these production inefficiencies and the impacts of inflation and exchange rate movements on select legacy contracts originally bid in 2020 and 2021. NFI has delivered the majority of these legacy contracts and expects that nearly all the remaining units will be delivered in the second quarter of 2024. While these challenges continue to impact results, there was significant improvement when compared to the same period in 2023, as overall supply chains showed improvement, and there were fewer production inefficiencies, supporting stronger absorption of overhead costs.

The Company's end markets remain strong, with significant order and award activity, a robust North American public bid environment, and unprecedented continued government funding for public transit across multiple markets.

Full details of the Company's orders, deliveries, and backlog[NG] information can be found in Appendix B.

Deliveries (EUs)	2024 Q1	2023 Q1	*% Change*	2024 Q1 LTM	2023 Q1 LTM	*% Change*
Transit buses	841	505	*66.5 %*	3,278	2,253	*45.5 %*
Motor coaches	140	149	*(6.0 %)*	626	590	*6.1 %*
Medium-duty and cutaway	146	138	*5.8 %*	432	328	*31.7 %*
New vehicle deliveries	1,127	792	*42.3 %*	4,336	3,171	*36.7 %*
Pre-owned coach	83	108	*(23.1 %)*	211	279	*(24.4 %)*
Zero-emission deliveries (included in the above totals)	201	166	*21.1 %*	913	657	*39.0 %*
Zero-emission deliveries as a percentage of total new vehicle deliveries	17.8 %	21.0 %	*(14.9 %)*	21.1 %	20.7 %	*1.6 %*

Revenue ($ millions)	2024 Q1	2023 Q1	*% Change*	2024 Q1 LTM	2023 Q1 LTM	*% Change*
Transit buses	449.5	271.1	*65.8 %*	1,826.3	1,225.5	*49.0 %*
Motor coaches	87.6	91.8	*(4.6 %)*	386.7	337.2	*14.7 %*
Medium-duty and cutaway	17.7	14.4	*22.9 %*	54.0	38.2	*41.4 %*
Total New Vehicle Revenue	**554.8**	**377.3**	***47.0 %***	**2,267.0**	**1,600.9**	***41.6 %***
Pre-owned coach	3.2	5.8	*(44.8 %)*	19.0	17.8	*6.7 %*
Infrastructure Solutions™	2.7	0.5	*440.0 %*	13.3	8.4	*58.3 %*
Fiberglass reinforced polymer components	2.1	2.5	*(16.0 %)*	8.5	7.7	*10.4 %*
Manufacturing Revenue	**562.8**	**386.1**	***45.8 %***	**2,307.8**	**1,634.8**	***41.2 %***
Aftermarket	159.9	139.1	*15.0 %*	575.7	491.6	*17.1 %*
Total Revenue	**722.7**	**525.2**	***37.6 %***	**2,883.5**	**2,126.4**	***35.6 %***
North America	562.6	415.4	*35.4 %*	2,260.1	1,643.0	*37.6 %*
United Kingdom and Europe	149.3	102.3	*45.9 %*	570.5	428.4	*33.2 %*
Asia Pacific	10.8	7.5	*44.0 %*	52.9	55.0	*(3.8 %)*

Manufacturing revenue for 2024 Q1 increased by $176.7 million, or 45.8%, compared to 2023 Q1. The increase was largely driven by higher new vehicle deliveries, higher average sales prices per unit, and product mix. Quarterly deliveries saw improvement both year-over-year and sequentially for the fifth consecutive quarter. NFI has seen significant improvement in supplier performance and on-time production during the quarter, supporting NFI's continued ramp-up in vehicle production rates.

In 2024 Q1, Manufacturing deliveries increased by 335 EUs, or 42.3%. Transit buses saw the largest increase in deliveries of 66.5%, leading to a 47.0% increase in new vehicle revenue.

Overall zero-emission bus and coach deliveries for 2024 Q1 increased by 21.1%. In 2024 Q1 LTM, overall ZEB deliveries increased 39.0%. ZEBs as a percentage of total new vehicle deliveries declined slightly for 2024 Q1. Motor coach and medium-duty cutaway deliveries, which are earlier in the transition to zero-emission technology and utilize more traditional propulsion systems, contributed to this overall lower percentage.

Quarterly revenue of the Company's Infrastructure Solutions™ division increased by $2.2 million. The increase is primarily due to the timing of revenue recognition on open contracts. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 442 plug-in and 35 overhead charger projects, for 65 different customers.

Aftermarket revenue for 2024 Q1 increased by $20.8 million, or 15.0%, compared to 2023 Q1. The increase is mainly related to increased volume in the North America region and pricing adjustments due to heightened inflation on parts. In 2024 Q1 and 2024 Q1 LTM, the Aftermarket segment delivered its highest revenue performance ever. During this period, the Company also benefitted from bus retrofit programs in North America and continued to benefit from a multi-year retrofit program in the Asia-Pacific region, but at a lower run rate than 2023 Q1.

Net Earnings (Loss) ($ millions, except per share amounts)	2024 Q1	2023 Q1	*% Change*	2024 Q1 LTM	2023 Q1 LTM	*% Change*
Manufacturing	(13.4)	(41.5)	*67.7 %*	(68.3)	(304.6)	*77.6 %*
Aftermarket	32.8	24.8	*32.3 %*	109.7	73.2	*49.9 %*
Corporate	(28.8)	(29.3)	*1.7 %*	(141.2)	(63.1)	*(123.8 %)*
Net Loss	**(9.4)**	**(46.0)**	***79.6 %***	**(99.8)**	**(294.5)**	***66.1 %***
Adjusted Net Loss[NG]	(15.6)	(37.5)	*58.4 %*	(95.1)	(157.1)	*39.5 %*
Net Loss per Share	(0.08)	(0.60)	*86.7 %*	(0.98)	(3.81)	*74.3 %*
Adjusted Net Loss per Share[NG]	(0.13)	(0.49)	*73.5 %*	(0.93)	(2.03)	*54.2 %*

Adjusted EBITDA[NG] ($ millions)	2024 Q1	2023 Q1	*% Change*	2024 Q1 LTM	2023 Q1 LTM	*% Change*
Manufacturing	(2.2)	(23.1)	*90.5 %*	(21.2)	(132.8)	*84.0 %*
Aftermarket	37.5	29.5	*27.1 %*	128.2	92.8	*38.1 %*
Corporate	(1.3)	1.0	*(230.0 %)*	(11.2)	6.4	*(275.0 %)*
Total Adjusted EBITDA[NG]	**34.0**	**7.4**	***359.5 %***	**95.8**	**(33.6)**	***385.1 %***
Adjusted EBITDA[NG] as a percentage of revenue						
Manufacturing	(0.4 %)	(6.0 %)	*93.5 %*	(0.9 %)	(8.1 %)	*88.7 %*
Aftermarket	23.5 %	21.2 %	*10.6 %*	22.3 %	18.9 %	*18.0 %*
Total	**4.7 %**	**1.4 %**	***233.9 %***	**3.3 %**	**(1.6 %)**	***310.3 %***

In 2024 Q1, Manufacturing Adjusted EBITDA Loss[NG] decreased by $20.9 million, or 90.5%, compared to 2023 Q1. The decrease was driven by significantly improved gross margins from higher overall deliveries and favourable sales mix, despite the impact of legacy inflation impacted contracts. Also contributing are the impacts of a drain valve recall that negatively affected the sale and delivery of ZEB in 2023 Q1. Manufacturing experienced net losses of $13.4 million in 2024 Q1 compared to a net loss of $41.5 million in 2023 Q1. The decrease in Manufacturing net loss from 2023 Q1 to 2024 Q1 was primarily due to the same items that impacted Manufacturing Adjusted EBITDA[NG]. The increase in 2024 Q1 LTM Manufacturing Adjusted EBITDA[NG] and the decrease in 2024 Q1 LTM Manufacturing net loss is attributable to the same items that impacted quarterly results. Also contributing to the decrease in 2024 Q1 LTM Manufacturing net loss is the impact of a goodwill impairment charge of $103.9 million related to ARBOC and AD recognized in 2022 Q4 and the Company's decision not to close MCI's Pembina facility, which resulted in a reversal of $7 million of closure costs in 2023 Q4.

The 2024 Q1 Aftermarket segment achieved record Adjusted EBITDA[NG] of $37.5 million, a $8.0 million, or 27.1%, year-over-year increase. The increase in Adjusted EBITDA[NG] was primarily due to improved sales volume, pricing adjustments and favourable product mix. The 2024 Q1 Aftermarket net earnings increased by $8.0 million, or 32.3%, primarily due to the same items that impacted Aftermarket Adjusted EBITDA[NG]. Increases in net earnings and Adjusted EBITDA[NG] for 2024 Q4 LTM are primarily due to the same items that impacted quarterly increases.

The 2024 Q1 Corporate Adjusted EBITDA[NG] decreased by $2.3 million compared to 2023 Q1, primarily due to increased incentive compensation and realized foreign exchange losses. Corporate net loss decreased by $0.5 million compared to 2023 Q1, primarily due to fair value adjustments to the Company's interest rate swaps, convertible debenture cash conversion option, and prepayment option on second-lien debt. These increases are offset by increased interest expenses on long-term debt. In 2024 Q1 LTM, Corporate Adjusted EBITDA[NG] decreased due to the same items that impacted quarterly results. The 2024 Q1 LTM net loss increased due to higher interest and finance costs incurred compared to 2023 Q1 LTM offset by an accounting gain on the debt modification of Secured Facilities[1].

Free Cash Flow[NG] and net cash generated by (used in) operating activities ($ millions, except per share amounts)	2024 Q1	2023 Q1	*% Change*	2024 Q1 LTM	2023 Q1 LTM	*% Change*
Net cash generated by (used in) operating activities	13.4	(66.4)	*120.2 %*	15.9	(175.4)	*109.1 %*
Free Cash Flow[NG]	(21.5)	(28.9)	*25.6 %*	(92.7)	(157.5)	*41.1 %*
Free Cash Flow[NG] (CAD dollars)	(29.1)	(39.0)	*25.4 %*	(124.9)	(211.6)	*41.0 %*
Declared Dividends (CAD dollars)	-	-	*0.0 %*	-	8.2	*(100.0 %)*
Free Cash Flow per Share[NG] (CAD dollars)	(0.24)	(0.51)	*52.9 %*	(1.22)	(2.73)	*55.3 %*
Dividends per Share (CAD dollars)	-	0.00	*0.0 %*	-	0.11	*(100.0 %)*
Payout Ratio[NG] (Declared Dividends divided by Free Cash Flow)	0.0 %	0.0 %	*0.0 %*	0.0 %	(3.9 %)	*100.0 %*

Free Cash Flow[NG] in 2024 Q1 increased by $7.4 million, or 25.6%, compared to 2023 Q1, mainly due to increased cash generated by operating activities for the period offset by an increase in interest paid, and cash capital expenditures.

Cash generated by operating activities in 2024 Q1 was $13.4 million, an increase of $79.8 million or 120.2%, compared to cash used in operating activities in 2023 Q1 of $66.4 million. The increase is mainly due to a significant decrease in net losses. Also contributing is an increase in cash provided by working capital offset by increases in interest paid. The 2024 Q1 LTM net cash generated by operating activities increased by 109.1% compared to 2023 Q1 LTM, primarily due to a decrease in net losses offset by interest paid, income taxes, and cash capital expenditures.

	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Working Capital Days[NG]	57	61	63	64	69
Total Liquidity[NG] ($ million)	$166.4	$188.2	$169.8	$81.5	$124.1
Backlog[NG] (EUs)	14,783	10,586	9,556	9,803	10,071
ROIC[NG]	1.8 %	0.8 %	(1.0 %)	(2.1 %)	(3.4 %)

Footnotes:

1. As described in the Capital Allocation section on page 23.

As part of the Company's increased focus on cash conversion and leverage reduction, the Company is actively focused on reducing Working Capital Days[NG]. In 2024 Q1, Working Capital Days[NG] were 57, compared to 61 at the end of 2023 Q4, and 69 at the end of 2023 Q1. The decrease in Working Capital Days[NG] in 2024 Q1 compared to 2023 Q4 is mostly attributable to the increase in sales over the last twelve months, and a decrease in average working capital balances. The decrease of average working capital is primarily due to increases in accounts payable and deferred revenues, offset by increases in accounts receivable and inventory. The Company had higher deliveries compared to 2023 Q4. As the Company continues to ramp up production, work-in-progress and finished goods inventory has increased from 2023 Q4. NFI is continuing focused efforts to lower work-in-process inventory and accelerate customer acceptance programs to lower working capital balances and improve Working Capital Days[NG].

The Company's liquidity[NG] position, which combines cash on-hand plus available capacity under its Secured Facilities[1], without consideration given to the minimum banking liquidity[NG] requirement of $50 million under the Secured Facilities[1], was $166.4 million at the end of 2024 Q1, down $21.8 million, or 11.6%, from the end of 2023 Q4. Total liquidity[NG] position was positively impacted by cash generated from operating activities, offset by interest expenses, repayments on obligations under capital leases and capital expenditures, which required the Company to make draws on its Secured Facilities[1].

At the end of 2024 Q1, the Company's total backlog[NG] (firm and options) was 14,783 EUs, a 39.6% increase compared to 10,586 EUs at the end of 2023 Q4, and an increase of over 4,000 EUs from 2023 Q1. The year-over-year increase was driven by NFI recording the highest number of quarterly awards in Company history. Backlog[NG] for 2024 Q1 had a total dollar value of $11.7 billion. In addition, there were 365 EUs of new firm and option orders that were in bid award pending at the end of 2024 Q1, down from the 3,832 EUs as of the end of 2023 Q4, with the decrease driven by significant new orders received during the quarter. These are orders where approval of the award to the Company had been made by the customer’s board, council, or commission, as applicable, but purchase documentation had not yet received by the Company and therefore not recorded in Backlog[NG].

2024 Q1 LTM ROIC[NG] increased by 5.2% from 2023 Q1 LTM, due to the increase in Adjusted EBITDA[NG] and a slight decrease in the invested capital base[NG]. The decrease in invested capital[NG] is primarily due to a decrease in long-term debt as the Company refinanced during 2023 Q3. Also contributing are increases in cash as the Company has generated cash from its operating activities

Footnotes:

2. As described in the Capital Allocation section on page 23.

2024 Q1 Highlights

The first quarter of 2024 continued to see significant year-over-year improvement in almost all of NFI's key operational and financial metrics, including vehicle deliveries, revenue, gross profit, Adjusted EBITDA[NG], and working capital days. The demand environment remained very strong with NFI recording its highest ever quarterly new orders and higher contract pricing. NFI's backlog[NG] is up 4,712 EUs year-over-year, with a quarter-ending value of a record $11.7 billion.

NFI continued to see supply chain performance improvement during the quarter and maintained its plan to prudently increase line entry rates. NFI has seen a strong increase in manufacturing production and will continue to slowly increase capacity matching the addition of new team members with training requirements, and to ensure consistent supply. To support this ramp-up, NFI has taken numerous actions to drive supply performance improvement, including earlier order placement to suppliers, use of alternative suppliers at different levels of the supply chain where appropriate, and carrying higher levels of inventory for certain components. While the first quarter of 2024 did see year-over-year delivery growth and Aftermarket outperformance, certain deliveries planned for the quarter were pushed into the second quarter of 2024, primarily driven by timing of final customer acceptances.

NFI delivered a significant quantity of its remaining legacy inflation impacted contracts, originally bid in 2021 and 2022, and continues to expect that nearly all of these legacy units will be completed in the first half of 2024. The Company has seen continued easing of inflationary pressures related to components and raw materials.

NFI's Aftermarket segment delivered another strong quarter of financial results, as it benefited from heightened demand in various jurisdictions, a reflection of more vehicles being put into service as transit agencies and private operators increased service levels, an increase in overall fleet age due to lower industry deliveries in 2020 through 2022, customers purchasing additional parts inventory to avoid supply shortages and the benefit of several larger retrofit programs.

As of the end of 2024 Q1, NFI employed 8,776 team members across all of its global locations, up from 8,566 as of the end of Fiscal 2023.

Strong Market Demand and Increasing Procurements

Demand metrics remained strong in 2024 Q1. New orders were at record levels, up 189.4% from 2023 Q1, and up 129.6% from 2023 Q4. Active bids of 5,410 EUs were down from both 2023 Q1 and 2023 Q4 due to the high number of new awards in the quarter. The Company also had 365 EUs in bid awards pending (where NFI had received notification of award from the customer, but formal purchase order documentation had not yet been finalized) as at the end of 2024 Q1. The combination of pending awards and active bids positions NFI for new additions to its backlog[NG] in 2024.

In March 2024, NFI announced two new contracts for up to 2,090 Xcelsior® transit buses, including up to 1,420 ZEBs, from the New York City Transit Authority, the largest transit authority in North America. Through these five-year awards, NFI added 3,050 EUs to its backlog, with 671 EUs of firm orders and 2,379 EUs of option orders.

NFI's Total Public Bid Universe for North America was 26,760 EUs. *See Appendix B for details.*

Efforts to Strengthen Bus Manufacturing in the U.S.

During the quarter, NFI continued to advance efforts championed by the American Public Transportation Association ("APTA") and the U.S. Federal Transit Administration ("FTA") to support more competitive and stable bus manufacturing capacity in the United States. These activities included discussions on pricing adjustments to legacy-inflation impacted contracts bid from 2020 to 2023, the incorporation of progress payments (deposits, advances, and milestone payments), pricing adjustments to future contracts to reflect price inflation or deflation, and a potential reduction in vehicle customization through the establishment of standard specifications and best practices.

NFI has experienced some success from these efforts and during the quarter, completed some price adjustments on legacy contracts and advanced progress payment structures with certain customers. The Company will continue discussions with customers on incorporating progress payments into existing contracts and has begun to build progress payments into new contracts wherever possible. Management expects these actions may have a positive impact on NFI's financial performance in future periods, especially as it relates to working capital investments. These potential changes are further discussed in the Outlook section of this MD&A.

Zero-Emission Mobility—The *ZE*volution™

As at the end of 2024 Q1, NFI had 5,795 EUs of ZEBs in the backlog[NG], representing a record 39.2% of the total backlog[NG], up from the previous record of 36.4% as at the end of 2023 Q1, and up from 35.7% at the end of 2023 Q4. As of 2024 Q1, 51.6%, of the Total Bid Universe was ZEBs, flat year-over-year; management continues to expect a continued increase in the demand for ZEBs going forward. NFI sells buses to all of the 25 largest transit authorities in North America and has electric vehicles in service with 17 of these transit agencies. NFI also serves all of the UK's major transit and coach operators.

Within the first quarter of 2024, the Company announced zero-emission vehicle orders with customers in the U.S., the UK, Ireland, and Hong Kong. In 2024 Q1, NFI delivered a total of 201 zero-emission EUs, a 21.1% increase from 2023 Q1.

During the first quarter of 2024, the Company continued to innovate and position itself for future success in the zero-emission market:

- NFI announced orders for 33 Enviro500EV ZEBs for Sound Transit in Seattle, WA; and 12 Enviro500EV ZEBs for Foothill Transit in California; and

- Alexander Dennis' next-generation Enviro400EV was confirmed as the most efficient battery-electric double-decker tested via the Zemo Partnership's zero-emission bus testing and certification program in the UK.

Events in the Quarter

NFI entered into an agreement with EDC to increase the size of the Company's Guarantee Facility from $100 million to $125 million. The Guarantee Facility is made up of Account Performance Security Guarantee ("Account PSG") up to $50 million and Surety Reinsurance Support up to $125 million. The aggregate amount of the Guarantee Facility cannot exceed $125 million.

On January 26, 2024, NFI entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million from January 26, 2024, until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%.

On February 8, 2024, NFI announced a transition in the role of Chief Financial Officer, with Brian Dewsnup being appointed as Executive Vice President, Finance and CFO of the Company effective March 1, 2024, succeeding Pipasu Soni, the previous CFO.

On February 9, 2024, NFI announced that it presented at the U.S. White House Roundtable on Clean Bus Manufacturing. Discussion at the Roundtable focused on ensuring U.S. domestic manufacturing capacity to deliver clean transit buses is at the scale and pace needed to meet market demand and achieve national climate and equity goals.

Subsequent Event

In April 2024, the Manitoba Development Corporation ("MDC") and NFI Group entered into an amended agreement on its existing Senior Unsecured Debt Facility reducing the fixed interest rate to 0% per annum, which was previously SOFR plus an applicable margin. This waiver was provided as part of the Government's efforts to support growing businesses in Manitoba within the Green Economy, and allows the Company to continue re-investing in its facilities, products, and people.

Outlook

Management anticipates continued improvements to revenue, gross profit, Adjusted EBITDA[NG] and Free Cash Flow[NG], a shift to net earnings from net loss, and improvement in ROIC[NG] over the next 12 to 24 months, as the Company ramps up production, delivers on its backlog[NG], and benefits from the growing demand for its buses, coaches, parts, and Infrastructure Solutions™ services.

Management believes market demand is evident through NFI securing record new quarterly orders of 5,421 EUs in 2024 Q1, the Company's North American active bids of 5,410 EUs, and the current five-year forecasted demand within the Company's North American bid universe of 21,350 EUs. In addition, demand within private coach and international transit markets has also seen strong growth driven by increasing ridership, travel and return to work initiatives. These demand factors are expected to drive additional new orders in 2024.

ZEB demand has remained robust, with an increased number of ZEB bids and the number of EUs per ZEB bid increasing, as transit agencies are progressing from pilot or trials to more active deployment and operation of ZEB fleets. NFI expects active ZEB bids to remain high through the coming years based on government funding levels supporting state, provincial and municipal ZEB adoption targets.

NFI is working closely with its suppliers to monitor supply chain performance, and, due to the Company's strong backlog[NG], has been able to provide longer-term production visibility to its supply base for the remainder of 2024 production and into 2025. As part of NFI's supplier development program, the Company provides a risk rating to all its key suppliers based upon their on-time delivery performance and other factors. NFI has seen a significant decline in the number of moderate and high-risk suppliers driven by a combination of overall improvements in global supply chain health and actions taken by NFI's supply and sourcing teams. The Company appointed a dedicated Vice President of Supplier Development in early 2024 who has continued to strengthen NFI's supply oversight.

In 2024 Q1, NFI continued increasing new vehicle production rates and hiring new team members to support this increase. While there has been significant positive improvement, the labour market within the United States and the UK remains challenging. NFI plans to continue to ramp up production and add personnel on a phased approach throughout 2024, with gradual headcount additions ensuring that the ramp-up is matched to consistent supply and labour availability.

Gross margins and other profitability metrics are expected to improve as production rates and bus and coach deliveries increase, WIP is reduced, and the remaining inflation-impacted legacy contracts are completed. NFI anticipates that nearly all of the remaining legacy inflation-impacted contracts will be delivered during the second quarter of 2024. The Company has seen signs of commodities and raw material costs easing and believes that contracts in NFI's backlog[NG] now reflect appropriate, inflation-adjusted costing and pricing.

Strong Government Investment for Recovery and Zero-Emission Transition

The Company's bus and coach product lines (New Flyer, ARBOC, MCI and AD) are primarily used for public transit, which remains a critical method of transportation and an economic enabler for users in cities around the world. Public transit has also been a significant and focused area of investment for governments as they seek to improve ridership access, reduce urban congestion, and achieve emissions targets. These investments increased NFI's new orders throughout 2022 and 2023, and in the first quarter of 2024.

The importance of long-term government funding in key markets cannot be understated, as it allows public transit agencies to proceed with confidence regarding their multi-year fleet replacement plans and capital asset procurements. In addition to funding, ridership trends have begun to recover. According to the APTA Ridership Trends Dashboard, bus ridership in the U.S. increased 16% in 2023 as compared to 2022, and showed recovery to almost 80% of pre-pandemic levels throughout 2023 and the first quarter of 2024. Continued recovery in ridership levels is important to support the operating costs of transit agencies, including the purchase of aftermarket parts and services.

In the U.S., the Infrastructure Investment and Jobs Act ("IIJA") signed in 2021 includes $86.9 billion over five years for the FTA; the IIJA also authorized an additional $21.2 billion in supplemental appropriations from general revenues, for a total of $108 billion in FTA funding, a 63% increase from the previous government funding act. Generally, U.S. public agencies can secure up to 80% of the capital costs for a new transit bus from FTA funds, with the remaining 20% coming from state and local sources.

NFI continues to advance discussions with industry and government to improve bus manufacturing contract structures in the United States. In February 2024, NFI participated in a White House Roundtable on Clean Bus Manufacturing, and the FTA issued a "Dear Colleague" letter to transit agencies that receive federal funding for bus purchases. *Please see the 2024 Q1 Highlights section of this MD&A for more information.*

The Canadian government has committed over C$17 billion to 2027 to support Canadian public transit. The funding includes C$1.5 billion flowing through the Canada Infrastructure Bank to support the adoption of ZEBs and charging infrastructure.

The UK government also continues to support purchases of low- and zero-emission buses, and has previously committed to introducing 4,000 zero-emission buses through its various funding programs, with several rounds of the Zero Emission Bus Regional Areas, or "ZEBRA", funding scheme having already been released. Alexander Dennis has received several customer orders for ZEBs funded by ZEBRA, but, overall, the release of UK government funding has been slower than expected. In September 2023, Alexander Dennis hosted the UK government announcement of a new £129 million funding program, ZEBRA 2; ZEBRA 2 will provide £129 million to support the introduction of ZEBs in financial years 2023 to 2024, and 2024 to 2025, via a single-stage funding competition to award funding over both financial years.

As the market leader in North American transit and coach production and the UK's leading provider of buses and coaches, management believes NFI is extremely well-positioned for both the near- and long-term based on the multi-year commitments being made by governments in all of NFI's core markets.

NFI’s private customer markets within Alexander Dennis, MCI and ARBOC continue to see recovery with volumes increasing and pricing now reflecting current input costs and inflation. The North American motor coach space has been especially positive with strong demand in the tour and charter segment.

NFI’s Aftermarket business primarily sells spare parts to public and private customers, and also provides service to private operators. The Aftermarket business has continued to deliver strong performance with increased volumes and margins in 2024 Q1 for both public and private markets in North America and internationally. As private markets continue to recover and through the execution of several large-scale mid-life vehicle programs, NFI anticipates that its Aftermarket segment will continue to generate revenue growth and strong margin contribution in 2024 and 2025, although Adjusted EBITDA[NG] margin percentages, and overall dollar contributions for the remainder of 2024, may be slightly lower than those seen in the second half of 2023.

The Company also continues to focus on growing its NFI Infrastructure Solutions™ business to assist customers in assessing their charging infrastructure requirements and to manage infrastructure procurement and project installation. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 442 plug-in and 35 overhead charger projects, for a total of 75 megawatts ("MW") charging capacity, for 65 different customers. In 2024/2025, Infrastructure Solutions™ is scheduled to deliver 142 plug-in and 42 overhead depot chargers, for a total of 34 MW. Infrastructure Solutions™ has 27 active projects under contract, with two new projects added in 2024 Q1.

Other International Markets

NFI's international expansion through Alexander Dennis is expected to continue, with plans for further growth in export markets including New Zealand, Australia, Hong Kong, and Singapore, where multi-year, multi-million-dollar funding investments are being made by governments with commitments to transition to zero-emission transportation.

Although the proposed legislation, government plans and announcements referred to above are encouraging for the future of public transit, management does not yet know how, when or if many of the proposals and funds will materialize, contracts will be awarded to the Company, or the expected impact on NFI's financial performance. NFI will continue to monitor and provide updates, as appropriate. Management anticipates that the strong underlying financial support from governments will provide significant opportunities for NFI to grow revenue from increased market demand for its products.

Financial Guidance and Targets

NFI reaffirms its financial guidance for Fiscal 2024 and targets for 2025, as disclosed on January 17, 2024 and reiterated on February 29, 2024. Please refer to the Company's February 29, 2024 press release and the 2023 Q4 and Fiscal 2023 MD&A for details on the assumptions that drive Fiscal 2024 guidance, and 2025 targets, as well as certain applicable risks.

As NFI disclosed in its fourth quarter 2023 financial results, the Company expects to deliver approximately 35% of annual Adjusted EBITDA in the first half of 2024, with approximately 65% of annual Adjusted EBITDA expected to be delivered in the second half of the year. First quarter 2024 results were in-line with these overall expectations. These seasonality expectations are based on expected production ramp up, the timing of certain ZEB deliveries, impacts of legacy inflation-impacted contracts, and sales mix.

NFI's guidance and targets are subject to the risk the current supply disruptions being extended and/or exacerbated and the risk of additional supply disruptions affecting particular key parts or components. In addition, the guidance and targets do not reflect potential escalated impact on supply chains or other factors arising directly or indirectly as a result of ongoing conflicts in Ukraine, Russia, Israel, Palestine, and the Middle East. Although NFI does not have direct suppliers in these regions, additional supply delays, possible shortages of critical components or increases in raw material costs may arise as the conflicts progress and if certain suppliers’ operations and/or subcomponent supply from affected countries are disrupted further. In addition, there may also be further general industry-wide price increases for components and raw materials used in vehicle production as well as further increases in the cost of labour and potential difficulties in sourcing an increase in the supply of labour. See Appendix B Forward Looking Statements for risks and other factors and the Company's filings on SEDAR at www.sedarplus.ca.

Selected Quarterly and Annual Financial and Operating Information

The following selected unaudited interim condensed consolidated financial and operating information of the Company has been derived from and should be read in conjunction with the historical and current Financial Statements of the Company.

($ thousands, except per Share figures)						
Fiscal Period	Quarter	Revenue	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[NG]	Earnings (loss) per Share
2024						
	Q1	722,749	10,651	(9,414)	33,936	(0.08)
	Total	**722,749**	**10,651**	**(9,414)**	**33,936**	**(0.08)**
2023						
	Q4	791,631	25,555	(2,329)	38,455	(0.02)
	Q3	709,620	(13,760)	(39,926)	11,167	(0.42)
	Q2	659,569	(11,297)	(48,101)	12,178	(0.62)
	Q1	524,411	(21,749)	(45,964)	7,409	(0.60)
	Total	**2,685,231**	**(21,251)**	**(136,164)**	**69,209**	**(1.48)**
2022						
	Q4	689,353	(142,144)	(152,405)	(7,094)	(1.98)
	Q3	514,047	(41,051)	(40,167)	(13,281)	(0.53)
	Q2	397,952	(63,497)	(56,009)	(20,624)	(0.73)
	Q1	459,330	(41,481)	(27,795)	(16,660)	(0.36)
	Total	**2,060,682**	**(288,173)**	**(276,376)**	**(57,659)**	**(3.58)**

Comparison of First Quarter 2024 Results

($ thousands)	2024 Q1	2023 Q1
Statement of Earnings Data		
Revenue		
North America	435,473	305,089
United Kingdom and Europe	123,913	80,131
Asia Pacific	3,499	832
Manufacturing operations	562,885	386,052
North America	127,147	110,275
United Kingdom and Europe	25,410	22,133
Asia Pacific	7,307	6,674
Aftermarket operations	159,864	139,082
Total revenue	$ 722,749	$ 525,134
Earnings (loss) from operations	$ 10,651	$ (21,749)
Earnings (loss) before interest and income taxes	$ 15,211	$ (21,308)
Net Loss	$ (9,414)	$ (45,964)
Adjusted EBITDA[NG]	$ 33,936	$ 7,409
Cash capital expenditures	$ 8,212	$ 2,987

Results of Operations

The discussion below with respect to revenue, operating costs, expenses, and earnings from operations has been divided between the Manufacturing and Aftermarket operations segments.

Revenue

($ thousands)	2024 Q1	2023 Q1
Manufacturing Revenue	562,885	386,052
Aftermarket Revenue	159,864	139,082
Total Revenue	722,749	525,134
Earnings (loss) from Operations	10,651	(21,749)
Earnings (loss) before interest and income taxes	15,211	(21,308)
Loss before income tax expense	(15,443)	(53,526)
Net Loss	(9,414)	(45,964)

Manufacturing revenue for 2024 Q1 increased by $176.8 million, or 45.8%, compared to 2023 Q1. 2024 Q1 revenues increased as a result of increased deliveries during the period.

Aftermarket revenue for 2024 Q1 increased by $20.8 million, or 14.9% compared to 2023 Q1. The increase in revenue is due to higher sales volume as the Aftermarket segment has experienced an increase in demand during the respective periods. Aftermarket sales were higher across each region.

Cost of sales

($ thousands)	2024 Q1	2023 Q1
Manufacturing		
Direct cost of sales	457,975	320,582
Depreciation and amortization	18,139	18,389
Other overhead	65,954	52,899
Manufacturing cost of sales	542,068	391,870
As percent of Manufacturing Sales	96.3 %	101.5 %
Aftermarket		
Direct cost of sales	108,634	94,515
Depreciation and amortization	3,098	2,512
Aftermarket cost of sales	111,732	97,027
As percent of Aftermarket Sales	69.9 %	69.8 %
Total Cost of Sales	653,800	488,897
As percent of Sales	90.5 %	93.1 %

The consolidated cost of sales for 2024 Q1 increased by $164.9 million, or 33.7%, compared to 2023 Q1.

Cost of sales from Manufacturing operations in 2024 Q1 was $542.1 million (96.3% of Manufacturing operations revenue) compared to $391.9 million (101.5% of Manufacturing operations revenue) in 2023 Q1, an increase of $150.2 million, or 38.3%. The increase in 2024 Q1 was driven by higher new vehicle deliveries. Cost of sales decreased as a percentage of revenue in 2024 Q1, mainly due to an improvement in operational efficiencies that has resulted from improved supply availability and easing inflation pressures.

Cost of sales from Aftermarket operations in 2024 Q1 was $111.7 million (69.9% of Aftermarket revenue) compared to $97.0 million (69.8% of Aftermarket revenue) in 2023 Q1, an increase of 15.2%. The increase in cost of sales is proportional to the 14.9% increase in Aftermarket revenues. Cost of sales increase is primarily due to increased sales, and favourable product mix. Also contributing is mitigated inflationary impacts on labour, freight costs, and surcharges.

Gross Margins

($ thousands)	2024 Q1	2023 Q1
Manufacturing	20,817	(5,818)
Aftermarket	48,132	42,055
Total Gross Margins	68,949	36,237
As a percentage of sales		
Manufacturing	3.7 %	(1.5 %)
Aftermarket	30.1 %	30.2 %
	9.5 %	6.9 %

Manufacturing gross margin for 2024 Q1 of $20.8 million (3.7% of Manufacturing revenue), increased by $26.6 million compared to a negative gross margin of $5.8 million ((1.5)% of Manufacturing revenue) for 2023 Q1.

Manufacturing gross margin increased as a percentage of revenue in 2024 Q1, mainly due to an improvement in operational efficiencies that has resulted from improved supply availability and easing inflation pressures. A healthier supply chain is now allowing higher production volumes, resulting in less fixed overhead on a per unit basis.

Aftermarket gross margins for 2024 Q1 of $48.1 million (30.1% of Aftermarket revenue) increased by $6.1 million, or 14.5%, compared to 2023 Q1 gross margins of $42.1 million (30.2% of Aftermarket revenue). The increase in gross margins and gross margins as a percentage of revenue are mainly due to increased sales, favourable product mix and the mitigated inflationary impacts on the costs of labour, freight and surcharges.

Selling, general and administrative costs and other operating expenses ("SG&A")

($ thousands)	2024 Q1	2023 Q1
Selling expenses	7,818	6,774
General and administrative expenses	49,212	50,983
Total SG&A	57,030	57,757

The consolidated SG&A for 2024 Q1 of $57.0 million (7.9% of consolidated revenue) decreased by $0.7 million, or 1.3%, compared to $57.8 million (11.0% of consolidated revenue) in 2023 Q1.

Consolidated SG&A decreased in 2024 Q1 primarily due to decreased professional services. These decreases in Consolidated SG&A were partially offset by increased selling expenses incurred to support the increase in production.

Realized foreign exchange loss/gain

In 2024 Q1, the Company recorded a realized foreign exchange loss of $1.3 million compared to a loss of $0.2 million in 2023 Q1.

The Company uses foreign exchange forward contracts to buy various currencies in which it operates with U.S. dollars, Canadian dollars and GBP. The purchase of these currencies using foreign exchange forward contracts at unfavorable forward rates compared to the spot rates at settlement were the primary reason for the losses in the fiscal period.

Earnings/Loss from operations

Consolidated earnings from operations in 2024 Q1 were $10.7 million (1.5% of consolidated revenue) compared to losses of $21.7 million ((4.1)% of consolidated revenue) in 2023 Q1, an improvement of $32.4 million, or 149.0%.

In 2024 Q1, losses from operations attributable to the Manufacturing segment were $19.4 million ((3.5)% of Manufacturing revenue) compared to losses of $49.1 million ((12.7)% of Manufacturing revenue) in 2023 Q1. The decreased loss as a percentage of revenue is attributable to increased new vehicle deliveries, and a reduction in operational inefficiencies resulting from supply chain challenges.

Earnings from operations related to Aftermarket operations in 2024 Q1 were $32.7 million (20.5% of Aftermarket revenue) compared to $24.8 million (17.8% of Aftermarket revenue) in 2023 Q1. Earnings from Aftermarket operations increased due to favourable sales mix and a reduction of inflationary impacts on the cost of labour, freight, and surcharges.

Unrealized foreign exchange gain (loss)

The Company has recognized a net unrealized foreign exchange gain (loss) consisting of the following:

($ thousands)	2024 Q1	2023 Q1
Unrealized gain (loss) on forward foreign exchanges contracts	1,196	(6,631)
Unrealized gain on other long-term monetary assets/liabilities	4,295	7,055
	5,491	424

At March 31, 2024, the Company had $21.5 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, and GBP). The related asset of $0.2 million (December 31, 2023: $1.5 million liability) is recorded on the unaudited interim condensed consolidated statements of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net loss and total comprehensive loss.

Earnings (loss) before interest and income taxes (“EBIT”)

In 2024 Q1, the Company recorded EBIT of $15.2 million compared to an EBIT loss of $21.3 million in 2023 Q1. The improvement in EBIT was driven by increased vehicle deliveries, revenues explained above.

Interest and finance costs

The interest and finance charges for 2024 Q1 of $30.7 million decreased by $1.6 million compared to $32.2 million in 2023 Q1.

The decrease is primarily due to fair market value gains on adjustments to the Company’s interest rate swap, cash conversion options, and prepayment option on second-lien debt. These reductions in interest and finance costs were offset by higher interest cost on long-term debt. Higher interest rates on components of the Company's debt, which has decreased since 2023 Q1, as described in the Capital Allocation section of this MD&A.

The Company had a fair market value gain on its interest rate swap of $1.5 million in 2024 Q1 compared to a loss of $5.5 million in 2023 Q1. The Company’s cash conversion options had a fair market value gain of $4.0 million compared to a gain of $2.6 million in 2023 Q1. The fair market value gain on the Company’s prepayment option was $2.6 million compared to $nil in 2023 Q1.

On July 20, 2023, the Company extinguished its interest rate swap contracts (valued at $20.2 million asset at the end of 2023 Q2) for total proceeds of $18.4 million. NFI's equity hedge (valued at $2.6 million liability at the end of 2023 Q2) was settled and removed from liabilities on the balance sheet.

On January 26, 2024, NFI entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%. Please see note 16 of the unaudited interim condensed consolidated financial statements for disclosure of financial instruments and risk management.

Earnings (loss) before income taxes (“EBT”)

EBT loss for 2024 Q1 of $15.4 million decreased by $38.1 million compared to EBT loss of $53.5 million in 2023 Q1. The primary drivers of the changes of EBT are addressed in the Earnings (loss) from Operations and interest and finance costs sections above.

Income tax recovery

The income tax recovery for 2024 Q1 was $6.0 million compared to $7.6 million in 2023 Q1. The decreased income tax recovery was primarily due to decreased losses before taxes, and the detrimental impact due to non-recognition of deferred tax assets associated with restricted interest in the UK. This detrimental impact is offset by partial recognition of previously unrecognized deferred tax assets associated with Canadian loss carryforwards.

The Effective Tax Rate ("ETR") for 2024 Q1 was 39.0% and the ETR for 2023 Q1 was 14.1%. The 2024 Q1 ETR is positively impacted by the partial recognition of previously unrecognized deferred tax assets associated with Canadian loss carryforwards, offset by the detrimental impact due to non-recognition of deferred tax assets associated with restricted interest in the UK.

Net loss

The Company reported net losses of $9.4 million in 2024 Q1, a decrease of $36.6 million, or 79.6%, compared to net losses of $46.0 million in 2023 Q1. The decrease in net loss is primarily due to increases in the Company's earnings from operations and decreases to interest and finance costs, previously discussed above.

Net loss ($ millions, except per Share figures)	2024 Q1	2023 Q1
Earnings (loss) from operations	10.7	(21.7)
Gain on disposition of property, plant and equipment	0.1	-
Impairment loss on intangible assets	(1.0)	-
Unrealized foreign exchange gain on monetary items	5.5	0.4
Interest and finance costs	(30.7)	(32.2)
Income tax recovery	6.0	7.6
Net Loss	(9.4)	(46.0)
Net loss per Share (basic)	(0.08)	(0.60)
Net loss per Share (fully diluted)	(0.08)	(0.60)

The Company recorded net loss per Share for 2024 Q1 of $0.08 compared to net loss per Share of $0.60 in 2023 Q1. The per Share net loss improved in 2024 Q1 as a result of a decreased loss during the period, and an increase in the outstanding number of Shares as discussed below.

Cash Flow

The cash flows of the Company are summarized as follows:

($ thousands)	2024 Q1	2023 Q1
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	33,958	3,244
Interest paid	(33,181)	(29,246)
Income taxes recovered	3,005	1,367
Cash flow provided by (invested in) working capital	9,573	(41,744)
Net cash generated by (used in) operating activities	13,355	(66,379)
Net cash generated by financing activities	17,432	97,915
Net cash used in investing activities	(10,348)	(22,333)

Cash flows from operating activities

The 2024 Q1 net operating cash generated by operating activities of $13.4 million was mainly comprised of $3.8 million of net cash earnings and $9.6 million of cash provided by working capital. The 2023 Q1 net cash used in operating activities of $66.4 million was comprised of $24.6 million of net cash loss and $41.7 million of cash invested in working capital.

Cash flow from financing activities

The cash generated by financing activities of $17.4 million during 2024 Q1 was comprised mainly of proceeds received from the Company's Secured Facilities[1], totaling $23.9 million offset by repayments made to obligations under lease of $6.5 million. Net cash generated by financing activities decreased by $80.5 million from 2023 Q1. The decrease is due to proceeds from the Company's senior unsecured debt facilities that occurred in 2023 Q1.

Cash flow from investing activities

($ thousands)	2024 Q1	2023 Q1
Acquisition of intangible assets	(2,856)	(1,461)
Proceeds from disposition of property, plant and equipment	720	139
Long-term restricted deposits	-	(18,024)
Acquisition of property, plant and equipment	(8,212)	(2,987)
Cash used in investing activities	(10,348)	(22,333)

Cash used in investing activities was lower in 2024 Q1, primarily due to decreased investment in long-term restricted deposits, which did not occur in 2024 Q1, offset by increased investments in property, plant and equipment and intangible assets. Long-term restricted deposits are collateral for a certain amount of the Company's letters of credit.

Credit risk

Financial instruments which potentially subject the Company to credit risk and concentrations of credit risk consist principally of cash, accounts receivable and derivatives. Management believes that the credit risk associated with accounts receivable is mitigated by the significant proportion of counterparties that are well established public transit authorities. Additionally, the U.S. federal government funds a substantial portion of U.S. public sector customer payments - up to 80% of the capital cost of new transit buses, coaches or cutaways - while the remaining 20% comes from state and municipal sources. There are a few U.S. public sector customers that obtain 100% of their funding from state and municipal sources. The maximum exposure to the risk of credit for accounts receivables corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the customer base being principally comprised of municipal and other local transit authorities.

The purchase of new coaches, transit buses or cutaways by private fleet operators is paid from the operators' own capital budgets and funded by their own cash flow or third party financing. A significant portion of private fleet operators choose to finance new coach purchases with lending organizations. In some cases, MCI assists in arranging this financing. The Company has experienced a nominal amount of bad debts with its private sales customers as most transactions require payment on delivery. Management has not observed, and does not anticipate, significant changes to credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within SG&A. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against SG&A in the unaudited interim condensed consolidated statements of net loss and total comprehensive loss.

The following table details the aging of the Company's receivables and related allowance for doubtful accounts:

$ thousands		March 31, 2024		December 31, 2023
Current, including holdbacks	$	433,763	$	438,165
Past due amounts but not impaired				
1 – 60 days		22,542		20,123
Greater than 60 days		8,838		8,669
Less: allowance for doubtful accounts		(613)		(604)
Total accounts receivables, net	$	464,530	$	466,353

The counterparties to the Company's derivatives are chartered Canadian banks and international financial institutions. The Company could be exposed to loss in the event of non-performance by the counterparty. However, credit ratings and concentration of risk of the financial institutions are monitored on a regular basis.

Commitments and Contractual Obligations

The following table describes the Company's maturity analysis of the undiscounted cash flows of leases and accrued benefit liabilities as at March 31, 2024:

$ thousands	Total	2024	2025	2026	2027	2028	Post 2028
Leases	210,218	20,372	22,690	19,623	17,924	12,134	117,475
Accrued benefit liability	3,181	3,181					
	213,399	23,553	22,690	19,623	17,924	12,134	117,475

As at March 31, 2024, outstanding surety bonds guaranteed by the Company totaled $370.5 million (December 31, 2023: $312.7 million). The estimated maturity dates of the surety bonds outstanding at March 31, 2024 range from April 2024 to December 2039. Management believes that adequate facilities exist to meet projected surety requirements.

The Company has not recorded a liability under these guarantees as management believes that no material events of default exist under any applicable contracts with customers.

Under the North American Secured Facility[1], the Company has established a letter of credit sub-facility of $150.0 million (December 31, 2023: $150.0 million). As at March 31, 2024, letters of credit totaling $103.1 million (December 31, 2023: $96.6 million) remain outstanding as security for contractual obligations of the Company under the North American Secured Facility[1]. This decrease is primarily driven by collateral requirements provided to support bonds associated with new contracts.

The Export Development Canada ("EDC") facility includes two credit facilities of up to $125 million, to support supply chain financing ("supply chain financing facility") for $50 million and surety and performance bonding requirements for new contracts ("Guarantee Facility") for up to $125 million. The Guarantee Facility is made up of an Account Performance Security Guarantee ("PSG") up to $50 million and Surety Reinsurance Support up to $125 million. The aggregate amount of the Guarantee Facility cannot exceed $125 million.

The PSG program is in place to cover a standby letter of credit or letter of guarantee (in each case an "LOC"), required as part of a collateral package provided to support a surety facility where the new bonding capacity is a minimum of at least twice the face value of the LC. The underlying surety facility must only be supporting surety bonds required under contracts entered into by the NFI, and where such Surety Bonds are bid bonds, performance bonds, regulatory bonds, license and permit bonds.

As at March 31, 2024, there was $101.3 million (December 31, 2024: $74.2 million) outstanding under the bonding support facility.

As at March 31, 2024, letters of credit in the UK totaling $11.2 million remained outstanding as a security for contractual obligations of the Company outside of the UK facility (December 31, 2023: $18.7 million). Additionally, there were $38.0 million (December 31, 2023: $45.8 million) of letters of credit outstanding outside of the Secured Facility[1].

Management believes that the Company was in compliance in all material respects with all applicable contractual obligations as at March 31, 2024. The Company has not provided for any costs associated with these letters of credit.

The Company does not have any off-balance sheet arrangement or any material capital asset commitments at March 31, 2024.

Through the normal course of operations, the Company has guaranteed payments and residual values to third party lenders on behalf of customers. As at March 31, 2024, the Company had guaranteed $2.3 million (December 31, 2024: $2.4 million) of these arrangements. The Company has not provided for any of these costs, as it does not believe they will have to pay out on any of these arrangements.

Footnotes:
1. As described in the Capital Allocation section on page 23.
2. As described in the Capital Allocation section on page 23.

Share Option Plan

The Board adopted a Share Option Plan (the "2013 Option Plan") for NFI on March 21, 2013, under which certain employees of NFI and certain of its affiliates may receive grants of options for Shares. The 2013 Option Plan was amended and restated on December 8, 2015, December 31, 2018 and August 5, 2020. Directors who are not employed with NFI are not eligible to participate in the 2013 Option Plan. A maximum of 3,600,000 Shares are reserved for issuance under the 2013 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date. The 2013 Option Plan expired on March 21, 2023, at which point no new options can be granted under the 2013 Option Plan.

The Board adopted a new share option plan on March 12, 2020 (the "2020 Option Plan"), which was approved by shareholders on May 7, 2020, and amended on August 5, 2020, under which certain employees of NFI and certain of its affiliates may receive grants of options for Shares. Directors who are not employed with NFI are not eligible to participate in the 2020 Option Plan. A maximum of 3,200,000 Shares are reserved for issuance under the 2020 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

The following reconciles the Share options outstanding:

	2024 Q1		2023 Q1	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	2,018,117	C$26.00	1,910,057	C$27.41
Granted during the period	317,729	C$13.52	374,448	C$10.46
Expired during the period	(223,316)	C$26.59	(12,599)	C$31.84
Exercised during the period	—	C$0.00	—	C$0.00
Balance at end of period	2,112,530	C$24.06	2,271,906	C$24.60

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company's Restricted Share Unit Plan for Non-Employee Directors, a maximum of 500,000 Shares are reserved for issuance to non-employee directors. The Company issued 15,416 director restricted share units ("Director RSUs"), with a total value of $0.2 million, in 2024 Q1. Approximately $0.3 million of the issued Director RSUs were exercised and exchanged for 23,741 Shares.

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2 of the unaudited interim condensed consolidated financial statements.

New and amended standards adopted by the Company

During the period, the Company adopted the following accounting standards:

International Accounting Standards ("IAS") 1 - Presentation of Financial Statements:

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020 and October 2022, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and that the Company is in compliance with the required disclosure.

IAS 7 & IFRS 7 – Supplier financing arrangements - disclosures

In May 2023, the International Accounting Standards Board ("IASB") issued the final amendments to IAS 7 and IFRS 7 which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and provide additional disclosure requirements for supplier finance arrangements including disclosure of the terms and conditions, range of payment due dates, and liquidity risk information. The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet must also be disclosed.

First time adoption of the disclosure requirements under IAS 7 and IFRS 7 will be for the fiscal period ending December 29, 2024.

Capital Allocation Policy

The Company has established a capital allocation policy based on an operating model intended to provide consistent and predictable cash flow and maintain a strong balance sheet. This policy has established guidelines that are reviewed by the Board on a quarterly basis and provides targets for maintaining financial flexibility, business investment, and return of capital to shareholders.

Maintaining Financial Flexibility

The Company plans to prudently use leverage to manage liquidity[NG] risk. Liquidity[NG] risk arises from the Company's financial obligations and from the management of its assets, liabilities, and capital structure. This risk is managed by regularly evaluating the liquid financial resources to fund current and long-term obligations, and to meet the Company's capital commitments in a cost-effective manner.

The main factors that affect liquidity[NG] include sales mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of long-term debt obligations, interest costs, funding requirements of the Company's pension plans, income taxes, credit capacity, letters of credit for surety bonds, expected future debt and equity capital market conditions.

The Company's liquidity[NG] requirements are met through a variety of sources, including cash on hand, cash generated from operations, secured facilities (see below), leases, and debt and equity capital markets. While management expects that the Company will have sufficient liquidity[NG] to continue operations in the ordinary course, it is possible that unexpected events could significantly impair the Company's liquidity[NG] and there can be no assurance that the Company would be able to obtain additional liquidity[NG] when required in such circumstances. Please refer to Appendix A of this MD&A for identified liquidity risks.

At March 31, 2024, the Company has convertible debentures outstanding of C$338 million ("Debentures"). The Debentures may be converted in whole or in part from time to time at the holder's option into 30.1659 Shares for each C$1,000 principal amount of Debentures, representing a conversion price of approximately C$33.15 per Share and total potential conversion of 10,196,074 shares.

On December 29, 2022, the Company amended the North American credit facility and the UK credit facility (together the "Amended Facilities"). Amendments provided relief from previous key financial covenants (Total Leverage Ratio ("TLR")[NG], Minimum Adjusted EBITDA[NG] and Interest Coverage Ratio ("ICR")[NG]) for the fourth quarter of 2022 and the first two quarters of 2023 ending June 30, 2023 (the "Waiver Period") to provide the Company with relaxed covenants as the Company navigated supply chain disruptions, heightened inflation and other impacts of the COVID-19 pandemic. This Waiver Period was extended to August 31, 2023, in order for the Company to finalize the comprehensive refinancing plan ("Refinancing"; see below). During the Waiver Period, the Company was subject to a Total Net Debt to Capitalization ("TNDC") ratio[NG], starting in January 2023, and a minimum Adjusted EBITDA[NG] covenant starting in March 2023. The terms of the Amended Facilities imposed restrictions over the declaration and payment of dividends until the Waiver Period had ended.

On January 20, 2023, the Company entered into agreements with Manitoba Development Corporation ("MDC") for a C$50 million debt facility for general corporate purposes, and EDC for credit facilities of up to $150 million to support supply chain financing ($50 million) and surety and performance bonding requirements for new contracts (up to $100 million), as discussed in the Commitments and Contractual Obligations section of the Results from Operations section.

The Company entered into an agreement for up to C$10,000,000 in interest-free financing through PrairiesCan, part of the Government of Canada, to support facility enhancements and zero-emission product growth. The financing matures on March 1, 2030.

On August 25, 2023, NFI announced that it had closed its Refinancing. Through the Refinancing, the following changes to the profile and capacity of the Amended Facilities (now referred to as the "Secured Facilities") were effected:

- The $1.0 billion revolving North American Facility converted to a $400 million first lien term loan and a $361 million first lien revolving credit facility (total combined borrowing capacity of $761 million).
- The £40 million revolving UK Facility converted to a £16.0 million term loan and a £14.4 million revolving credit facility (total combined borrowing capacity of £30.4 million).

As part of the Refinancing, the Company:

- completed a private placement on August 25, 2023, of common shares with Coliseum Capital Management for 21,656,624 Shares at a subscription price of $6.1567 per Share (the "Subscription Price") for total proceeds to the Company of $133.3 million.
- completed a private placement on August 25, 2023, with a leading global asset manager for 5,000,000 Shares at a subscription price of C$10.10 per Share for aggregate gross proceeds to NFI of C$50,500,000 (approximately $37.2 million).

- issued 15,102,950 subscription receipts on June 6, 2023, at a price of C$8.25 per Subscription Receipt, for aggregate gross proceeds to NFI of approximately C$125.9 million (approximately $93.1 million), inclusive of interest earned in escrow. Each subscription receipt was redeemed for 1 Share after the Refinancing closed, on August 25, 2023.

- extended the maturity of MDC's and EDC's Senior Unsecured Debt facilities to April 30, 2026; with a $25.0 million permanent repayment of the EDC facility.

As part of the Refinancing, NFI's completed $180.4 million Second Lien Financing which included the following terms:

- a five-year term and a 97% original issue discount ("OID"), generating net proceeds of $175.0 million, before fees and commissions;
- annual coupon of 14.5%, payable semi-annually; and
- callable at 100% of face value with applicable premium for the first 12 months, callable at 106% of face value for months 13 to 24, callable at 103% of face value for months 25 to 36 and callable at par from 36 months onwards.

The Second Lien debt is financed by funds and accounts managed by Coliseum Capital Management LLC. Coliseum Capital Management has also participated in an equity transaction with the Company. Please refer to note 11 of the unaudited interim condensed consolidated financial statements. The Second Lien Financing is a senior secured second lien obligation of NFI and certain material subsidiaries, that ranks behind the Secured Facilities and all other first lien secured indebtedness of NFI and such subsidiaries, ranks ahead of any subordinated obligations of NFI and its subsidiaries, and, by virtue of being secured, ranks ahead of any unsecured obligations.

Secured Facilities capacity change following refinancing

($ thousands)	*Pre-Transaction*	*Change*	*Post-Transaction*
North American Facility			
Revolving credit facility	$ 1,000,000	$ (639,000)	$ 361,000
First lien term loan		400,000	400,000
UK Facility			
Revolving credit facility	$ 50,796	$ (32,668)	$ 18,128
First lien term loan		20,418	20,418
Total Capacity	**$ 1,050,796**	**$ 251,251**	**$ 799,545**
Minimum Banking Liquidity[NG]	$ (25,000)	$	$ (50,000)
Total Available Liquidity[NG]	**$ 1,025,796**	$	**$ 749,545**

The details of the covenants under the Secured Facilities are as follows:

	Total Leverage Ratio[NG]	Interest Coverage Ratio[NG]	Total Net Debt to Capitalization[NG]	Minimum Cumulative Adjusted EBITDA[NG]	Minimum Banking Liquidity[NG]	Senior Secured Net Leverage Ratio[NG]
March 2024	Waived	Waived	<0.65:1.00	>$47,000	$50,000	Waived
2024 Q2	Waived	Waived	<0.65:1.00	>$105,000	$50,000	Waived
2024 Q3	<6.00x	>1.25x	N/A	N/A	$50,000	<4.50x
2024 Q4	<4.75x	>1.50x	N/A	N/A	$50,000	<3.50x
2025 Q1	<4.75x	>1.75x	N/A	N/A	$50,000	<3.50x
2025 Q2	<4.25x	>2.00x	N/A	N/A	$50,000	<3.25x
2025 Q3	<4.25x	>2.25x	N/A	N/A	$50,000	<3.25x
2025 Q4 and after	<3.75x	>2.50x	N/A	N/A	$50,000	<3.00x

$ thousands	March 31, 2024	December 31, 2023
Banking Covenant Liquidity[NG] Position (must be greater than $50 million)	$ 166,269	$ 170,131
Minimum Cumulative Adjusted EBITDA[NG] (must be greater than $47,000 [2023: ($3,000)])	$ 82,935	$ 53,516
Net Debt to Capital Ratio[NG] (must be less than 0.65:1.00 [2023: 0.65:1.00])	0.39	0.39

As of March 31, 2024, NFI's banking covenant liquidity[NG] was $166.3 million, without consideration given to the minimum banking liquidity[NG] requirement of $50 million under the Secured Facilities. As part of the Company's efforts to improve working capital and liquidity[NG], the Company requested prepayments and deposits from certain customers. NFI expects that its total Liquidity[NG] position may decrease slightly during the second quarter of 2024 as WIP and finished goods inventory balances increase as production rates increase. The Company remains focused on cash and liquidity management, including efforts to accelerate deliveries and customer acceptances, accelerating customer payments through the pursuit of advance payments and deposits wherever possible, and improving supplier payment terms. As of March 31, 2024, the Company has received $89.0 million in deferred revenue and is continuing to work with other customers to help alleviate working capital required to support the transition to ZEB and increased production while the Company navigates through the supply chain challenges.

The Company believes that its cash position and capacity under its Secured Facilities, combined with anticipated future cash flows and access to capital markets, will be sufficient to fund operations, meet financial obligations as they come due, and provide the funds necessary for capital expenditures, and other operational needs. See Outlook and Appendix A.

The Company remains focused on deleveraging its balance sheet and returning to its target leverage of 2.0x to 2.5x total debt to Adjusted EBITDA[NG]. Management had originally expected the Company to return to those levels following the acquisition of Alexander Dennis in May 2019, but the impact of COVID-19, inflation, higher rates of interest and the continuing supply chain disruptions and associated production inefficiencies, extended the anticipated timing of deleveraging. Management believes it will achieve its longer-term leverage targets as the Company delivers on its backlog[NG], and benefits from record government investments in public transportation, and growing demand for its buses, coaches, parts and Infrastructure Solutions™ services. The reduction in leverage will also be driven by increased production rates, the anticipated stabilization of parts and components supply, and the focus on reducing working capital.

Compliance with financial covenants is reviewed monthly by management and reported quarterly to the Board. Other than the requirements imposed by borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on a quarterly basis or when strategic capital transactions arise.

Business Investment

The Company plans to invest in the current business for future growth and will continue to invest in common systems and LEAN manufacturing operations to improve quality and cost effectiveness, while also investing to expand the Company's expertise in ZEBs, Infrastructure Solutions™, and Advanced Driver Assistance Systems ("ADAS") and automated vehicles. The Company has made significant investments in its ZEB production capabilities to be prepared for the expected evolution to a more electrified fleet. New Flyer now has the capability to manufacture ZEBs at all of its North American facilities. Alexander Dennis is the market leader in ZEBs with production capabilities at all of its UK facilities, MCI has invested in its electric coach offering for both public and private customers, and ARBOC is developing its medium-duty Equess CHARGE™ electric bus and exploring potential electric cutaway platforms.

In November 2022, Alexander Dennis announced that several of its vehicles will now offer its next-generation electric chassis, driveline and battery system. Alexander Dennis has secured orders in the UK using this new technology, and, in 2023 Q2, Alexander Dennis delivered its first battery-electric buses to key customers in Hong Kong. On October 4, 2023, NFI announced the launch of its next-generation battery technology for the North American market with supplier partner, American Battery Solutions. NFI has begun using its new custom battery packs for heavy-duty transit buses and coaches in North America. In Fiscal 2023, Alexander Dennis unveiled its next generation electric buses for the UK and Ireland, with the new Enviro100EV small bus and the Enviro400EV double-decker. These vehicles will utilize the future-proof battery systems developed in partnership with Impact Clean Power Technology. First deliveries of these new vehicles are began in the first quarter of 2024. To support customers making the transition to zero-emission fleets, NFI launched its Infrastructure Solutions™ business in 2018.

The Company has automated bus projects in development with specialized partners who have expertise of artificial intelligence and ADAS. As part of this program to advance automated vehicles and ADAS, on January 29, 2021, NFI announced the launch of the New Flyer Xcelsior AV™, North America's first automated Level 4 transit bus. Alexander Dennis continues to advance its autonomous bus programs in the United Kingdom with ongoing pilot programs in Scotland. NFI has also made numerous investments into telematics solutions to assist customers to track detailed performance and maintenance metrics associated with their vehicles.

The Company's capital allocation priorities are currently focused on product development, deleveraging, strengthening its balance sheet and supporting the recovery of operations. While the Company will consider business acquisitions and partnerships that will further grow and diversify the business and contribute to long-term competitiveness, its current focus remains on internal initiatives, that support deleveraging efforts. In addition, there are covenants under the Secured Facilities that limit the Company's ability to make acquisitions, pay dividends and invest in capital expenditures. Investment decisions are based on several criteria, including but not limited to: investment required to maintain or enhance operations; enhancement of cost effectiveness through vertical integration of critical supply and sub-assembly in-sourcing; and acquisitions in current or adjacent markets that are considered accretive to the business.

Return of Capital to Shareholders

The Company intends to have a Share dividend policy that is consistent with the Company's financial performance and the desire to retain certain cash flows to support the ongoing requirements of the business and to provide the financial flexibility to pursue revenue diversification and growth opportunities. Under the terms of the Secured Facilities, the Company is not permitted to declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with Secured Facility covenants.

The Company's 2024 Q1 Free Cash Flow[NG] was (C$29.1) million, with no dividends declared during this period. For 2023 Q1, Free Cash Flow[NG] was (C$39.0) million and no dividends were declared during the period.

Non-IFRS and Other Financial Measures

This MD&A is based on reported earnings in accordance with IFRS and on the following non-IFRS and other financial measures:

Adjusted EBITDA[NG] and Net Operating Profit after Taxes[NG]

Management believes that Adjusted EBITDA[NG], and Net Operating Profit After Taxes ("NOPAT")[NG] are important measures in evaluating the historical operating performance of the Company. However, Adjusted EBITDA[NG] and NOPAT[NG] are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Adjusted EBITDA[NG] and NOPAT[NG] may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted EBITDA[NG] should not be construed as an alternative to net earnings or loss determined in accordance with IFRS and NOPAT[NG] should not be construed as an alternative to earnings (loss) from operations determined in accordance with IFRS as an indicator of the Company's performance.

The Company defines Adjusted EBITDA[NG] as earnings before interest, income tax, depreciation and amortization after adjusting for the effects of certain non-recurring, non-operating, and items occurring outside of normal operations that do not reflect the current ongoing cash operations of the Company. These adjustments are provided in the following table reconciling net earnings or losses to Adjusted EBITDA[NG] based on the historical Financial Statements of the Company for the periods indicated.

The Company defines NOPAT[NG] as Adjusted EBITDA[NG] less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%.

($ thousands)	2024 Q1	2023 Q1	52-Weeks Ended March 31, 2024	53-Weeks Ended April 2, 2023
Net loss	(9,414)	(45,964)	(99,770)	(294,545)
Addback				
Income taxes	(6,029)	(7,562)	(31,373)	(46,238)
Interest expense[10]	30,654	32,218	150,834	78,341
Amortization	21,237	20,901	81,116	86,045
(Gain) loss on disposition of property, plant and equipment and right of use assets	(97)	(17)	709	(209)
Gain on debt modification[15]	-	-	(8,908)	-
Unrealized foreign exchange gain on non-current monetary items and forward foreign exchange contracts	(5,491)	(424)	(1,371)	(5,790)
Past service costs and other pension costs[7]	-	4,764	(7,000)	11,764
Equity settled stock-based compensation	389	409	2,597	1,470
Unrecoverable insurance costs and other[8]	144	-	1,037	8,078
Expenses incurred outside of normal operations[12]	-	1,246	920	5,007
Prior year sales tax provision[9]	-	-	101	-
Out of period costs[11]	-	-	-	(1,597)
Impairment loss on goodwill[13]	-	-	-	103,900
Impairment loss on intangible assets[14]	1,028	-	1,028	-
Restructuring costs[6]	1,515	1,838	5,816	20,185
Adjusted EBITDA[NG]	33,936	7,409	95,736	(33,590)
Depreciation of property, plant and equipment and right of use assets	(13,056)	(13,036)	(49,390)	(54,837)
Tax at 31%	(6,473)	1,744	(14,367)	27,412
NOPAT[NG]	14,407	(3,883)	31,979	(61,014)
Adjusted EBITDA[NG] is comprised of:				
Manufacturing	(2,219)	(23,093)	(21,199)	(132,798)
Aftermarket	37,457	29,462	128,182	92,782
Corporate	(1,302)	1,040	(11,247)	6,426

(Footnotes on page 29)

Free Cash Flow[NG] and Free Cash Flow per Share[NG]

Management uses Free Cash Flow[NG] and Free Cash Flow per Share[NG] as non-IFRS measures to evaluate the Company's operating performance and liquidity[NG], to assess the Company's ability to pay dividends on the Shares, service debt, pay interest on the Debentures and meet other payment obligations. However, Free Cash Flow[NG] and Free Cash Flow per Share[NG] are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Free Cash Flow[NG] and the associated per Share figure may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Free Cash Flow[NG] should not be construed as an alternative to cash flows from operating activities determined in accordance with IFRS as a measure of liquidity[NG] and cash flow. The Company defines Free Cash Flow[NG] as net cash generated by or used in operating activities adjusted for changes in non-cash working capital items and adjusted for items as shown in the reconciliation of net cash generated by operating activities (an IFRS measure) to Free Cash Flow[NG] based on the Company's historical Financial Statements.

The Company generates its Free Cash Flow[NG] 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 Secured Facilities to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow[NG].

The Company defines Free Cash Flow per Share[NG] as Free Cash Flow[NG] divided by the average number of Shares outstanding.

($ thousands, except per Share figures)	2024 Q1	2023 Q1	52-Weeks Ended March 31, 2024	53-Weeks Ended April 2, 2023
Net cash generated by (used in) operating activities	13,355	(66,379)	15,921	(175,401)
Changes in non-cash working capital items[2]	(9,573)	41,744	(6,355)	37,816
Interest paid[2]	33,181	29,246	113,324	73,056
Interest expense[2]	(33,550)	(25,920)	(131,958)	(87,469)
Income taxes recovered[2]	(3,005)	(1,367)	(30,942)	(1,905)
Current income tax recovery (expense)[2]	(4,998)	(973)	7,916	16,223
Repayment of obligations under lease	(6,509)	(5,078)	(23,143)	(24,771)
Cash capital expenditures	(8,212)	(2,987)	(31,939)	(18,150)
Acquisition of intangible assets	(2,856)	(1,461)	(11,669)	(10,358)
Proceeds from disposition of property, plant and equipment	720	139	2,350	741
Defined benefit funding[3]	826	817	3,194	4,047
Defined benefit recovery[3]	(943)	(613)	(3,109)	(3,302)
Past service costs and other pension costs[7]	-	-	(7,000)	7,000
Expenses incurred outside of normal operations[12]	-	1,246	920	5,007
Equity hedge	-	692	3,073	(311)
Unrecoverable insurance costs and other[8]	144	-	1,037	8,077
Out of period costs[11]	-	-	-	(1,597)
Prior year sales tax provision[9]	-	-	101	-
Restructuring costs[6]	1,515	1,836	8,370	13,422
Foreign exchange (loss) gain on cash held in foreign currency[4]	(1,563)	185	(2,801)	392
Free Cash Flow[NG]	(21,468)	(28,873)	(92,710)	(157,482)
U.S. exchange rate[1]	1.3541	1.3515	1.3469	1.3437
Free Cash Flow (C$)[NG]	(29,070)	(39,022)	(124,875)	(211,565)
Free Cash Flow per Share (C$)[NG, 5]	(0.2443)	(0.5057)	(1.2205)	(2.7347)
Declared dividends on Shares (C$)	-	-	-	8,192
Declared dividends per Share (C$)[5]	-	-	-	0.1068

1. U.S. exchange rate (C$ per US$) is the average exchange rate for the period.
2. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow[NG] as these temporary fluctuations are managed through the Secured Facilities which are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the unaudited interim condensed consolidated statements of cash flows net of interest and income taxes paid.
3. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow[NG] as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.
4. Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow[NG].
5. Per Share calculations for Free Cash Flow[NG] (C$) are determined by dividing Free Cash Flow[NG] 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 2024 Q1 was 118,972,157 and 77,161,510 for 2023 Q1. The weighted average number of Shares outstanding for 2024 Q1 LTM and 2023 Q1 LTM was 102,319,274 and 77,362,993, 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.
6. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with restructuring initiatives. Free Cash Flow[NG] reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
7. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. 2022 Q2 includes $7.0 million for the liability related to the closure of MCI's Pembina facility and withdrawal from the multi-employer pension plan. In 2023 Q4, the Company made the decision to continue operations of the Pembina facility indefinitely, thereby reversing the above adjustments made in 2022 Q2. Also included in Adjusted EBITDA[NG] is $4.8 million of pension past service costs incurred during 2023 Q1.
8. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
9. Provision for sales taxes as a result of a previous state sales tax review.
10. Includes fair market value adjustments to interest rate swaps, cash conversion option on the Debentures, and to the prepayment option on the Company's second lien debt. 2024 Q1 includes a gain of $1.5 million and 2023 Q1 includes a loss of $5.5 million for the interest rate swaps. 2024 Q1 includes a gain of $4.0 million and 2023 Q1 includes a gain of $2.6 million on the cash conversion option. The prepayment option had a gain of $2.5 million in 2024 Q1 compared to no fair market value adjustment in 2023 Q1.
11. Includes adjustments made related to expenses that pertain to prior years. 2022 Q2 includes expenses related to amounts that should have been capitalized from prior years.
12. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.
13. Includes 2022 Q4 impairment charges with respect to ARBOC's goodwill of $23.2 million and the Alexander Dennis manufacturing cash generating unit ("CGU")'s goodwill of $80.7 million.
14. In 2024 Q1, the Company recognized an impairment loss on a New Product Development ("NPD") project for $1.0 million.
15. As a result of the Company's comprehensive refinancing, the Company had recognized an accounting gain in 2023 Q3 stemming from the modification made to its Secured Facilities. In 2023 Q4, an accounting loss was recorded to adjust the gain on debt modification.

Adjusted Net Loss[NG] and Adjusted Net Loss per Share[NG]

Management believes that Adjusted Net Loss[NG] and the associated per Share figure are important measures in evaluating the historical operating performance of the Company. Adjusted Net Loss[NG] and Adjusted Net Loss per Share[NG] are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Adjusted Net Loss[NG] and Adjusted Net Loss per Share[NG] may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted Net Loss[NG] and Adjusted Net Loss per Share[NG] should not be construed as an alternative to Net Loss, or Net Loss per Share, determined in accordance with IFRS as indicators of the Company's performance.

The Company defines Adjusted Net Loss[NG] as net loss after adjusting for the after tax effects of certain non-recurring, non-operating and items occurring outside of normal operation, that do not reflect the current ongoing cash operations of the Company. These adjustments are provided in the following reconciliation of net loss to Adjusted Net Loss[NG] based on the historical Financial Statements of the Company for the periods indicated.

The Company defines Adjusted Net Loss[NG] per share as Adjusted Net Loss[NG] divided by the average number of Shares outstanding.

($ thousands, except per Share figures)	2024 Q1	2023 Q1	52-Weeks Ended March 31, 2024	53-Weeks Ended April 2, 2023
Net loss	(9,414)	(45,964)	(99,770)	(294,545)
Adjustments, net of tax[1, 2]				
Unrealized foreign exchange gain	(3,789)	(293)	(946)	(3,995)
Unrealized (gain) loss on interest rate swap	(1,003)	3,827	1,675	(6,659)
Unrealized (gain) loss on Cash Conversion Option	(2,739)	(1,793)	1,784	(9,530)
Unrealized gain on prepayment option of second lien debt[3]	(1,757)	-	(2,198)	-
Accretion in carrying value of long-term debt associated with debt modification[4]	-	-	1,014	-
Gain on debt modification[5]	-	-	(6,146)	-
Accretion associated to gain on debt modification	(326)	-	(777)	-
Equity swap settlement fee[6]	-	-	2,428	-
Equity settled stock-based compensation	268	282	1,792	1,015
(Gain) loss on disposition of property, plant and equipment	(67)	(12)	488	(144)
Past service costs and other pension costs[7]	-	3,287	(4,830)	8,117
Unrecoverable insurance costs and other[8]	99	-	715	5,574
Expenses incurred outside of normal operations[9]	-	860	(647)	3,455
Other tax adjustments[10]	-	(246)	246	18,918
Out of period costs[11]	-	-	-	(2,366)
Accretion in carrying value of convertible debt and cash conversion option	1,367	1,270	5,310	5,241
Prior year sales tax provision[12]	-	-	70	-
Impairment loss on goodwill[13]	-	-	-	103,900
Impairment loss on intangible assets[14]	709	-	709	-
Restructuring costs[15]	1,045	1,268	4,013	13,927
Adjusted Net Loss[NG]	(15,607)	(37,514)	(95,070)	(157,092)
Loss per Share (basic)	(0.08)	(0.60)	(0.98)	(3.81)
Loss per Share (fully diluted)	(0.08)	(0.60)	(0.98)	(3.81)
Adjusted Net Loss per Share (basic)[NG]	(0.13)	(0.49)	(0.93)	(2.03)
Adjusted Net Loss per Share (fully diluted)[NG]	(0.13)	(0.49)	(0.93)	(2.03)

1. Addback items are derived from the historical financial statements of the Company.
2. The Company has utilized a rate of 31.0% to tax effect the adjustments for the periods above.
3. The unrealized gain on the prepayment option is related to the Company's second lien debt instrument. The gain is the result of an increase in the options fair value between December 31, 2023 and March 31, 2024.
4. Normalized to exclude the over accretion of transaction costs relating to the Company's Secured Facilities.
5. As a result of the Company's comprehensive Refinancing, the Company has recognized an accounting gain stemming from the modification made to its Secured Facilities.
6. During the year the Company settled its equity swaps which were used to hedge the exposure associated with changes in value of its Shares with respect to outstanding management restricted units ("Management RSUs") and a portion of the outstanding performance share units ("PSUs"), and deferred share units ("DSUs").
7. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. 2022 Q2 includes $7.0 million for the liability related to the anticipated closure of MCI's Pembina facility and withdrawal from the multi-employer pension plan. In 2023 Q4, the Company made the decision to continue operations of the Pembina facility indefinitely, thereby reversing the above adjustments made in 2022 Q2. Also included is $4.8 million of pension past service costs incurred during 2023 Q1.
8. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
9. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.
10. Includes the impact of changes in deferred tax balances as a result of substantively enacted tax rate changes. The 2022 amounts include the impact of the revaluation of deferred tax balances due to the enacted increase in the UK corporate tax rate from 19% to 25% in 2021 Q3. Also included in 2022 Q4 is the impact of the reduction of deferred tax assets related to the derecognition of loss carry forwards in Canada, and restricted interest in the UK.
11. Includes adjustments made related to expenses that pertain to prior years. 2022 Q3 includes expenses related to amounts that should have been capitalized from prior years.
12. Provision for sales taxes as a result of a previous state sales tax review.
13. Includes 2022 Q4 impairment charges with respect to ARBOC's goodwill of $23.2 million and the Alexander Dennis manufacturing CGU's goodwill of $80.7 million.
14. In 2024 Q1, the Company recognized an impairment loss on a New Product Development ("NPD") project for $1.0 million.
15. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with other restructuring initiatives. Free Cash Flow[NG] reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.

Reconciliation of Shareholders' Equity to Invested Capital^NG

($ thousands)	2024 Q1	2023 Q4	2023 Q3	2023 Q2
Shareholders' Equity	697,580	702,913	706,177	495,140
Addback				
Long term debt	562,324	536,037	583,948	935,605
Second lien debt	172,568	172,396	172,975	-
Obligation under lease	135,959	138,003	130,102	124,405
Convertible debentures	225,972	228,985	221,427	225,081
Senior unsecured debt	61,081	61,796	60,838	87,363
Derivatives	(1,783)	8,010	6,814	(9,422)
Cash	(68,491)	(49,615)	(75,498)	(57,488)
Invested Capital^NG	1,785,210	1,798,525	1,806,783	1,800,684
Average of invested capital^NG over the quarter	1,791,868	1,802,654	1,806,342	1,800,751

	2023 Q1	2022 Q4	2022 Q3	2022 Q2
Shareholders' Equity	533,756	577,575	710,984	783,905
Addback				
Long term debt	911,203	896,626	859,297	718,139
Second lien debt	-	-	-	-
Obligation under lease	127,247	131,625	122,666	131,077
Convertible debentures	218,719	217,516	211,281	224,947
Senior unsecured debt	86,431	-	-	-
Derivatives	(17,164)	(21,620)	(18,904)	(8,179)
Cash	(59,375)	(49,987)	(39,832)	(50,274)
Bank indebtedness	-	-	-	1,233
Invested Capital^NG	1,800,817	1,751,735	1,845,492	1,799,615
Average of invested capital^NG over the quarter	1,776,276	1,798,614	1,822,554	1,838,086

Invested Capital[NG]

Invested Capital[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Management believes that Invested Capital[NG] is an important measure in evaluating the Company’s financial position. The Company defines Invested Capital[NG] as total interest-bearing debt plus derivative liabilities plus equity less cash on hand.

ROIC[NG]

ROIC[NG] is not a recognized measure under IFRS and its components do not have standardized meanings prescribed by IFRS. Management believes that ROIC[NG] is an important measure in evaluating the historical performance of the Company. The Company defines ROIC[NG] as NOPAT[NG] divided by average invested capital for the last 12-month period.

Total Liquidity[NG]

Total Liquidity[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines total liquidity[NG] as cash on-hand plus available capacity under its North American and UK Secured Facilities, without consideration given to the minimum banking liquidity requirement under the Secured Facilities.

Banking Covenant Liquidity[NG]

Banking Covenant Liquidity[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines banking covenant liquidity[NG] as cash on-hand plus available capacity under its North American Secured Facilities, without consideration given to the minimum banking liquidity requirement under the Secured Facilities.

Working Capital Days[NG]

Working Capital Days[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines Working Capital Days[NG] as the calculated number of days to convert working capital to cash. It is calculated by the number of days in the last twelve months (2024 Q1 LTM - 364 days) divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

Working Capital Days[NG] is calculated based on the following line items on the unaudited interim condensed consolidated statement of financial position: Accounts Receivable and Inventories less Accounts Payables, Deferred Revenue and Provisions.

Payout Ratio[NG]

Payout ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Management believes the payout ratio[NG] is an important measure of the Company's ability to pay dividends with cash generated. The Company defines payout ratio[NG] as the declared dividends divided by the Free Cash Flow[NG].

Book-to-Bill Ratio[NG]

Book-to-bill ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines book-to-bill ratio[NG] as new firm orders and exercised options divided by new deliveries.

Backlog[NG]

Backlog[NG] value is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines backlog[NG] as the number of EUs in the backlog multiplied by their expected selling price.

Total Leverage Ratio[NG]

Total Leverage Ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. TLR[NG] is calculated as aggregate indebtedness of the Company, not including the Company’s Debentures and certain non-financial products, but including any Senior Unsecured or Second Lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The TLR[NG] is reintroduced in 2024 Q3.

Interest Coverage Ratio[NG]

Interest Coverage Ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. ICR[NG] is calculated as the same trailing twelve month Adjusted EBITDA[NG] as the Total Leverage Ratio[NG] divided by trailing twelve-month interest expense on the Secured Facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

Total Net Debt to Capitalization[NG]

Total Net Debt to Capitalization[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. TNDC[NG] is calculated as borrowings on the Secured Facilities and any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by shareholders' equity, as shown on the Company's balance sheet, plus borrowings on the Secured Facilities. The TNDC[NG] covenant excludes the impact of any actual goodwill write-downs up to a maximum of $100 million.

Minimum Adjusted EBITDA[NG]

The Minimum Adjusted EBITDA[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Minimum Adjusted EBITDA[NG] covenant is first tested with the month ending September 30, 2023, but includes results from the period May 1, 2023 to September 30, 2023. The covenant continues on a cumulative basis until April 30, 2024, at which point it becomes a trailing-twelve month test for the second quarter of 2024. The Minimum Adjusted EBITDA[NG] tests are based on calendar month-end dates from September 2023 to March 2024.

Senior Secured Net Leverage[NG]

Senior Secured Net Leverage[NG] will include the Secured Facilities and is calculated as indebtedness on those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The Senior Secured Net Leverage[NG] is reintroduced in 2024 Q3.

Controls and Procedures

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined under rules adopted by the Canadian Securities Administrators. ICFR were designed under the supervision of, and with the participation of, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). The Company's ICFR are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

Management adheres to the "Internal Control – Integrated Framework 2013" ("COSO 2013") from the Committee of Sponsoring Organizations of the Treadway Commission.

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company's ICFR as of March 31, 2024 in accordance with the criteria established in COSO 2013, and concluded that the Company's ICFR are effective.

ICFR, no matter how well designed, have inherent limitations. Therefore, ICFR can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The Company's CEO and CFO have concluded that disclosure controls and procedures as at March 31, 2024 were effective.

Appendix A

Meaning of Certain References

References in this MD&A to the "Company" are to NFI and all of its direct or indirect subsidiaries, including New Flyer Industries Canada ULC ("NFI ULC"), New Flyer of America Inc. ("NFAI"), The Aftermarket Parts Company, LLC ("TAPC"), KMG Fabrication, Inc. ("KMG"), Carfair Composites Inc. ("CCI") and Carfair Composites USA, Inc. ("CCUI", and together with "CCI", "Carfair"), The Reliable Insurance Company Limited, ARBOC Specialty Vehicles, LLC ("ARBOC"), New MCI Holdings, Inc. and its affiliated entities (collectively, "MCI"), NFI Holdings Luxembourg s.a.r.l., and Alexander Dennis Limited and its affiliated entities (collectively, "AD"). References to "New Flyer" generally refer to NFI ULC, NFAI, TAPC, KMG, CCI, and CCUI. References in this MD&A to "management" are to senior management of NFI and the Company.

The Shares trade on the Toronto Stock Exchange ("TSX") under the symbol NFI, and the Convertible Debentures trade on the TSX under the symbol NFI.DB. As at March 31, 2024, 118,978,577 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI's Annual Information Form and information circular, is available on SEDAR at http://www.sedarplus.ca.

References to NFI's geographic regions for the purpose of reporting global revenues are as follows: "North America" refers to Canada, United States, and Mexico; United Kingdom and Europe refer to the United Kingdom and Europe; and "Asia Pacific" or "APAC" refers to Hong Kong, Malaysia, Singapore, Australia, and New Zealand.

Forward Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws, which reflect the expectations of management regarding the Company's future growth, financial performance, and liquidity[NG] and objectives and the Company's strategic initiatives, plans, business prospects and opportunities, including the impact of and recovery from the COVID-19 pandemic, supply chain disruptions and plans to address them. The words "believes", "views", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates", "guidance", "goals", "objectives", "targets" and similar words or expressions of future events or conditional verbs such as "may", "will", "should", "could", "would" are intended to identify forward-looking statements. These forward-looking statements reflect management's current expectations regarding future events (including the temporary nature of the supply chain disruptions and operational challenges, production improvement, labour supply shortages and labour rates, and the recovery of the Company's markets) and the Company's financial and operating performance and speak only as of the date of this MD&A. By their very nature, forward-looking statements require management to make assumptions and involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and give rise to the possibility that management's predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that the assumptions may not be correct and that the Company's future growth, financial condition, ability to generate sufficient cash flow and maintain adequate liquidity, and the Company's strategic initiatives, objectives, plans, business prospects and opportunities, including the Company's plans and expectations relating to the impact of and recovery from the COVID-19 pandemic, supply chain disruptions, operational challenges, labour supply shortages and inflationary and labour rate pressures, will not occur or be achieved.

A number of factors that may cause actual results to differ materially from the results discussed in the forward-looking statements include: the Company's business, operating results, financial condition and liquidity may be materially adversely impacted by the aftermath and ongoing impacts of the global COVID-19 pandemic and related supply chain and operational challenges, inflationary effects, and labour supply challenges; while the Company is closely managing its liquidity, it is possible that various events (such as delayed deliveries and customer acceptances, delayed customer payments, supply chain issues, product recalls and warranty claims) could significantly impair the Company's liquidity and there can be no assurance that the Company would be able to obtain additional liquidity when required in such circumstances; the Company's business, operating results, financial condition and liquidity may be materially adversely impacted by ongoing conflicts in Ukraine, Russia, Israel and Palestine, due to factors including but not limited to further supply chain disruptions, inflationary pressures and tariffs on certain raw materials and components that may be necessary for the Company's operations; 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; 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 and/or the Debentures may cease to exist, which may limit the ability of securityholders to trade Shares and/or Debentures; the market price for the Shares and/or the Debentures may be volatile; if securities or industry analysts do not publish research or reports about the Company and its business, 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, if securities or industry analysts publish inaccurate or unfavorable research about the Company or its business, the Share price and trading volume of the Shares could decline; competition in the industry and entrance of new competitors; current requirements under U.S. "Buy America" regulations may change and/or become more onerous or suppliers' "Buy America" content may change; failure of the Company to comply with the U.S. Disadvantaged Business Enterprise ("DBE") program requirements or the failure to have its DBE goals approved by the U.S. FTA; absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience; 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; the Company's business may be materially impacted by climate change matters, including risks related to the transition to a lower-carbon economy; operational risk resulting from inadequate or failed internal processes, people and/or systems or from external events, including fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, floods, technology failures, processing errors, business integration, damage to physical assets, employee safety and insurance coverage; 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; international operations subject the Company to additional risks and costs and may cause profitability to decline; compliance with international trade regulations, tariffs and duties; dependence on unique or limited sources of supply; 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; the Company may incur material losses and costs as a result of product warranty costs, recalls, failure to comply with motor vehicle manufacturing regulations and standards and the remediation of transit buses and motor coaches; production delays may result in liquidated damages under the Company's contracts with its customers; catastrophic events, including those related to impacts of climate change, 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 is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability and other claims; the Company may have difficulty selling pre-owned coaches and realizing expected resale values; the Company may incur costs in connection with 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, no matter how well designed, have inherent limitations; there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the 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 or model variants; acquisition risk; reliance on third-party manufacturers; 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; in December 2022, the Board made the decision to suspend the payment of dividends given credit agreement constraints and to support the Company's focus on improving its liquidity and financial position and the resumption of dividends is not assured or guaranteed; a significant amount of the Company's cash may be distributed, which may restrict potential growth; the Company is dependent on its subsidiaries for all cash available for distributions; Coliseum has a significant influence over the Company and its interests may not align with those of the Company's other securityholders; the Company may not be able to make principal payments on the Debentures; redemption by the Company of the Debentures for Shares will result in dilution to holders of Shares; Debentures may be redeemed by the Company prior to maturity; the Company may not be able to repurchase the Debentures upon a change of control as required by the trust indenture under which the Debentures were issued (the "Indenture"); conversion of the Debentures following certain transactions could lessen or eliminate the value of the conversion privilege associated with the Debentures; future sales or the possibility of future sales of a substantial number of Shares or Debentures may impact the price of the Shares and/or the Debentures and could result in dilution; payments to holders of the Debentures are subordinated in right of payment to existing and future Senior Indebtedness (as described under the Indenture) and will depend on the financial health of the Company and its creditworthiness; if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected; and income and other tax risk resulting from the complexity of the Company's businesses and operations and the income and other tax interpretations, legislation and regulations pertaining to the Company's activities being subject to continual change.

Factors relating to the aftermath and ongoing effects of the global COVID-19 pandemic include: ongoing economic and social disruptions; production rates may not increase as planned and may decrease; ongoing and future supply delays and shortages of parts and components, and shipping and freight delays, and disruption to or shortage of labour supply may continue or worsen; the pandemic has adversely affected operations of suppliers and customers and those effects may continue or worsen; the increase in customers' purchase of Company's products may not continue and may reverse; the supply of parts and components by suppliers continues to be challenged and may deteriorate; the recovery of the Company's markets in the future may not continue and demand may be lower than expected; the Company's ability to obtain access to additional capital if required may be impaired; and the Company's financial performance and condition, obligations, cash flow and liquidity and its ability to maintain compliance with the covenants under its credit facilities may be impaired. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period or have access to additional capital or government financial support; and there can be no assurance as to if or when production operations will return to pre-pandemic production rates. There is also no assurance that governments will provide continued or adequate stimulus funding for public transit agencies to purchase transit vehicles or that public or private demand for the Company's vehicles will return to pre-pandemic levels on a sustained basis in the anticipated period of time.

The Company cautions that the COVID-19 pandemic may return or worsen or other pandemics or similar events may arise. Such events are inherently unpredictable and may have severe and far-reaching impacts on the Company's operations, markets, and prospects.

Factors relating to the Company's financial guidance and targets disclosed in this MD&A include, in addition to the factors set out above, the degree to which actual future events accord with, or vary from, the expectations of, and assumptions used by, the Company's management in preparing the financial guidance.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that could cause actions, events or results not to be as anticipated, estimated or intended or to occur or be achieved at all. Specific reference is made to "Risk Factors" in the Company's Annual Information Form for a discussion of the factors that may affect forward-looking statements and information. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements and information. The forward-looking statements and information contained herein are made as of the date of this MD&A (or as otherwise indicated) and, except as required by law, the Company does not undertake to update any forward-looking statement or information, whether written or oral, that may be made from time to time by the Company or on its behalf. The Company provides no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers and investors should not place undue reliance on forward-looking statements and information.

Appendix B - 2024 First Quarter Bid Universe and Order Activity

Demand for Transit Buses and Motor Coaches

The Company's "Bid Universe" metric tracks known active public competitions in Canada and the United States and attempts to provide an overall indication of anticipated heavy-duty transit bus and motor coach public sector market demand. It is a point-in-time snapshot of: (i) EUs in active competitions, defined as all requests for proposals received by the Company and in process of review plus bids submitted by the Company and awaiting customer action (what NFI considers to be active bids), and (ii) management's forecast, based on data provided by operators for their fleet replacement plans, of expected EUs to be placed out for competition over the next five years.

In 2024 Q1, active bids of 5,410 EUs were down 51.1% year-over-year and 38.0% from 2023 Q4. The decline was primarily driven by NFI recording its highest quarter of new awards ever at 5,421 EUs in 2024 Q1. These awards saw EUs move from bids submitted to new orders. The Company ended 2024 Q1 with 1,470 bids in process, and another 3,940 bids submitted, which is expected to drive further new orders throughout the rest of 2024.

The forecasted five-year North American industry procurement remains strong at 21,350 EUs. As of 2024 Q1, the Total Bid Universe was 26,760 EUs, down from its all-time high of 31,682 EUs in 2023 Q3, driven by new orders. Year-over-year, the Total Bid Universe decreased by 14.1%, or 4,409 EUs due to the high number of new awards in 2024 Q1. The Company expects that the forecasted five-year North American industry procurement will remain high through 2024 as transit agencies continue to formalize their short- and long-term procurement plans linked to the multi-billion funding programs announced and/or launched by governments in Canada and the U.S.

As at 2024 Q1, 13,796 EUs, or 51.6%, of the Total Bid Universe are ZEBs. Management continues to expect demand for ZEBs to increase.

The Bid Universe EUs fluctuate significantly from quarter-to-quarter based on public tender activity procurement and award processes.

	Bids in Process (EUs)	Bids Submitted (EUs)	Active EUs	Forecasted Industry Procurement over 5 Years (EUs)[1]	Total Bid Universe (EUs)
2023 Q1	2,833	8,233	11,066	20,103	31,169
2023 Q2	1,682	8,372	10,054	21,569	31,623
2023 Q3	1,591	8,770	10,361	21,321	31,682
2023 Q4	1,101	7,631	8,732	22,098	30,830
2024 Q1	**1,470**	**3,940**	**5,410**	**21,350**	**26,760**

1. Management's estimate of anticipated future industry procurement over the next five years is based on direct discussions with select U.S. and Canadian transit authorities. This estimate includes potential public customers activity for New Flyer and MCI vehicles, but it excludes potential ARBOC and Alexander Dennis sales in Canada and the U.S.

Procurement of heavy-duty transit buses and motor coaches by the U.S. and Canadian public sector is typically accomplished through formal multi-year contracts and purchasing schedules (state and national contracts, agency purchasing contracts), while procurement by the private sector in North America, the UK and Europe and Asia Pacific is typically made on a transactional basis. As a result, the Company does not maintain a Bid Universe for private sector buses and coaches.

The sale of cutaway and medium-duty buses manufactured by ARBOC is accomplished on a transactional purchase order basis through non-exclusive third-party dealers who hold contracts directly with the customers. Bids are submitted by and agreements are held with a network of dealers. Cutaway and medium-duty bus activity is therefore not included in the Bid Universe metric.

Due to the transactional nature of the procurement process in the UK, European and Asia Pacific markets, Alexander Dennis does not have a Bid Universe metric like the one seen in North American public markets. Alexander Dennis does maintain a sales pipeline and saw improvement in this pipeline in 2023, following several periods of lower demand. The increase in market demand was on display as UK and Ireland total market delivery volumes grew by 44% in 2023 and continue to be driven by customers' fleet recovery plans and an aging UK bus fleet. Governments continue to focus on the green recovery and government funding is starting to materialize. This funding, plus future investments under plans to expand transport service in communities outside of London is expected to contribute to market growth in 2024 and beyond. Alexander Dennis continues to grow its installed fleet in Europe through the execution of multi-year contracts in Ireland and Germany. The European market is highly fragmented with numerous players providing niche opportunities for Alexander Dennis in the future.

In Asia Pacific, the Hong Kong market is highly cyclical, and, following busier periods in 2015 through 2018, the market declined as anticipated. Alexander Dennis remains the market leader for double-deck buses in the Hong Kong market and expects to see stable annual deliveries and slow recovery, reflecting typical market cyclicality, in 2024. In 2023 Q2, Alexander Dennis delivered its first battery-electric buses to key customers in Hong Kong and secured additional ZEB orders in this market in 2023 Q4 and 2024 Q1. New Zealand and Singapore remain highly cyclical markets with more predictable purchasing expectations based on vehicle age; Alexander Dennis continues to see significant opportunities in both markets and is also pursuing additional expansion programs in South Africa and the Middle-East region.

Order activity

New orders (firm and options) during 2024 Q1 totaled 5,421 EUs, a 189.4% increase from 2023 Q1, a record for NFI. New firm and option orders for 2024 Q1 LTM were 9,669 EUs, an increase of 54.7% from 2023 Q1 LTM. Within 2024 Q1, NFI received two new contracts for up to 2,090 Xcelsior® transit buses, including up to 1,420 ZEBs, from the New York City Transit Authority, the largest transit authority in North America. The timing of new orders can vary based on transit agency procurement processes, with the fourth quarter typically being a busier period tied to agency and operator approval meetings.

2024 Q1 was an average period for option conversion, which can vary from quarter-to-quarter, with 131 EUs converted. These 131 EUs contributed to 491 EUs converted in 2024 Q1 LTM. *Further details on options are provided below under the "Options" section.*

In 2024 Q1, the Company received orders for 1,850 EUs of battery-electric, zero-emission vehicles, an increase from the 988 EUs of ZEB orders in 2023 Q4, and an increase from the 1,091 EUs of ZEB orders in 2023 Q1. These 1,850 EUs of ZEBs equate to 34.1% of all new firm and option orders for the quarter.

365 EUs of new firm and option orders were pending from customers at the end of 2024 Q1, where approval of the award to the Company had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog[NG]. This was down from the 3,832 EUs of pending new firm and option orders as of the end of 2023 Q4, primarily due to several large orders converting into awards during the period. The Company anticipates that the majority of the units currently in bid award pending will convert into backlog[NG] during 2024 Q2.

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2023 Q1	1,873	6,252	44	464
2023 Q2	917	5,821	289	668
2023 Q3	970	6,338	17	468
2023 Q4	2,361	6,121	54	404
2024 Q1	**5,421**	**9,669**	**131**	**491**

Options

In 2024 Q1, 74 options expired, as compared to 55 options that expired in 2023 Q4, and 142 options that expired in 2023 Q1. Option expiries can vary significantly quarter-to-quarter. From 2021 to 2023, certain agencies let a portion of older options expire as they re-evaluated their longer-term fleet planning decisions with an increased focus on the procurement of ZEBs rather than traditional internal combustion engine propulsion. NFI has replenished a significant number of expired options through new orders, with its option backlog growing by 91% from the end of 2021 to 2024 Q1. In 2024 Q1 LTM, 5,088 EUs in new option orders were added to the backlog[NG]. In 2024 Q1, the option conversion rate improved to 49%. The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis.

A significant number of public transit contracts in the U.S. and Canada have a term of three to five years. In addition, some contracts in the UK and APAC also have multi-year terms. The table below shows the number of option EUs that have either expired or have been exercised annually over the past five years, as well as the current backlog[NG] of options that will expire each year if not exercised.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
A) Options Expired (EUs)	1,202	819	1,920	575	74						5,843
B) Options Exercised (EUs)	953	1,110	638	404	131						6,549
C) Current Options by year of expiry (EUs)					209	979	1,183	1,445	1,553	3,821	9,190
D) Conversion rate % = B / (A+B)	**44 %**	**58 %**	**25 %**	**41 %**							

In addition to contracts for identified public customers, the Company has increased its focus on purchasing schedules (state and national contracts, cooperative agency purchasing agreements) with the objective of having multiple available schedules, from which customers within a prescribed region or from defined list, can purchase. The Company is currently named on over 40 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog[NG] as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer purchases a bus under one of these agreements, the purchase is recorded as a firm order. The Company has received more than 1,600 vehicle awards from these schedules since the start of 2018, showing their growing use by transit agencies as a procurement alternative in North America.

The Company's 2024 Q1 Book-to-Bill[NG] ratio (defined as new firm orders and exercised options divided by new deliveries) was 153.6%, an increase from 149.0% in 2023 Q1. This increase was driven by record total new orders, somewhat offset by higher deliveries. 2024 Q1 LTM Book-to-Bill[NG] was 117.0%, a decrease from 131.3% for 2023 Q1 LTM, primarily driven by increased deliveries and the timing of customer awards.

Backlog[NG]

The Company's total backlog[NG] consists of buses sold primarily to U.S. and Canadian public customers and private operators in the UK and internationally. The majority of the backlog[NG] relates to New Flyer transit buses for public customers with some of the backlog[NG] consisting of units from MCI, AD, and ARBOC. Options for ARBOC vehicles are held by dealers, rather than the operator, and are not included as options in the NFI backlog[NG], but are converted to firm backlog[NG] when vehicles are ordered by the dealer.

Transit buses and motor coaches incorporating clean propulsion systems, including compressed natural gas, diesel-electric hybrid, and ZEBs, which consist of trolley-electric, fuel cell-electric, and battery-electric buses, represent approximately 56.6% of the total backlog[NG] as of the end of 2024 Q1, down from 65.9% as of the end of 2023 Q4 due to new ZEB deliveries and a large diesel order received by a customer in 2024 Q1. As at the end of 2024 Q1, there were 5,795 EUs of ZEBs in the backlog[NG], representing a record 39.2% of the total backlog[NG], up from the previous record of 36.4% as at the end of 2023 Q1, and up from 35.7% as at the end of 2023 Q4.

	2024 Q1			2023 Q4			2023 Q1		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	5,012	5,574	10,586	4,863	4,693	9,556	4,576	4,610	9,186
New orders	1,600	3,821	5,421	1,371	990	2,361	1,136	737	1,873
Options exercised	131	(131)	—	54	(54)	—	44	(44)	—
Shipments[1]	(1,127)	—	(1,127)	(1,227)	—	(1,227)	(792)	—	(792)
Cancelled/expired	(23)	(74)	(97)	(49)	(55)	(104)	(54)	(142)	(196)
End of period	**5,593**	**9,190**	**14,783**	**5,012**	**5,574**	**10,586**	**4,910**	**5,161**	**10,071**
Consisting of:									
Heavy-duty transit buses	4,635	8,883	13,518	4,146	5,265	9,411	3,994	4,887	8,881
Motor coaches	297	307	604	246	309	555	323	274	597
Cutaway and medium-duty buses	661		661	620		620	593	—	593
Total Backlog[NG]	**5,593**	**9,190**	**14,783**	**5,012**	**5,574**	**10,586**	**4,910**	**5,161**	**10,071**

1. Shipments do not include delivery of pre-owned coaches as these coaches are not included in the backlog[NG].

At the end of 2024 Q1, the Company's total backlog[NG] of 14,783 EUs (firm and options) increased by 39.6% from the end of 2023 Q4, and increased by 46.8% from the end of 2023 Q1. The increase was driven by record awards in the quarter, offset by higher deliveries and fewer cancellations/expiries. Backlog[NG] for 2024 Q1 has a total dollar value of $11.7 billion, a 48.1% increase from 2023 Q4 and a 74.2% increase from 2023 Q1.

The average price of an EU in backlog[NG] is now $0.79 million, an 18.6% increase from 2023 Q1, and a 6.1% increase from 2023 Q4.

The summary of the values is provided below.

	2024 Q1		2023 Q4		2023 Q1	
		EUs		EUs		EUs
Total firm orders	$3,865.8	5,593	$3,249.8	5,012	$2,849.1	4,910
Total options	$7,874.3	9,190	$4,677.6	5,574	$3,892.2	5,161
Total backlog[NG]	**$11,740.2**	**14,783**	**$7,927.4**	**10,586**	**$6,741.3**	**10,071**

Unaudited Interim Condensed Consolidated Financial Statements of

NFI GROUP INC.

March 31, 2024

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET LOSS AND TOTAL COMPREHENSIVE LOSS
13-weeks ended March 31, 2024 ("2024 Q1") and 13-weeks ended April 2, 2023 ("2023 Q1")
(in thousands of U.S. dollars except per share figures)

		2024 Q1		2023 Q1 restated (note 2.6)
Revenue (note 17)	$	722,749	$	525,134
Cost of sales (note 4)		653,800		488,897
Gross profit		68,949		36,237
Sales, general and administration costs and other operating expenses		57,030		57,757
Foreign exchange loss		1,268		229
Earnings (loss) from operations		10,651		(21,749)
Gain on disposition of property, plant and equipment and right-of-use asset		97		17
Impairment loss on intangible assets		(1,028)		—
Unrealized foreign exchange gain on monetary items		5,491		424
Earnings (loss) before interest and income taxes		15,211		(21,308)
Interest and finance costs				
Interest on long-term debt		21,860		18,743
Interest on convertible debt		3,113		2,620
Interest on senior unsecured debt		2,183		2,107
Accretion in carrying value of long-term debt (note 10)		2,291		1,367
Accretion in carrying value of convertible debt (note 12)		1,981		1,840
Accretion in carrying value of senior unsecured debt (note 9)		101		144
Interest expense on lease liability		2,126		1,504
Other interest and bank charges		4,968		946
Fair market value gain on prepayment option of second lien debt (note 11)		(2,546)		—
Fair market value (gain) loss on interest rate swap (note 16a)		(1,453)		5,546
Fair market value gain on cash conversion option (note 12)		(3,970)		(2,599)
		30,654		32,218
Loss before income tax recovery		(15,443)		(53,526)
Income tax recovery (note 8)		(6,029)		(7,562)
Net loss for the period	$	(9,414)	$	(45,964)
Other comprehensive gain (loss)				
Actuarial gain (loss) on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss		5,321		(2,957)
Unrealized foreign exchange (loss) gain on translation of foreign operations - this item will not be reclassified subsequently to profit or loss		(1,636)		4,542
Net gain on equity hedge of restricted share plan		—		115
Total comprehensive loss for the period		(5,729)		(44,264)
Net loss per share (basic) (note 14)	$	(0.08)	$	(0.60)
Net loss per share (diluted) (note 14)	$	(0.08)	$	(0.60)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

NFI GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2024
(in thousands of U.S. dollars)

		March 31, 2024		December 31, 2023
Assets				
Current				
Cash	$	68,491	$	49,615
Accounts receivable (note 3, 16e)		464,530		466,353
Inventories (note 4)		787,996		762,581
Income tax receivable		23,220		26,314
Derivative financial instruments (note 16a, b)		152		—
Prepaid expenses and deposits		20,900		18,988
		1,365,289		1,323,851
Property, plant and equipment		196,277		194,474
Right-of-use asset		112,219		114,437
Derivative financial instruments (note 11, 16a, b)		6,766		2,767
Goodwill and intangible assets		967,824		976,377
Accrued benefit asset		8,993		4,337
Other long-term assets (note 5)		50,279		50,676
Deferred tax assets		33,785		33,041
	$	2,741,432	$	2,699,960
Liabilities				
Current				
Accounts payable and accrued liabilities		577,321		547,626
Income tax payable		4,513		—
Derivative financial instruments (note 16a, b)		—		1,481
Current portion of long-term liabilities (note 6)		172,235		170,599
		754,069		719,706
Accrued benefit liability		2,526		3,035
Obligations under leases		118,610		120,044
Deferred compensation obligation		3,656		3,198
Deferred revenue		30,925		30,540
Provisions (note 7)		68,970		65,258
Deferred tax liabilities		38,016		46,756
Derivative financial instruments (note 12, 16a, b)		5,135		9,296
Senior unsecured debt (note 9)		61,081		61,796
Long-term debt (note 10)		562,324		536,037
Second lien debt (note 11)		172,568		172,396
Convertible debentures (note 12)		225,972		228,985
	$	2,043,852	$	1,997,047
Commitments and contingencies (note 18)				
Shareholders' equity				
Share capital (note 13)		1,240,387		1,240,163
Stock option and restricted share unit reserve		13,845		13,673
Accumulated other comprehensive income		8,094		4,409
Deficit		(564,746)		(555,332)
	$	697,580	$	702,913
	$	2,741,432	$	2,699,960

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended March 31, 2024
(in thousands of U.S. dollars)

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Shareholders' Equity
Balance, January 1, 2023 (restated)	**$ 988,218**	**$ 11,285**	**$ (2,979)**	**$ (419,168)**	**$ 577,356**
Net loss	—	—	—	(45,964)	(45,964)
Other comprehensive gain	—	—	1,700	—	1,700
Share-based compensation, net of deferred income taxes	—	444	—	—	444
Shares issued	70	(70)	—	—	—
Balance, April 2, 2023	**$ 988,288**	**$ 11,659**	**$ (1,279)**	**$ (465,132)**	**$ 533,536**
Net loss	—	—	—	(90,200)	(90,200)
Other comprehensive gain	—	—	5,688	—	5,688
Equity Transaction Cost	(10,476)	—	—	—	(10,476)
Share-based compensation, net of deferred income taxes	—	2,312	—	—	2,312
Shares issued – private placement (note 13)	170,458	—	—	—	170,458
Shares issued	91,893	(298)	—	—	91,595
Balance, December 31, 2023	**$ 1,240,163**	**$ 13,673**	**$ 4,409**	**$ (555,332)**	**$ 702,913**
Net loss	—	—	—	(9,414)	(9,414)
Other comprehensive gain	—	—	3,685	—	3,685
Equity Transaction Cost	7	—	—	—	7
Share-based compensation, net of deferred income taxes	—	389	—	—	389
Shares issued (note 13)	217	(217)	—	—	—
Balance, March 31, 2024	**$ 1,240,387**	**$ 13,845**	**$ 8,094**	**$ (564,746)**	**$ 697,580**

The accompanying notes are an integral part of unaudited interim condensed the consolidated financial statements.

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

13-weeks ended March 31, 2024 ("2024 Q1") and 13-weeks ended April 2, 2023 ("2023 Q1")

(in thousands of U.S. dollars)

	2024 Q1	2023 Q1
Operating activities		
Net loss for the period	$ (9,414)	$ (45,964)
Income tax recovery	(6,029)	(7,562)
Depreciation of property, plant and equipment	13,056	13,036
Amortization of intangible assets	8,181	7,865
Impairment loss on intangible assets	1,028	—
Share-based compensation	389	409
Interest and finance costs recognized in profit or loss	37,171	34,817
Gain on fair value adjustment for total return swap	—	(692)
Unrealized foreign exchange gain on monetary items	(5,491)	(424)
Foreign exchange loss (gain) on cash held in foreign currency	1,563	(185)
Gain on fair value adjustment for cash conversion option	(6,516)	(2,599)
Gain on disposition of property, plant and equipment	(97)	(17)
Past service costs	—	4,764
Defined benefit expense	943	613
Defined benefit funding	(826)	(817)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	33,958	3,244
Changes in non-cash working capital items (note 15)	9,573	(41,744)
Cash generated by (used in) operating activities before interest and income taxes paid	43,531	(38,500)
Interest paid	(33,181)	(29,246)
Income taxes recovered	3,005	1,367
Net cash generated by (used in) operating activities	13,355	(66,379)
Financing activities		
Repayment of obligations under lease	(6,509)	(5,078)
Proceeds from revolving credit facilities	23,934	15,997
Share issuance costs	7	—
Proceeds from senior unsecured debt	—	86,996
Net cash generated by financing activities	17,432	97,915
Investing activities		
Acquisition of intangible assets	(2,856)	(1,461)
Proceeds from disposition of property, plant and equipment	720	139
Investment in long-term restricted deposits	—	(18,024)
Acquisition of property, plant and equipment (note 17)	(8,212)	(2,987)
Net cash used in investing activities	(10,348)	(22,333)
Effect of foreign exchange rate on cash	(1,563)	185
Increase in cash	18,876	9,388
Cash — beginning of period	49,615	49,987
Cash — end of period	$ 68,491	$ 59,375

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

1. CORPORATE INFORMATION

1.1 Corporate information

NFI Group Inc. ("NFI") was incorporated on June 16, 2005 under the laws of the Province of Ontario (NFI and its subsidiaries collectively referred to as the "Company". 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 ("AD") (single and double-deck buses), Plaxton (motor coaches), MCI® (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses) and NFI Parts™ (aftermarket parts sales). NFI common shares (the "Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "NFI". NFI's convertible debentures are listed on the TSX under the symbol "NFI.DB".

These unaudited interim condensed consolidated financial statements (the "Statements") were approved by NFI's board of directors (the "Board") on May 2, 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these Statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Statement of Compliance

The Statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, and do not include all the information required for annual financial statements.

2.2 Basis of preparation

The Statements were prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") which require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. References to Non-IFRS measures have been denoted with an "NG".

In preparing these Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied by the Company in its audited consolidated financial statements as at and for the 52-week period ended December 31, 2023 ("Fiscal 2023").

The going concern basis asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business and requires an assessment looking out at least 12 months. In Q3 2022, our going concern assessment required disclosures on material uncertainties that would cast significant doubts as to the ability of the Company to continue as a going concern. Our current assessment supports that material uncertainties no longer exists however this assessment has involved management judgments, estimates and assumptions including:

- Revenue and margin projections and forecasts regarding performance against the debt covenants;
- Healthy order book and continued growth of sales backlog; and
- Improvements in supply health and labour availability.

Actual results may differ from these estimates and assumptions.

2.3 Principles of consolidation

The Statements include the accounts of the Company's subsidiaries.

Subsidiaries are entities over which the Company has control, where control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company holds 100% of the voting rights in, and therefore controls, all of its subsidiaries.

Inter-company transactions between subsidiaries are eliminated on consolidation.

(in thousands of U.S. dollars except per share figures)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Fiscal periods

	Period from January 1, 2024 to December 29, 2024 ("Fiscal 2024")			Period from January 2, 2023 to December 31, 2023 ("Fiscal 2023")		
	Period End Date		# of Calendar Weeks	Period End Date		# of Calendar Weeks
Quarter 1	March 31, 2024	("2024 Q1")	13	April 2, 2023	("2023 Q1")	13
Quarter 2	June 30, 2024	("2024 Q2")	13	July 2, 2023	("2023 Q2")	13
Quarter 3	September 29, 2024	("2024 Q3")	13	October 1, 2023	("2023 Q3")	13
Quarter 4	December 29, 2024	("2024 Q4")	13	December 31, 2023	("2023 Q4")	13
Fiscal year	December 29, 2024		52	December 31, 2023		52

2.5 Functional and presentation currency

The Company operates with multiple functional currencies. The Statements are presented in U.S. dollars as this presentation is most meaningful to financial statement users. References to "$" are to U.S. dollars, references to "C$" are to Canadian dollars and references to "£" are to British pounds sterling ("GBP"). For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange gains (losses) on translation of foreign operations in other comprehensive (loss) income.

2.6 Provisions

The Company elected to make a voluntary change in accounting policy on the existence of warranties to provide better information to the readers of the financial statements. After a review of assurance and service-type warranties were performed, it was deemed more relevant to classify certain extended warranties as assurance-type warranties in accordance with IAS 37. As the company has applied this change in policy retrospectively, this has resulted in a prior year restatement of revenue and cost of sales of $0.7 million.

2.7 New standards adopted

IAS 1 – Presentation of Financial Statements

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020 and October 2022, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as noncurrent: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and that the Company is in compliance with the required disclosure.

International Tax Reform – Pillar two model rules

In May 2023, the IASB amended IAS 12, Income Taxes, for International tax reform – Pillar two model rules. The amendments to IAS 12 have been introduced in response to the Organization for Economic Co-operation and Development's BEPS Pillar Two rules and include a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules disclosure requirements for affected entities. The mandatory temporary exception and disclosure requirements apply immediately for annual reporting periods beginning on or after January 1, 2023, which have been adopted by the Company as at December 31, 2023. Management does not believe Pillar Two legislation will have a material impact on the consolidated financial statements of the Company.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Standards issued but not yet adopted

IAS 7 & IFRS 7 – Supplier financing arrangements - disclosures

In May 2023, the International Accounting Standards Board ("IASB") issued the final amendments to IAS 7 and IFRS 7 which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and provide additional disclosure requirements for supplier finance arrangements including disclosure of the terms and conditions, range of payment due dates, and liquidity risk information. The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet must also be disclosed.

First time adoption of the disclosure requirements under IAS 7 and IFRS 7 will be for the fiscal period ending December 29, 2024.

(in thousands of U.S. dollars except per share figures)

3. ACCOUNTS RECEIVABLE

		March 31, 2024		December 31, 2023
Trade, net of allowance for doubtful accounts (note 16e)	$	431,158	$	430,261
Other		33,372		36,092
	$	464,530	$	466,353

4. INVENTORIES

		March 31, 2024		December 31, 2023
Raw materials	$	341,019	$	360,575
Work in process		349,888		331,119
Finished goods		97,089		70,887
	$	787,996	$	762,581

		2024 Q1		2023 Q1
Cost of inventories recognized as expense and included in cost of sales	$	597,271	$	475,668
Write-down of inventory to net realizable value in cost of sales		853		560

5. OTHER LONG-TERM ASSETS

		March 31, 2024		December 31, 2023
Long-term restricted deposit(s) (note 16a)	$	45,441	$	45,441
Long-term accounts receivable		4,838		5,235
	$	50,279	$	50,676

Long-term restricted deposit(s) is collateral for certain of the Company's letters of credit.

6. CURRENT PORTION OF LONG-TERM LIABILITIES

		March 31, 2024		December 31, 2023
Deferred revenue	$	142,832	$	138,091
Provisions (note 7)		11,698		13,341
Deferred compensation obligation		356		1,208
Obligations under leases		17,349		17,959
	$	172,235	$	170,599

(in thousands of U.S. dollars except per share figures)

7. PROVISIONS

The Company's insurance risk retention provision is based on insurance risk which the Company has not mitigated with third party insurance.

The restructuring provision consists of costs associated with the closure and termination of the lease in respect of the Guildford, United Kingdom ("UK") facility operated by Alexander Dennis.

The Company generally provides its customers with a base warranty on the entire vehicle, a corrosion warranty on the related structure and a defect warranty on batteries, beyond what is provided by the battery original equipment manufacturer.

The Company provides for onerous contracts when the unavoidable costs of meeting the contract are greater than the economic benefits expected to be received under it.

	Insurance Risk Retention	Restructuring	Warranty	Onerous Contracts	Total
January 1, 2023	$ 22,527	7,000 $	63,941	1,786	95,254
Additions	20,010	1,523	46,550	1,661	69,744
Amounts used/realized	(11,556)	(406)	(65,677)	(1,006)	(78,645)
Unused provision	(551)	(7,000)	1,172	(1,243)	(7,622)
Unwinding of discount and effect of changes in the discount rate	—	—	15	—	15
Exchange rate differences	(1)	28	(263)	89	(147)
December 31, 2023	$ 30,429 $	1,145 $	45,738 $	1,287 $	78,599
Additions	13,015	254	12,099	—	25,368
Amounts used/realized	(3,431)	(101)	(19,437)	(316)	(23,285)
Unwinding of discount and effect of changes in the discount rate	—	—	(18)	—	(18)
Exchange rate differences	1	(12)	25	(10)	4
	40,014	1,286	38,407	961	80,668
Less current portion (note 6)	1,106	—	10,592	—	11,698
March 31, 2024	$ 38,908	$ 1,286 $	27,815 $	961 $	68,970

8. INCOME TAX RECOVERY

The income tax recovery for 2024 Q1 was $6.0 million compared to $7.6 million in 2023 Q1. The decreased income tax recovery is primarily due to decreased losses before taxes, and the detrimental impact due to non-recognition of deferred tax assets associated with restricted interest in the UK. This detrimental impact is offset by partial recognition of previously unrecognized deferred tax assets associated with Canadian loss carryforwards.

The Effective Tax Rate ("ETR") for 2024 Q1 was 39.0% and the ETR for 2023 Q1 was 14.1%. The 2024 Q1 ETR is positively impacted by the recognition of previously unrecognized deferred tax assets associated with Canadian loss carryforwards, offset by the detrimental impact due to non-recognition of deferred tax assets associated with restricted interest in the UK.

9. SENIOR UNSECURED DEBT

On January 20, 2023, the Company finalized agreements with Manitoba Development Corporation ("MDC") for a C$50 million debt facility, for general corporate purposes, and with Export Development Canada ("EDC") for two credit facilities of up to $150 million, to support supply chain financing ("supply chain financing facility") for $50 million and surety and performance bonding requirements for new contracts ("Guarantee Facility") for up to $100 million.

On January 10, 2024, the Company amended its agreement with EDC to increase the size of the Guarantee Facility to $125 million. The amended Guarantee Facility is made up of an Account Performance Security Guarantee up to $50 million and Surety Reinsurance Support up to $125 million. The aggregate amount of the Guarantee Facility cannot exceed $125 million.

(in thousands of U.S. dollars except per share figures)

9. SENIOR UNSECURED DEBT (Continued)

The MDC agreement bears interest at a rate equal to Canadian one year benchmark bond yield plus an applicable margin. The EDC agreement bears interest at a rate equal to adjusted term Secured Overnight Financing Rate ("SOFR") plus an applicable margin to that rate.

In August 2023, as part of the Company's refinancing plan ("Refinancing Plan"), both the MDC facility and EDC supply chain financing facility were extended to April 30, 2026. The EDC bonding support facility (note 18c) has a one-year term for each new contract, subject to annual renewals. Additionally, $25 million was repaid on the EDC supply chain financing facility as a permanent reduction.

	Face Value	Unamortized Transaction Costs	**Net Book Value March 31, 2024**	Net Book Value December 31, 2023
MDC	$ 36,925	$ 233	$ 36,692	$ 37,480
EDC	25,000	611	24,389	24,316
	$ 61,925	$ 844	$ 61,081	$ 61,796

10. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value March 31, 2024**	Net Book Value December 31, 2023
First lien North America ("NA") revolving credit facility, Secured ("NA Revolving Facility")	$ 131,963	$ 11,829	$ 120,134	$ 113,297
First lien NA term loan, Secured ("NA Non-Revolving Facility")	400,000	—	400,000	400,000
First lien UK revolving Credit Facility, Secured ("UK Revolving Facility")	18,223	727	17,496	—
First lien UK Term loan, Secured ("UK Non-Revolving Facility")	20,477	—	20,477	19,913
Government of Canada Loan	5,101	885	4,216	2,827
	$ 575,764	$ 13,441	$ 562,323	$ 536,037

The NA Revolving Facility and the NA Non-Revolving Facility (together referred to as, the "North American Facility") have a total borrowing limit of $761 million, which includes a $150 million letter-of-credit facility.

There was $92.3 of million of outstanding letters-of-credit drawn against the North American Facility at March 31, 2024. The North American Facility bears interest at a rate equal to the Secured Overnight Financing Rate ("SOFR") or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates, and matures on April 30, 2026.

The UK Revolving Facility and the UK Non-Revolving Facility (together referred to as, the "UK Facility") have a total borrowing limit of £30.4 million to support AD's operations in the UK. Amounts drawn under the UK Facility bear interest at a rate equal to Sterling Overnight Index Average ("SONIA") plus an applicable margin. The UK Facility matures on April 30, 2026.

The Company entered into an agreement for up to C$10 million in interest-free financing through the Government of Canada to support facility enhancements and zero-emission product growth. The financing matures on March 1, 2030.

(in thousands of U.S. dollars except per share figures)

11. SECOND LIEN DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value March 31, 2024**	Net Book Value December 31, 2023
Second Lien Debt	$ 180,412	$ 9,971	$ 170,441	$ 170,269
Prepayment Option	2,127	—	2,127	2,127
	$ 182,539	$ 9,971	$ 172,568	$ 172,396

The second lien debt financing is secured against all of the Company's assets, and bears interest at an annual coupon of 14.5%, payable semi-annually on January 2 and July 2 commencing on January 2, 2024. The second lien debt facility matures on August 1, 2028.

The Company can exercise an option to prepay a portion of the remaining principal (note 16a) at 100% of the face value plus applicable premium, expiring on the first anniversary of the debt facility. Prior to the second anniversary, the Company can exercise its option to prepay a portion of the remaining principal at 106% of the face value. Prior to the third anniversary, the Company can exercise its option to prepay a portion of the remaining principal at 103% of the face value. An option to prepay the remaining principal at par is available from the third anniversary onwards.

At inception, the prepayment option was recognized as a derivative asset with a fair value of $2.1 million. At March 31, 2024, the asset was revalued at $5.3 million. A fair market value gain of $2.6 million was recorded on the Company's unaudited interim condensed consolidated statement of net loss and comprehensive loss.

The second lien debt is financed by funds and accounts managed by Coliseum Capital Management LLC. Coliseum Capital Management also participated in an equity transaction with the Company (note 13).

12. CONVERTIBLE DEBENTURES

On December 2, 2021, the Company completed a public offering of C$300 million aggregate principal of convertible debentures (the "Debentures") and an additional C$38 million aggregate principal of Debentures were issued on December 14, 2021, pursuant to the partial exercise of the over-allotment option, bearing interest at a rate of 5% per annum, payable semi-annually on January 15 and July 15 commencing on July 15, 2022. The Debentures will mature on January 15, 2027 (the "Maturity Date").

The Debentures may be converted in whole or in part from time to time at the holder's option into 30.1659 Shares for each C$1,000 principal amount of Debentures ("Conversion Price"), representing a Conversion Price of approximately C$33.15 per Share, prior to maturity and subject to adjustment in certain circumstances.

The Company has the option to settle the conversion in either Shares or cash (the "Cash Conversion Option"), with the Cash Conversion Option determined to be a financial liability. The fair value of the Debentures and Cash Conversion Option are classified as separate liabilities. The Debenture component will accrete to its final redemption amount of C$338 million less all conversions, at the Maturity Date at an effective interest rate over the five-year term of the Debentures.

	Face Value	Unamortized Transaction Costs	**Net Book Value March 31, 2024**	Net Book Value December 31, 2023
Convertible Debt	$ 231,698	$ 5,726	$ 225,972	$ 228,985
Cash Conversion Option	5,135	—	5,135	9,296
	$ 236,833	$ 5,726	$ 231,107	$ 238,281

13. SHARE CAPITAL

		March 31, 2024		December 31, 2023
Authorized - Unlimited				
Issued – 118,978,577 Common Shares (December 31, 2023: 118,961,932)	$	1,240,387	$	1,240,163

The following is a summary of changes to the issued and outstanding capital stock of Shares during the period:

Shares	Number (000s)		Net Book Value
Balance – December 31, 2023	118,962	$	1,240,163
Director Restricted Share Units ("Director RSU") exercised	17		217
Issuance of Shares	—		7
Balance – March 31, 2024	118,979	$	1,240,387

14. LOSS PER SHARE

		2024 Q1		**2023 Q1**
Net loss attributable to equity holders	$	(9,414)	$	(45,964)
Weighted average number of Shares in issue		118,972,157		77,161,510
Weighted average number of Shares for diluted earnings per Share		118,972,157		77,161,510
Net loss per Share (basic)	$	(0.0791)	$	(0.5957)
Net loss per Share (diluted)	$	(0.0791)	$	(0.5957)

Basic loss per Share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of Shares outstanding during the period.

Diluted loss per Share is calculated using the same method as basic loss per Share except that the average number of Shares outstanding includes the potential dilutive effect of outstanding stock options and Director RSUs granted by the Company, as determined by the treasury stock method.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash inflow (outflow)		**2024 Q1**		**2023 Q1**
Accounts receivable	$	375	$	(24,341)
Income tax receivable		(399)		427
Inventories		(26,952)		(104,379)
Prepaid expenses and deposits		(1,943)		3,648
Accounts payable and accrued liabilities		31,507		39,765
Deferred revenue		5,411		54,435
Provisions		2,070		(11,594)
Other		(496)		295
	$	9,573	$	(41,744)

(in thousands of U.S. dollars except per share figures)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value measurement of financial instruments

The following table presents the carrying amounts and fair values of financial liabilities and financial assets, including their levels in the fair value hierarchy. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	March 31, 2024		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 68,491	$ 68,491
Long-term restricted deposit (note 5)	Level 1	45,441	45,441
Foreign exchange forward contracts	Level 2	152	152
Derivative financial instrument assets - current		$ 152	$ 152
Interest Rate Swap	Level 2	1,453	1,453
Prepayment Option (note 11)	Level 2	5,313	5,313
Derivative financial instrument assets - long term		$ 6,766	$ 6,766
Financial liabilities recorded at fair value			
Cash Conversion Option (note 12)	Level 2	5,135	5,135
Derivative financial instrument liabilities - long term		$ 5,135	$ 5,135

	December 31, 2023		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 49,615	$ 49,615
Long-term restricted deposit (note 5)	Level 1	45,441	45,441
Prepayment Option (note 11)	Level 2	2,767	2,767
Derivative financial instrument assets – long term		$ 2,767	$ 2,767
Financial liabilities recorded at fair value			
Foreign exchange forward contracts	Level 2	1,481	1,481
Derivative financial instrument liabilities - current		$ 1,481	$ 1,481
Cash Conversion Option (note 12)	Level 2	9,296	9,296
Derivative financial instrument liabilities - long term		$ 9,296	$ 9,296

(b) Risk Management

At March 31, 2024, the Company had $73.2 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from April 2024 to September 2024. The related asset of $0.2 million asset (December 31, 2023: $1.5 million liability) is recorded on the statements of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net loss and total comprehensive loss.

On January 26, 2024, NFI entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%.

(in thousands of U.S. dollars except per share figures)

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Liquidity[5,NG] Management

The Company's principal sources of funds are cash generated from its operating activities, share and other issuances and borrowing capacity remaining under the NA Facility and UK Facility (collectively the "Secured Facilities").

The Company's approach to managing liquidity[NG] risk is to ensure, as far as possible, that it will always have sufficient liquidity[NG] to meet liabilities when due. At March 31, 2024, the Company had a cash balance of $68.5 million (December 31, 2023: $49.6 million), $540 million drawn under the North American Facility due in 2026 (December 31, 2023: $526 million), and $103.1 million of outstanding letters of credit (December 31, 2023: $96.6 million). As at March 31, 2024 the Company had $38 million drawn under the UK Facility (December 31, 2023: $21.0 million). The total liquidity[NG] position as at March 31, 2024 is $166.4 million, without consideration given to the minimum banking liquidity[NG] requirement under the Secured Facilities of $50.0 million. In addition, as at March 31, 2024 the Company had $49.2 million of the letters of credit outstanding outside of the North American Facility. The North American Facility has a total borrowing limit of $761 million, which includes a $150 million letter-of-credit facility. The UK Facility has a total borrowing limit of £30.4 million.

The details of the covenants under the Secured Facilities are as follows:

	Total Leverage Ratio[1,NG]	Interest Coverage Ratio[2,NG]	Total Net Debt to Capitalization[3,NG]	Minimum Cumulative Adjusted EBITDA[4,NG]	Minimum Banking Liquidity[5,NG]	Senior Secured Net Leverage Ratio[6,NG]
March 2024	Waived	Waived	<0.65:1.00	>$47,000	$50,000	Waived
2024 Q2	Waived	Waived	<0.65:1.00	>$105,000	$50,000	Waived
2024 Q3	<6.00x	>1.25x	N/A	N/A	$50,000	<4.50x
2024 Q4	<4.75x	>1.50x	N/A	N/A	$50,000	<3.50x
2025 Q1	<4.75x	>1.75x	N/A	N/A	$50,000	<3.50x
2025 Q2	<4.25x	>2.00x	N/A	N/A	$50,000	<3.25x
2025 Q3	<4.25x	>2.25x	N/A	N/A	$50,000	<3.25x
2025 Q4 and after	<3.75x	>2.50x	N/A	N/A	$50,000	<3.00x

1. Total Leverage Ratio ("TLR")[NG] is calculated as aggregate indebtedness of the Company not including the Company's 5.0% convertible debentures and certain non-financial products, but including any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The TLR[NG] is reintroduced in the third quarter of 2024.

2. Interest Coverage Ratio ("ICR")[NG] is calculated as the same trailing twelve month Adjusted EBITDA[NG] as the TLR[NG] divided by trailing twelve-month interest expense on the Secured Facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

3. Total Net Debt to Capitalization ("TNDC")[NG] is calculated as borrowings on the Secured Facilities and any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by shareholders' equity, as shown on the Company's balance sheet, plus borrowings on the Secured Facilities. The TNDC[NG] covenant excludes the impact of any actual goodwill write-downs up to a maximum of $100 million.

4. The Minimum Cumulative Adjusted EBITDA[NG] covenant is first tested with the month ending September 30, 2023, but includes results from the period May 1, 2023 to September 30, 2023. The covenant continues on a cumulative basis until April 30, 2024, at which point it becomes a trailing-twelve month test for the second quarter of 2024. The Minimum Adjusted EBITDA[NG] tests are based on calendar month-end dates from September 2023 to March 2024.

5. Banking Liquidity[NG] is calculated as unrestricted cash and cash equivalents plus the aggregate amount of credit available under the North American Facility.

6. Senior Secured Net Leverage[NG] will include the Secured Facilities and is calculated as indebtedness on those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The Senior Secured Net Leverage[NG] is reintroduced in 2024 Q3.

The calculation of the banking liquidity[NG] position, without consideration given to the minimum banking liquidity[NG] requirements under the Secured Facilities at March 31, 2024 is provided below. Calculation of the cumulative Adjusted EBITDA[NG] starts with 2024 first quarter results. The calculation is adjusted for the impact of the adoption of IFRS 16 in Fiscal 2019.

As at March 31, 2024, the Company was in compliance with all covenant requirements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

US dollars in thousands	March 31, 2024	December 31, 2023
Banking Liquidity[NG] Position (must be greater than $50 million)	$ 166,269	$ 170,131
Minimum Cumulative Adjusted EBITDA[NG] (must be greater than $47,000 [2023: ($3,000)])	$ 82,935	53,516
Net Debt to Capital Ratio[NG] (must be less than 0.65:1.00 [2023: 0.65:1.00])	0.39	0.39

Compliance with financial covenants under the Secured Facilities is reported quarterly to the Board. Other than the requirements imposed by letters of credit collateral (note 5) and borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise.

Under the terms of the Secured Facilities, the Company is not permitted to declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with Secured Facility covenants.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at March 31, 2024:

US dollars in thousands	Total	2024	2025	2026	2027	2028	Post 2028
Leases	$ 210,218	$ 20,372	$ 22,690	$ 19,623	$ 17,924	$ 12,134	$ 117,475
Accrued benefit liability	3,181	3,181					
	$ 213,399	$ 23,553	$ 22,690	$ 19,623	$ 17,924	$ 12,134	$ 117,475

(e) Credit risk

Financial instruments in an asset position, which potentially subject the Company to credit risk and concentrations of credit risk consist principally of cash, accounts receivable and derivative financial instruments. Management has assessed that the credit risk associated with accounts receivable is mitigated by the significant proportion for which the counterparties are well-established transit authorities, which are government entities in North America.

	March 31, 2024	December 31, 2023
Current, including holdbacks	$ 433,763	$ 438,165
Past due amounts but not impaired		
1 – 60 days	22,542	20,123
Greater than 60 days	8,838	8,669
Less: Allowance for doubtful accounts	(613)	(604)
Total accounts receivables, net	$ 464,530	$ 466,353

As at March 31, 2024, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

(f) Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate return to shareholders and to maintain a capital structure that provides the flexibility to take advantage of growth and development opportunities, maintain existing assets, meet financial obligations and enhance the value for the shareholders. The capital structure of the Company consists of cash, long-term debt, other long-term liabilities and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Company may raise additional capital from various sources, including capital markets.

(in thousands of U.S. dollars except per share figures)

17. SEGMENT INFORMATION

The Company has two reportable segments which are the Company's strategic business units: Manufacturing Operations and Aftermarket Operations. The strategic business units offer different products and services, and are managed separately because they require different technology, marketing strategies, and operations. For each of the strategic business units, the Company's President and CEO reviews internal management reports on a monthly basis.

The Manufacturing Operations segment derives its revenue from the design, manufacture, service and support of new transit buses, motor coaches, medium-duty, cutaway buses, and installation of infrastructure for electric vehicles and the sales of fiberglass reinforced polymer components. Based on management's judgment and applying the aggregation criteria in IFRS 8.12, the Company's bus/coach manufacturing operations and medium-duty/cutaway manufacturing operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution and regulatory environment.

The Manufacturing Operations segment has recorded vendor rebates of $282 (2023 Q1: $415), which have been recognized into earnings during 2024, but for which the full requirements for entitlement to these rebates have not yet been met.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses, coaches and medium-duty/cutaway buses, both for the Company's and third party products.

There is no inter segment revenue. Unallocated items in the consolidated earnings before income taxes primarily include unrealized foreign exchange gains or losses, interest and finance costs and corporate overhead costs.

The unallocated total assets of the Company primarily include cash, certain intangible assets, and derivative financial instruments. Corporate assets that are shared by both operating segments are allocated fully to the Manufacturing Operations segment.

Segment information about profits and assets is as follows:

	2024 Q1			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 562,885	$ 159,864	—	$ 722,749
Operating costs and expenses	582,272	127,080	28,840	738,192
(Loss) earnings before income tax recovery	(19,387)	32,784	(28,840)	(15,443)
Total assets	1,937,653	506,900	299,911	2,744,464
Addition of capital expenditures	9,034	231	—	9,265
Addition of intangibles assets	2,856	—	—	2,856
Indefinite-life intangible assets	244,503	18,531	—	263,034
Goodwill	223,451	189,222	—	412,673

	2023 Q1			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 386,052	$ 139,082	—	$ 525,134
Operating costs and expenses	435,114	114,266	29,280	578,660
(Loss) earnings before income tax (recovery) expense	(49,062)	24,816	(29,280)	(53,526)
Total assets	1,917,024	481,665	318,529	2,717,218
Addition of capital expenditures	3,989	66	—	4,055
Addition of intangibles assets	1,461	—	—	1,461
Indefinite-life intangible assets	244,668	18,398	—	263,066
Goodwill	222,195	188,444	—	410,639

(in thousands of U.S. dollars except per share figures)

17. SEGMENT INFORMATION (Continued)

The Company's revenue by geography is summarized below:

		2024 Q1		2023 Q1
North America	$	562,620	$	415,364
UK and Europe		149,323		102,264
Asia Pacific		10,806		7,506
Total	$	722,749	$	525,134

The Company's disaggregated manufacturing revenue by major product type is provided below. The Aftermarket operations revenue does not have similarly disaggregated categories.

		2024 Q1		2023 Q1
Transit buses	$	449,479	$	271,071
Motor coaches		87,625		91,791
Medium-duty and cutaway buses		17,755		14,414
Pre-owned coach		3,235		5,846
Infrastructure solutions		2,713		451
Fiberglass reinforced polymer components		2,078		2,479
Manufacturing revenue	$	562,885	$	386,052

18. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings, including those that may be related to negligence, product liability, wrongful dismissal, contractual disputes or personal injury. Many claims are covered by the Company's insurance policies. Management does not currently expect any of the current claims to have a material adverse effect on the Company's financial position, results of operations or cash flows.

(b) Through the normal course of operations, the Company has indemnified the surety companies providing surety bonds ("surety bond") required under various contracts with customers. In the event that the Company fails to perform under a contract and the surety companies incur a cost on a surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond.

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at March 31, 2024 range from April 2024 to December 2039.

At March 31, 2024, outstanding surety bonds guaranteed by the Company totaled $370.5 million (December 31, 2023: $312.7 million). The Company has not recorded any liability under these guarantees, as management believes that no material events of default exist under any contracts with customers.

(c) The Company has a letter of credit sub-facility of $150.0 million as part of the North American Facility (December 31, 2023: $150.0 million). As at March 31, 2024, letters of credit totaling $103.1 million (December 31, 2023: $96.6 million) remain outstanding as security for contractual obligations of the Company under the North American Facility.

The EDC facility includes up to $125 million of surety reinsurance support ("surety reinsurance support") for NFI's surety and performance bonding requirements ("bonding support facility"). The bonding support facility is made up of account performance security guarantee ("PSG") up to $50 million and surety reinsurance support up to $125 million.

The PSG program is in place to cover a standby letter of credit or letter of guarantee (in each case an "LC"), required as part of a collateral package provided to support a surety facility where the new bonding capacity is a minimum of at least twice the face value of the LC. The underlying surety facility must only be supporting surety bonds required under contracts entered into by NFI, and where such surety bonds are bid bonds, performance bonds, regulatory bonds, license and permit bonds.

The Surety Reinsurance Support program is in place to cover surety bond(s) issued on behalf of NFI, provided that such surety bond is a bid bond, performance bond, regulatory bond, license and permit bond. Surety reinsurance support is not to exceed 75% of the surety bond amount.

18. COMMITMENTS AND CONTINGENCIES (Continued)

As at March 31, 2024, there was $101.3 million (December 31, 2023: $74.2 million) outstanding under the bonding support facility.

As at March 31, 2024, letters of credit in the UK totaling $11.2 million were outstanding as security obligations of the Company outside of the UK facility (December 31, 2023: $18.7 million). Additionally, there are $38.0 million (December 31, 2023: $45.8 million) of letters of credit outstanding outside of the UK Facility.

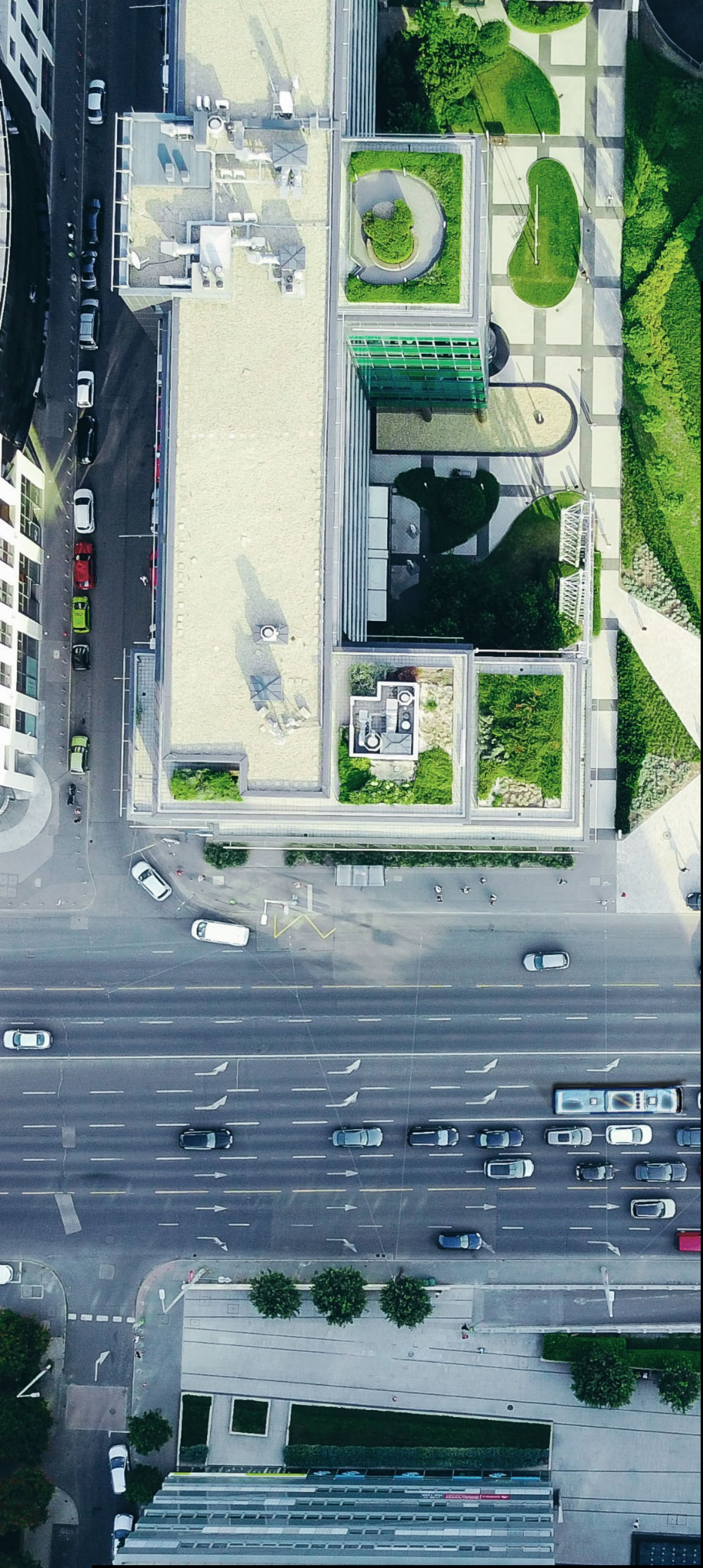
As at March 31, 2024, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

(d) Through the normal course of operations, the Company has guaranteed payments and residual values to third-party lenders on behalf of customers. As at March 31, 2024, the Company had guaranteed $2.3 million (December 31, 2023: $2.4 million) of these arrangements. The Company has not provided for any of these costs, as it does not believe they will have to pay out on any of these arrangements.

19. SUBSEQUENT EVENTS

Subsequent to March 31, 2024, Manitoba Development Corporate (“MDC”) and NFI Group entered into an amended agreement on its existing Senior Unsecured Debt Facility reducing the fixed interest rate to 0% per annum (December 31, 2023: SOFR plus applicable margin).

The Company has determined the above item to be a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of, and for the 13-weeks ended March 31, 2024 have not been adjusted to reflect the subsequent event.



NFI GROUP

NFI is leading the electrification of mass mobility around the world. With zero-emission buses and coaches, infrastructure, and technology, NFI meets today's urban demands for scalable smart mobility solutions. Together, NFI is enabling more livable cities through connected, clean, and sustainable transportation.

NFI has over 8,750 team members in ten countries and offers the widest range of sustainable drive systems available, including zero-emission electric (trolley, battery, and fuel cell), natural gas, electric hybrid, and clean diesel.

In total, NFI supports its installed base of over 100,000 buses and coaches around the world.

NFI's common shares trade on the TSX under the symbol NFI and its convertible debentures trade on the TSX under the symbol NFI.DB.

NFI Group Inc.
711 Kernaghan Avenue
Winnipeg, Manitoba
R2C 3T4

www.nfigroup.com

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