NFI Group Announces First Quarter 2020 Results and Improvement in Liquidity to $550 million

May 7, 2020

All figures quoted in US dollars unless otherwise noted:

- **NFI delivered 1,279 EUs in 2020 Q1, resulting in revenue of $710.4 million.**
- **Adjusted EBITDA of $56.1 million in 2020 Q1.**
- **2020 Q1 Free Cash Flow of $14.2 million and C$0.32 per Share. Total Leverage ratio of 3.68x.**
- **Declared dividends of C$13.3 million in 2020 Q1 representing a payout ratio of 67.1%.**
- **Net loss of $(67.2) million, or $(1.08) per Share, in 2020 Q1, earnings were impacted by a one-time, non-cash impairment charge of $50.8 million related to the impact of COVID-19 on MCI's private motor coach business and a $22.5 million mark-to-market loss on interest rate swaps.**
- **2020 Q1 Adjusted Net Earnings of $(0.5) million, or $(0.01) per Share, which is normalized for $66.7 million of non-cash adjustments impacting net earnings.**
- **2020 Q1 ending backlog, consisting of both firm and option orders, was 10,579 EUs (valued at $5.1 billion). New firm and options orders of 1,346 EUs in the quarter.**
- **Subsequent to quarter-end, NFI improved its liquidity significantly through a combination of cash flow generation and new credit facilities to a balance of $550 million as of May 6, 2020**

WINNIPEG, May 7, 2020 - (TSX:NFI) NFI Group Inc. ("NFI" or the "Company"), one of the world's leading independent bus manufacturers, today announced its financial results for 2020 Q1.

First quarter revenue increased to $710.4 million, an improvement of 25.3%, from the prior year. Other key financial highlights of the quarter are below:

(unaudited, in millions except per Share amounts)	**2020 Q1**	**Change[(2)]**	**2020 Q1 LTM**	**Change[(2)]**
Deliveries (EUs)	1,279	376	5,691	1,468
IFRS Measures				
Revenue	$710.4	$143.4	$3,036.7	$529.3
Net earnings	(67.2)	(83.3)	(25.7)	(171.4)
Net earnings per Share	(1.08)	(1.34)	(0.41)	(2.76)
Non-IFRS Measures[(1)]				
Adjusted EBITDA	$56.1	$(4.2)	$317.9	$16.0
Adjusted Net Earnings	(0.5)	(22.2)	79.0	(87.2)
Adjusted Net Earnings per Share	(0.01)	(0.37)	1.15	(1.34)
Free Cash Flow	14.2	(18.2)	142.2	(9.1)
Leverage	3.68x	1.06x	3.68x	0.44x

1. Adjusted EBITDA, Adjusted Net Earnings, Adjusted Net Earnings per Share and Free Cash Flow are not recognized earnings measures and do not have standardized meanings prescribed by IFRS. Therefore, they may not be comparable to similar measures presented by other issuers. See “Non-IFRS Measures” and detailed reconciliations of IFRS Measures to Non-IFRS Measures in the Appendix of this press release.
2. Results noted herein are for the 13-week period ("2020 Q1”) and the 52-week period (“2020 Q1 LTM”) ended March 29, 2020. The comparisons reported in this press release compare 2020 Q1 to the 13-week period ("2019 Q1") and 2020 Q1 LTM to the 52-week period ended March 31, 2019 (“2019 Q1 LTM”). Comparisons and comments are also made to the 13-week period (“2019 Q4”) ended December 29, 2019. Readers are advised to view the unaudited consolidated financial statements (the “Financial Statements”) and the related Management's Discussion and Analysis (the "MD&A") that are available at the Company's website at: https://www.nfigroup.com/investor-relations/performance-reports/ and under the Company's profile on www.sedar.com

First quarter Adjusted Net Earnings is adjusted for a $50.8 million non-cash goodwill impairment charge related to the acquired assets of MCI. The goodwill impairment reflects the impact COVID-19 is having and is expected to have on the private coach market in 2020, including the cancellation or deferral of private customer orders for new and pre-owned coaches. The uncertainty surrounding the outbreak of COVID-19 also caused significant volatility in equity markets, resulting in a systematic increase in the cost of equity capital utilized in the calculation to determine the recoverable amount of the MCI Cash Generating Unit. The impairment is mostly caused by near-term cash flow impacts caused by COVID-19 in 2020, as management believes MCI's longer-term cash flows are consistent with those forecasted prior to the pandemic. Adjusted Net Earnings also includes $15.5 million for fair value adjustments on mark-to-market losses on interest rate swaps and $1.4 million in adjustments for losses on the total return swap. Full reconciliation of net earnings to Adjusted Net Earnings is available in the accompanying tables of this press release.

“NFI's first quarter results saw a significant increase in year-over-year vehicle deliveries and revenue, but was also a period of disruption as we began to experience the impact of the global COVID-19 pandemic during the last weeks of the quarter. In response to the pandemic we moved quickly to protect the health and safety of our team, customers and suppliers, while also lowering our monthly cash expenditures,” said Paul Soubry, President and Chief Executive Officer of NFI. “We worked proactively with our banking partners to obtain covenant relief and increase our credit capacity and we are now better positioned to navigate through the pandemic. As we begin the process of planning to resume new vehicle production we remain committed to supporting our customers, responding to an increase in active procurements, and advancing our strategic initiatives."

2020 Q1 Segment Highlights

Manufacturing

- Manufacturing revenue for 2020 Q1 increased by $118.7 million, or 24.9% compared to 2019 Q1. The increase is related to the acquisition of ADL, plus higher volumes in the motor coach and medium duty and cutaway businesses. The Company delivered significantly higher volumes of cutaway vehicles as it did not have any chassis disruption like the one that was experienced in the first quarter of 2019.
- Manufacturing gross margins for 2020 Q1 of $48.7 million (8.2% of revenue), decreased by $17.0 million, or 25.9% compared to $65.7 million (13.8% of revenue) for 2019 Q1. The decrease in gross margin as a percentage of revenue was primarily caused by lower margins in the ADL business, as compared to the Company's legacy manufacturing business (being New Flyer, MCI and ARBOC) plus unfavourable sales mix in the legacy transit bus business and continued margin pressure within the coach business. In addition, included in manufacturing gross margin is a charge for amortization of intangible assets of $4.3 million for 2020 Q1 related to the acquisition of ADL. This decreased gross margin as a percentage of revenue by 0.7% for 2020 Q1.
- 2020 Q1 Manufacturing Adjusted EBITDA decreased by $11.6 million, or 24.7%, due to lower gross margins and higher SG&A costs from the addition of ADL.
- Manufacturing 2020 Q1 net earnings decreased by $59.9 million, or 325.5%, due to the same items that impacted Adjusted EBITDA, plus a $50.8 million non-cash goodwill impairment charge and higher depreciation and amortization related to the acquisition of ADL, which includes the $4.3 million of amortization related to ADL's intangible assets.

Aftermarket

- Aftermarket revenue in 2020 Q1 increased by $24.7 million, or 27.3% compared to 2019 Q1. The acquisition of ADL and increased sales to public customers within NFI Parts were the primary drivers of increased revenue during 2020 Q1.
- Aftermarket gross margin in 2020 Q1 of $35.0 million (30.4% of revenue) increased by $10.1 million, or 40.6% compared to 2019 Q1 gross margin of $24.9 million (27.5% of revenue). The increase as a percentage of revenue is primarily due to favourable sales mix plus the addition of ADL.
- 2020 Q1 Aftermarket Adjusted EBITDA increased by $3.0, or 16.8%, with volume increases from ADL and improved margins from product mix offset by increased SG&A costs from the addition of ADL.
- Aftermarket 2020 Q1 net earnings decreased by $6.5 million, or 30.5%, with the improvements in Adjusted EBITDA being offset by higher depreciation and expenses associated with accounting adjustments related to the acquisition of ADL.

Liquidity

NFI’s liquidity position as at March 29, 2020 was $146.6 million a decrease of $62.7 million from December 29, 2019. The decrease in liquidity primarily relates to changes in non-cash working capital which was impacted by increases to inventory balances and timing of receivable payments. Subsequent to quarter-end, the Company entered into a new $250 million unsecured, one-year credit facility, available for general corporate purposes as required, and NFI and its subsidiary, NFI International Limited, entered into a new strategic £50 million unsecured facility that management expects may lower interest expenses and withholding tax exposure as it allows the Company to better manage international transactions and borrowings for ADL's operations. These two new facilities combined with cash generated subsequent to the quarter left the Company with a total liquidity position of $550 million as of May 6, 2020. Further details on the new facilities can be found in the 2020 Q1 MD&A.

While the additional credit facilities help improve the Company's overall financial position, management believes the credit capacity under its existing credit facility is currently sufficient to fund operations, meet financial obligations as they come due and provide the necessary funds for capital expenditures, dividend payments and other operational needs.

Outlook

In response to the COVID-19 pandemic, NFI chose to idle the majority of its new vehicle production facilities from the end of March 2020 into May 2020. NFI is now beginning the process of a planned restart of operations at idled production facilities on a site-by-site basis taking into account all government mandates and health and safety requirements. It will take time for operations to recover to normal levels as production resumes at the Company's various facilities and based on the site-by-site plan, management anticipates that the Company's North American manufacturing operations should resume throughout May 2020 and that all facilities will have resumed operations by early June.

The unpredictable effects of COVID-19 may limit the Company's ability to execute on its recovery plan, especially if there are additional government restrictions or mandates that limit production operations, customers' ability to accept vehicles and occurrences of supply chain disruptions. The effects of COVID-19 are expected to continue to impact deliveries and financial performance through the remainder of 2020, as some vehicles that were originally planned for 2020 delivery may move into 2021.

Management and the Board have managed through several economic cycles in the past and are confident that the Company has taken the necessary steps to position it well to successfully navigate through the pandemic. Management believes the Company's new credit facilities, combined with credit covenant relief provided by its banking partners under its existing facility, provide the Company with sufficient financial flexibility and credit capacity to withstand the impacts of COVID-19. In addition, the Company's strong backlog of $5.1 billion and a customer base that is primarily driven by public transit agencies provide longer-term visibility.

Management's primary focus at this time is on lowering cash expenditures during the COVID-19 pandemic and has taken numerous measures including hiring freezes, suspension of salary increases and 2019 earned executive incentive bonuses, decreased operating and capital expenditures (including delays of several projects), increased focus on working capital management and temporary reductions in senior leadership salaries all of which are expected to provide positive contribution to cash flow. In addition to those items, the reduction in the Company's dividend also generates $10 million in quarterly cash savings. Management has been pleased with the results of these combined measures to date, as the Company has seen its liquidity improve by over $90 million since quarter-end through positive cash flow generation.

Governments around the world have announced or are assessing stimulus and COVID-19 relief programs. In certain cases, these programs will benefit NFI's customers, which may create future opportunities for the sale of NFI's products and services. One such program is the U.S. government's Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which includes dedicated support for transit agencies across the U.S., that continue to provide an essential service during the COVID-19 pandemic. Under the CARES Act, Congress appropriated USD $25 billion to the Federal Transit Administration for urban and rural transit agencies to support operating and qualified capital expenses to prevent, prepare for, and respond to the COVID-19 pandemic.

Other government programs in Canada, the U.S. and the UK may help NFI offset costs incurred as a result of the COVID-19 pandemic. NFI is currently utilizing several programs in the UK that are reimbursing the Company for costs associated with employee salaries impacted by the pandemic. The Company is monitoring similar programs in the U.S. and Canada, including the Canada Emergency Wage Subsidy, and will avail of them where applicable.

Management remains optimistic with respect to the longer-term outlook of the majority of the Company's global end markets. The Company's vehicles (New Flyer, ARBOC, MCI public coach, ADL) are primarily used for public transit, which remains a primary method of transportation for millions of users and an economic enabler in cities. As numerous jurisdictions recover from COVID-19 and execute on strategies to improve accessibility and migrate to more ZEBs, the Company expects to be a beneficiary of this activity. Management's belief is supported by continued strong growth in the Company's North American Bid Universe, which remains at record levels, plus announcements from governments in Canada, the U.S. and the UK, regarding dedicated multi-year funding to support transit operations and vehicle procurements.

While the overall market demand outlook is positive, management does expect that its private motor coach business, which represents approximately 12% of consolidated revenue and an even lower percentage of net earnings, will be negatively affected by the impact of COVID-19 during 2020. The Company has responded to this decrease in market activity by taking numerous measures to remove costs going forward from this segment of its operations, including permanent layoffs and a decrease in production levels, which are expected to save the Company in excess of $10 million per annum. The Company is actively evaluating other options to lower its overhead costs.

"As we operate through the challenges of the COVID-19 pandemic we have strengthened our balance sheet and lowered our cost base, and have already achieved several milestones on those fronts," said Paul Soubry. "No doubt there have been and will be considerable additional short-term challenges caused by COVID-19 that impact results in 2020. We are confident in our management team and the steps we've taken to ensure the safety of our employees while continuing to deliver for our customers and our shareholders in the face of this pandemic. The end-markets for our manufacturing segment, outside of near-term impacts to private motor coach, remain healthy, and our aftermarket parts businesses provide recurring revenue."

Corporate Social Responsibility

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

NFI's 2019 Environmental Social Governance Report can be accessed on the Company's website.

Conference Call

A conference call for analysts and interested listeners will be held on Thursday, May 7, 2020 at 9:30 a.m. Eastern Time (ET). The call-in number for listeners is 888-231-8191 or 647-427-7450. An accompanying results presentation will be available prior to the call at www.nfigroup.com/investor-relations.

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

https://produceredition.webcasts.com/starthere.jsp?ei=1303924&tp_key=84dcf5f159

A replay of the call will be available from 12:30 p.m. (ET) on May 7, 2020 until 11:59 p.m. (ET) on June 8, 2020. To access the replay, call 855-859-2056 or 416-849-0833 and then enter pass code number 7435389. The replay will also be available on NFI's web site at www.nfigroup.com.

Annual and Special Meeting of Shareholders

As NFI previously announced its Annual and Special Meeting of Shareholders will be held on Thursday, May 7, 2020 at 2:00 p.m. (ET). Due to the restrictions imposed in connection with the COVID-19 pandemic and in consideration of the health and safety of our shareholders, team members and the broader community, the meeting will be held in a virtual meeting format only. Details on how to join the meeting can be found on NFI's website.

About NFI Group

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

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

For further information, please contact:

Stephen King
Group Director, Corporate Development and Investor Relations, NFI Group
204.224.6382
Stephen.King@nfigroup.com

Appendix - Reconciliation Tables

Reconciliation of Net Earnings to Adjusted EBITDA

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

(Unaudited, U.S. dollars in thousands)	**2020 Q1**	**2019 Q1**	**52-Weeks Ended March 29, 2020**	**52-Weeks Ended March 31, 2019**
Net earnings (loss)	$ (67,239)	$ 16,149	$ (25,688)	$ 145,735
Addback[(1)]				
Income taxes	4,578	7,655	38,920	43,826
Interest expense	37,135	18,057	92,432	41,999
Amortization	30,140	18,981	115,729	70,109
Loss (gain) on disposition of property, plant and equipment	163	(20)	137	261
Fair value adjustment for total return swap[(10)]	1,970	44	2,875	8,222
Unrealized foreign exchange loss (gain) on non-current monetary items and forward foreign exchange contracts	(43)	(935)	952	(2,675)
Costs associated with assessing strategic and corporate initiatives[(7)]	—	5	13,064	96
Past service costs[(11)] and other pension costs (recovery)	(463)	—	(2,064)	672
Non-recurring restructuring costs [(8)]	22	—	387	—
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue[(9)]	—	—	31,004	—
Proportion of the total return swap realized[(8)]	(940)	(53)	(1,513)	(5,651)
Equity settled stock-based compensation	14	419	1,161	1,359
Recovery on currency transactions[(13)]	—	—	(4,287)	—
Prior year sales tax provision [(14)]	(56)	—	4,038	—
Release of provisions related to purchase accounting[(12)]	—	—	—	(2,138)
Impairment loss on goodwill[(14)]	50,790	—	50,790	—
Adjusted EBITDA[(1)]	$ 56,071	$ 60,302	$ 317,936	$ 301,815
Adjusted EBITDA is comprised of:				
Manufacturing	$ 35,443	$ 47,012	$ 244,528	$ 260,858
Aftermarket	20,937	17,912	77,597	71,657
Corporate	(308)	(4,622)	(4,188)	(30,700)

See footnotes below.

Reconciliation of Net Earnings to Adjusted Net Earnings

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

(Unaudited, U.S. dollars in thousands other than earnings per Share and Adjusted Earnings per Share)	**2020 Q1**	**2019 Q1**	**52-Weeks Ended March 29, 2020**	**52-Weeks Ended March 31, 2019**
Net earnings (loss)	$ (67,239)	16,149	$ (25,690)	$ 145,735
Adjustments, net of tax [1] [10]				
Fair value adjustments of total return swap[7]	1,359	30	1,878	6,247
Unrealized foreign exchange (gain) loss	(30)	(635)	640	(1,824)
Unrealized (gain) loss on interest rate swap	15,510	6,415	21,816	8,462
Impairment loss on goodwill[14]	50,790	—	50,790	—
Portion of the total return swap realized[8]	(649)	(36)	(975)	(4,309)
Costs associated with assessing strategic and corporate initiatives[4]	—	3	13,066	72
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue[6]	—	—	17,943	—
Equity settled stock-based compensation	10	284	632	972
Gain on disposition of property, plant and equipment	112	(14)	99	187
Past service costs[9] and other pension costs (recovery)	(319)	—	(1,246)	506
Gain on release of provision related to purchase accounting [11]	—	—	—	(1,623)
Recovery on currency transactions[12]	—	—	(2,481)	—
Prior year sales tax provision [13]	(39)	—	2,330	—
Non-recurring restructuring costs [5]	15	—	226	—
Adjusted Net Earnings	$ (480)	22,196	$ 79,028	154,425
Earnings per Share (basic)	$ (1.08)	$ 0.26	$ (0.41)	$ 2.35
Earnings per Share (fully diluted)	$ (1.08)	$ 0.26	$ (0.41)	$ 2.33
Adjusted Earnings per Share (basic)	$ (0.01)	$ 0.36	$ 1.15	$ 2.49
Adjusted Earnings per Share (fully diluted)	$ (0.01)	$ 0.36	$ 1.15	$ 2.47

1. Addback items are derived from the historical Financial Statements of the Company.
2. Adjusted EBITDA is not a recognized earnings measure and does not have standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See “Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings and Adjusted Net Earnings per Share” in Appendix B. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating performance of the Company.
3. As a result of the Company’s multinational corporate structure, income taxes paid are subject to high degrees of volatility due to the mix of earnings within various jurisdictions and the timing of required installment payments.
4. Normalized to exclude non-recurring expenses related to the costs of assessing strategic and corporate initiatives.
5. Normalized to exclude non-recurring restructuring costs.
6. The revaluation of ADL's inventory included an adjustment of $31.0 million in Fiscal 2019 after-tax value of $17.9 million. These revaluation adjustments relate to purchase accounting as a result of the related acquisitions.
7. The fair value adjustment of the total return swap is a non-cash gain that is deducted from the definition of Adjusted EBITDA.

8. A portion of the gain from the fair value adjustment of the total return swap is added to Adjusted EBITDA to match the equivalent portion of the related deferred compensation expense recognized.
9. In 2019 Q3, the Company received $1.6 million recovery related to the closing of one of its pension plans. An additional amount of $0.46 million was received in 2020 Q1. In 2018 Q2, the Company completed an actuarial valuation related to the past service costs of the new collective bargaining agreement at the Company's Winnipeg facility which resulted in an adjustment of $0.7 million.
10. In 2020 Q1, the Company has utilized a rate of 31% to tax effect the adjustments.
11. During 2018 Q4 purchase accounting provisions recorded during the acquisition of MCI were deemed to be no longer needed and were released resulting in an increase to net earnings. The amounts released have been deducted in the calculation of Adjusted EBITDA.
12. Recovery of prior period banking fees related to foreign exchange transactions.
13. Provision for sales taxes as a result of an ongoing state tax review.
14. Impairment charge on MCI's goodwill.

Appendix - Non-IFRS Measures

References to “Adjusted EBITDA” are to earnings before interest, income taxes, depreciation and amortization after adjusting for the effects of certain non-recurring and/or non-operations related items that do not reflect the current ongoing cash operations of the Company. These adjustments include gains or losses on disposal of property, plant and equipment, fair value adjustment for total return swap, unrealized foreign exchange losses or gains on non-current monetary items and forward foreign exchange contracts, costs associated with assessing strategic and corporate initiatives, past service costs and other pension costs, non-recurring restructuring costs, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, proportion of the total return swap realized, equity settled stock-based compensation, recovery of currency transactions, prior year sales tax provision, impairment loss on goodwill, and release of provision related to purchase accounting.

“Free Cash Flow” means net cash generated by operating activities adjusted for changes in non-cash working capital items, interest paid, interest expense, income taxes paid, current income tax expense, principal portion of finance lease payments, cash capital expenditures, proceeds from disposition of property, plant and equipment, costs associated with assessing strategic and corporate initiatives, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, defined benefit funding, defined benefit expense, past service costs, proportion of total return swap, recovery on currency transactions, prior year sales tax provision, non-recurring restructuring costs, gain on release of provision related to purchase accounting, foreign exchange gain (loss) on cash held in foreign currency.

References to "ROIC" are to net operating profit after taxes (calculated as Adjusted EBITDA less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%) divided by average invested capital for the last twelve month period (calculated as to shareholders’ equity plus long-term debt, obligations under leases, other long-term liabilities and derivative financial instrument liabilities less cash).

References to "Adjusted Net Earnings" are to net earnings after adjusting for the after tax effects of certain non-recurring and/or non-operational related items that do not reflect the current ongoing cash operations of the Company including: fair value adjustments of total return swap, unrealized foreign exchange loss or gain, unrealized gain or loss on the interest rate swap, portion of the total return swap realized, costs associated with assessing strategic and corporate initiatives, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, equity settled stock-based compensation, gain or loss on disposal of property, plant and equipment, past service costs and other pension costs, gain on release of provision related to purchase accounting, recovery on currency transactions, prior year sales tax provision, and non-recurring restructuring costs .

References to "Adjusted Earnings per Share" are to Adjusted Net Earnings divided by the average number of Shares outstanding.

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

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

Forward-Looking Statements

Certain statements in this press release are “forward looking statements”, which reflect the expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. The words “believes”, “anticipates”, “plans”, “expects”, “will”, “intends”, “projects”, “forecasts”, “estimates” and similar expressions are intended to identify forward looking statements. These forward-looking statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this press release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements.

Such differences may be caused by factors which include, but are not limited to, the magnitude and length of the global, national and regional economic and social disruption being caused as a result of the global COVID-19 pandemic; the impact of national, regional and local governmental laws, regulations and “shelter in place” or similar orders relating to the COVID-19 pandemic which may materially adversely impact the Company’s ability to continue operations; additional partial or complete closures of one, more or all of the Company’s facilities and work locations (including to protect the health and safety of the Company’s employees), the extension of such closures and the ability to execute planned return to production and the increase of production rates over time as a result of the COVID-19 pandemic; continuing and worsening supply delays and shortages of parts and components and disruption to labour supply as a result of the COVID-19 pandemic; the COVID-19 pandemic will likely adversely affect operations of customers as a result of shutdowns and/or disruptions to their operations and the services provided to their customers and end users and may delay, for an unknown period, customers’ purchases of the Company’s products; the Company’s ability to obtain access to additional capital if required; 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, which may also negatively impact the ability of the Company to fund dividends. These above risks relating to the impact of the COVID-19 pandemic may materially adversely impact the Company’s business, operating performance and financial condition, including as a result of reduction to the Company’s cashflow, liquidity and its ability to maintain compliance with covenants under its credit facilities. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period, obtain future covenant relief under its credit facilities or access to additional capital or access to government financial support or as to when production operations will commence or return to previous production rates.

The Company cautions that due to the dynamic, fluid and highly unpredictable nature of the COVID-19 pandemic and its impact on global and local economies, businesses and individuals, it is impossible to predict the severity of the impact on the Company’s business, operating performance and financial condition and any material adverse effects could very well be rapid, unexpected and may continue for an extended and unknown period of time. The extent of such impact will depend on future developments, which are unpredictable, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken by governments and health organizations around the world to address its impact, among others.

A number of other factors that may cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to, funding may not continue to be available to the Company’s customers at current levels or at all; the Company’s business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for the Company’s products and the results of its operations; currency fluctuations could adversely affect the Company’s financial results or competitive position; interest rates could change substantially, materially impacting the Company’s revenue and profitability; an active, liquid trading market for the Shares may cease to exist, which may limit the ability of shareholders to trade Shares; the market price for the Shares may be volatile; if securities or industry analysts do not publish research or reports about the Company 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; failure of the ratification of the Unites States-Mexico-Canada Agreement (USMCA) could be materially adverse to NFI; current requirements under “Buy America” regulations may change and/or become more onerous or suppliers’ “Buy America” content may change; failure of the Company to comply with the DBE program requirements or the failure to have its DBE goals approved by the FTA; absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience; local content bidding preferences in the United States may create a competitive disadvantage; uncertainty resulting from the exit of the UK from the European Union; requirements under Canadian content policies may change and/or become more onerous; 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; international operations subject the Company to additional risks and costs and may cause profitability to decline; dependence on limited sources or unique 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 and remediation of transit buses and motor coaches; production delays may result in liquidated damages under the Company’s contracts with its customers; catastrophic events may lead to production curtailments or shutdowns; the Company may not be able to successfully renegotiate collective bargaining agreements when they expire and may be adversely affected by labour disruptions and shortages of labour; the Company’s operations are subject to risks and hazards that may result in monetary losses and liabilities not covered by insurance or which exceed its insurance coverage; the Company may be adversely affected by rising insurance costs; the Company may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds and letters of credit required for new contracts; the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability claims; the Company may have difficulty selling pre-owned coaches and realizing expected resale values; the Company may incur costs in connection with 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 restrictive covenants in the Credit Facility could impact the Company’s business and affect its ability to pursue its business strategies; payment of dividends is not guaranteed; a significant amount of the Company’s cash is distributed, which may restrict potential growth; the Company is dependent on its subsidiaries for all cash available for distributions; future sales or the possibility of future sales of a substantial number of Shares may impact the price of the Shares and could result in dilution; if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected; income tax risk due to the Company’s operations being complex and income tax interpretations, regulations and legislation that pertain to its activities are subject to continual change; investment eligibility and Canadian federal income tax risks; certain U.S. tax rules may limit the ability of NF Holdings and its U.S. subsidiaries (the “NF Group”) to deduct interest expense for U.S. federal income tax purposes and may increase the NF Group’s tax liability and certain financing transactions could be characterized as “hybrid transactions” for U.S. tax purposes, which could increase the NF Group’s tax liability. NFI cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in NFI’s press releases, Annual Information Form and materials filed with the Canadian securities regulatory authorities which are available on SEDAR at www.sedar.com.

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