Financial Results
Third Quarter 2024

November 6, 2024

NFI's mobility solutions

Workforce Development & Training

VIC VEHICLE INNOVATION CENTER

24 Training Academy

NEW FLYER Institute

NFI Learning Institute

MCI | MCI Academy Training for Advancing Technology

Buses & Coaches

NEW FLYER

MCI

ALEXANDER DENNIS

ARBOC SPECIALTY VEHICLES

PLAXTON

Infrastructure Solutions

NFI Infrastructure Solutions

Financing

NFI Financial Solutions

Parts, Publications & Service

NFI Service

24

nfi.parts

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 September 29, 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 September 29, 2024. and has been prepared as of November 6, 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) return 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

220M+
Electric service miles driven

4,331
ZEB EUs delivered since 2015

243
ZEB EUs delivered in 2024 Q3

24%
of new EUs delivered in 2024 Q3 were ZEBs

51%
of the total North American Public Bid Universe is ZEBs

$12.0B
Value of total backlog^{NG} (14,590 EUs)

5,987
ZEB EUs in backlog^{NG}

41%
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

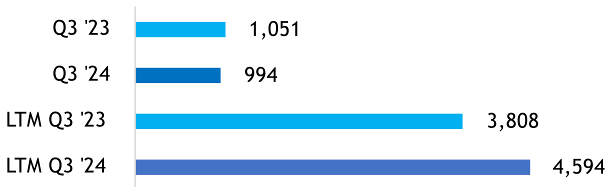
540+
EV chargers delivered via Infrastructure Solutions™ since 2018

87+
Megawatts charging capacity delivered via Infrastructure Solutions™ since 2018

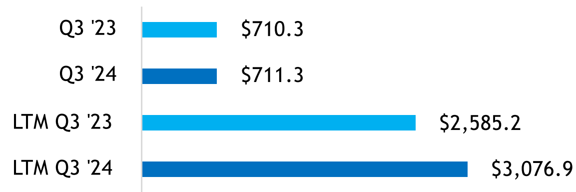
Leading the ZEvolution™

Key Performance Indicators

Deliveries (EUs)

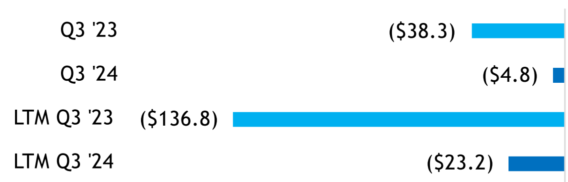


Revenue ($ millions)

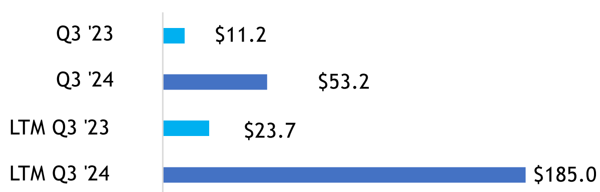


Net Loss ($ millions)

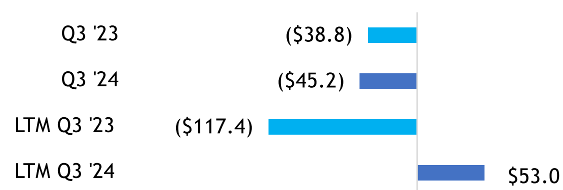
Adjusted Net Loss[NG] ($ millions)



Adjusted EBITDA[NG] ($ millions)



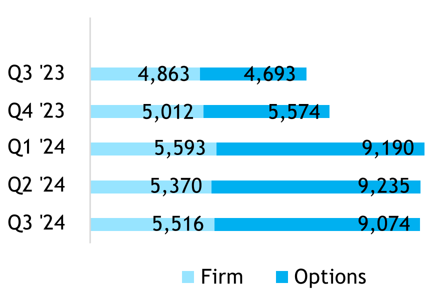
Net cash (used in) generated by operating activities ($ millions)



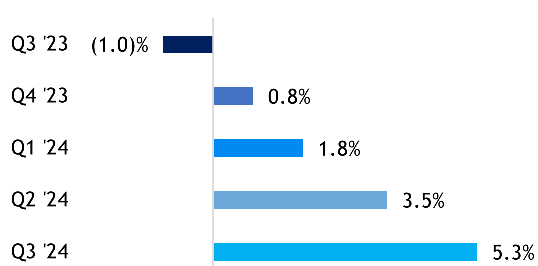
Working Capital Days[NG]

Total Liquidity[NG] ($ millions)

Backlog[NG] (EUs)



ROIC[NG]



Financial Results

NFI's 2024 third quarter financial results reflect the continued efforts to increase production rates as the Company recovers from the impacts of global supply chain challenges, labour supply challenges, and associated production inefficiencies. NFI's 2024 Q3 saw improvements with deliveries and revenue for medium-duty and cutaway as well as coach deliveries. During the quarter, supply disruption from a few select suppliers, primarily a North American bus seat supplier, resulted in production inefficiencies and delayed deliveries for heavy-duty transit buses ("Transit"), see Highlights section on page 11 for further details. The Aftermarket business segment ("Aftermarket") experienced another strong period of performance, with year-over-year growth in revenue and quarterly Adjusted EBITDA[NG].

The Company's end markets remain healthy, 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 Q3	2023 Q3	*% Change*	2024 Q3 LTM	2023 Q3 LTM	*% Change*
Transit buses	667	799	*(16.5 %)*	3,346	2,783	*20.2 %*
Motor coaches	168	156	*7.7 %*	689	602	*14.5 %*
Medium-duty and cutaway	159	96	*65.6 %*	559	423	*32.2 %*
New vehicle deliveries	994	1,051	*(5.4 %)*	4,594	3,808	*20.6 %*
Pre-owned coach	14	27	*(48.1 %)*	162	267	*(39.3 %)*
Zero-emission deliveries (included in the above totals)	243	238	*2.1 %*	964	964	*0.0 %*
Zero-emission deliveries as a percentage of total new vehicle deliveries	24.4 %	22.6 %	*8.0 %*	21.0 %	25.3 %	*(17.1 %)*

Revenue ($ millions)	2024 Q3	2023 Q3	*% Change*	2024 Q3 LTM	2023 Q3 LTM	*% Change*
Transit buses	417.5	450.8	*(7.4 %)*	1,920.7	1,591.7	*20.7 %*
Motor coaches	109.1	96.3	*13.3 %*	431.5	366.9	*17.6 %*
Medium-duty and cutaway	18.7	12.7	*47.2 %*	70.1	49.1	*42.8 %*
Total New Vehicle Revenue	**545.3**	**559.8**	***(2.6 %)***	**2,422.3**	**2,007.7**	***20.7 %***
Pre-owned coach	2.1	4.2	*(50.0 %)*	13.4	21.1	*(36.5 %)*
Infrastructure Solutions™	7.5	2.0	*275.0 %*	19.7	8.6	*129.1 %*
Fiberglass reinforced polymer components	3.6	1.7	*111.8 %*	11.5	8.3	*38.6 %*
Manufacturing Revenue	**558.6**	**567.7**	***(1.6 %)***	**2,466.9**	**2,045.7**	***20.6 %***
Aftermarket	152.8	142.6	*7.2 %*	610.0	539.5	*13.1 %*
Total Revenue	**711.3**	**710.3**	***0.1 %***	**3,076.9**	**2,585.2**	***19.0 %***
North America	571.7	573.3	*(0.3 %)*	2,432.7	2,019.2	*20.5 %*
United Kingdom and Europe	133.3	125.6	*6.1 %*	597.3	524.4	*13.9 %*
Asia Pacific	6.3	11.4	*(44.7 %)*	46.9	41.6	*12.7 %*

Manufacturing revenue for 2024 Q3 decreased by $9.1 million, or 1.6%, compared to 2023 Q3. The decrease was largely due to lower new vehicle deliveries for Transit. Another sizeable portion of this decrease relates to a decrease in revenue of $5.1 million from the Asia Pacific region. The decrease was slightly offset by higher deliveries within motor coach and medium-duty and low-floor cutaway vehicles. Despite the ongoing challenge with the seat supplier in 2024 Q3, the Company has seen significant improvement in overall supplier performance resulting in improved on-time production over the past year, supporting NFI's continued efforts to ramp-up vehicle production rates.

In 2024 Q3, Manufacturing deliveries decreased by 57 EUs, or 5.4%. Transit buses saw the largest decrease in deliveries of 132 EUs, or 16.5%, leading to a 2.5% decrease in new vehicle revenue. In 2024 Q3, Transit deliveries were negatively impacted by the seat supply issue and lower labour production efficiency, reflecting both the impact of disrupted seat supply and higher zero-emission bus production.

Overall, zero-emission bus and coach deliveries for 2024 Q3 increased by 2.1%. The 2024 Q3 LTM ZEB deliveries remained the same when compared to 2023 Q3 LTM. ZEBs as a percentage of total new vehicle deliveries increased by 8% in 2024 Q3. This was driven by the increases in motor coach and medium-duty cutaway deliveries, as they continue their transition to zero-emission technology.

Quarterly revenue of the Company's Infrastructure Solutions™ division increased by $5.5 million. The increase is primarily due to the timing of delivery and completion of open contracts. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 490 plug-in and 54 overhead charger projects, for 69 different customers. Infrastructure Solutions has 28 active projects under contract, with 3 new projects added in 2024 Q3.

Aftermarket revenue for 2024 Q3 continues to show strong performance with an increase of $10.2 million, or 7.2%, compared to 2023 Q3. The increase is mainly related to increased volume in the North America region and improved pricing and procurement savings. The Company also benefited from higher retrofit programs in North America, sales of parts used on other OEMs vehicles and an expanded webstore in both North America and the UK that provides an expanded offering primarily for private customers.

Net (Loss) Earnings ($ millions, except per share amounts)	2024 Q3	2023 Q3	*% Change*	2024 Q3 LTM	2023 Q3 LTM	% Change
Manufacturing	(5.8)	(39.9)	*85.5 %*	(2.8)	(252.5)	*98.9 %*
Aftermarket	29.4	27.2	*8.1 %*	117.0	95.6	*22.4 %*
Corporate	(38.6)	(27.2)	*(41.9 %)*	(138.4)	(129.5)	*(6.9 %)*
Net Loss	**(15.0)**	**(39.9)**	***62.4 %***	**(24.2)**	**(286.4)**	***91.6 %***
Adjusted Net Loss[NG]	(4.8)	(38.3)	*87.5 %*	(23.2)	(136.8)	*83.0 %*
Net Loss per Share	(0.13)	(0.42)	*69.0 %*	(0.20)	(3.52)	*94.3 %*
Adjusted Net Loss per Share[NG]	(0.04)	(0.41)	*90.2 %*	(0.20)	(1.68)	*88.1 %*

Adjusted EBITDA[NG] ($ millions)	2024 Q3	2023 Q3	*% Change*	2024 Q3 LTM	2023 Q3 LTM	*% Change*
Manufacturing	17.3	(14.2)	*222.0 %*	60.0	(83.7)	*171.7 %*
Aftermarket	34.3	31.7	*8.3 %*	136.3	113.6	*20.0 %*
Corporate	1.5	(6.3)	*124.5 %*	(11.3)	(6.2)	*(82.3 %)*
Total Adjusted EBITDA[NG]	**53.2**	**11.2**	***375.0 %***	**185.0**	**23.7**	***680.6 %***
Adjusted EBITDA[NG] as a percentage of revenue						
Manufacturing	3.1 %	(2.5 %)	*224.0 %*	2.4 %	(4.1 %)	*158.5 %*
Aftermarket	22.5 %	22.2 %	*1.4 %*	22.3 %	21.1 %	*5.7 %*
Total	**7.5 %**	**1.6 %**	***368.8 %***	**6.0 %**	**1.0 %**	***500.0 %***

In 2024 Q3, Manufacturing operations experienced a net loss of $5.8 million compared to a net loss of $39.9 million in 2023 Q3. The decrease in net loss was driven by improved gross margins, as the Company delivered buses with an higher margin profile compared to the legacy inflation impacted contracts in 2023 Q3. In addition, motor coach and low-floor cutaway deliveries improved year-over-year offset by lower Transit segment deliveries, primarily impacted by seat supply disruption. Manufacturing operations achieved Adjusted EBITDA[NG] of $17.3 million, an increase of $31.5 million, or 222.0%, compared to 2023 Q3 Adjusted EBITDA Loss[NG]. The increase in Manufacturing Adjusted EBITDA[NG] from 2023 Q3 to 2024 Q3 was primarily due to greater overall gross margins, favourable sales mix, and improved production efficiency while total sales remained relatively equal. The increase in 2024 Q3 LTM Manufacturing Adjusted EBITDA[NG] and the decrease in 2024 Q3 LTM Manufacturing net loss is attributable to the same items that impacted quarterly results. Also contributing to the decrease from 2023 Q3 LTM Manufacturing net loss was 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 $7.0 million of closure estimates in 2023 Q4.

The 2024 Q3 Aftermarket segment net earnings increased by $2.2 million, or 8.1%, compared to 2023 Q3. The increase was primarily due to increased sales volume, improved pricing, and procurement savings. The 2024 Q3 Aftermarket segment achieved Adjusted EBITDA[NG] of $34.3 million, a $2.6 million, or 8.3%, year-over-year increase, primarily due to the same items that impacted Aftermarket net earnings. Increases in net earnings and Adjusted EBITDA[NG] for 2024 Q3 LTM are primarily due to the same items that impacted quarterly increases.

The 2024 Q3 Corporate net loss decreased slightly by $11.4 million compared to 2023 Q3 due to decreased interest expenses on long-term debt. Corporate Adjusted EBITDA[NG] increased by $7.8 million compared to 2023 Q3, primarily due to higher realized foreign exchange losses and operating expenses in 2023 Q3 discussed in the results from operations section on page 21. In 2024 Q3 LTM net loss decreased slightly due to lower interest and finance costs incurred compared to 2023 Q3 LTM offset by an accounting gain on the debt modification of Secured Facilities[1]. The 2024 Q3 LTM, Corporate Adjusted EBITDA[NG] increased due to the same items that impacted quarterly results.

Free Cash Flow[NG] and net cash (used in) generated by operating activities ($ millions, except per share amounts)	2024 Q3	2023 Q3	*% Change*	2024 Q3 LTM	2023 Q3 LTM	*% Change*
Net cash (used in) generated by operating activities	(45.2)	(38.8)	*(16.5)%*	53.0	(117.4)	*145.1 %*
Free Cash Flow[NG]	2.0	(43.2)	*104.6 %*	(15.7)	(126.7)	*87.6 %*
Free Cash Flow[NG] (CAD dollars)	2.6	(58.6)	*104.4 %*	(21.3)	(170.7)	*87.5 %*
Free Cash Flow per Share[NG] (CAD dollars)	0.02	(0.62)	*103.2 %*	(0.18)	(2.10)	*91.4 %*

Free Cash Flow[NG] in 2024 Q3 increased by $45.2 million, or 104.6%, compared to 2023 Q3, mainly due to the increase in cash generated by operating activities offset by an increase in interest paid, and investments in non-cash working capital items.

Cash used in operating activities in 2024 Q3 was $45.2 million, an increase of $6.4 million or 16.5%, compared to cash used in operating activities in 2023 Q3 of $38.8 million. The increase is mainly due to the increase in cash invested in working capital, as well as an increase in interest paid. The 2024 Q3 LTM net cash generated by operating activities increased by 145.1% compared to 2023 Q3 LTM, primarily due to significant decreases in net losses, and an increase in cash provided by working capital, partially offset by cash capital expenditures.

	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Working Capital Days[NG]	53	52	57	61	63
Total Liquidity[NG] ($ million)	$145.8	$178.7	$166.4	$188.2	$169.8
Backlog[NG] (EUs)	14,590	14,605	14,783	10,586	9,556
ROIC[NG]	5.3 %	3.5 %	1.8 %	0.8 %	(1.0 %)

Footnotes:

1. As described in the Capital Allocation section on page 26.

As part of the Company's increased focus on cash conversion and leverage reduction, the Company is actively pursuing activities to reduce Working Capital Days[NG], as it navigates disruption from certain suppliers, raises its production rates and increases the proportion of ZEBs. In 2024 Q3, Working Capital Days[NG] were 53, compared to 52 at the end of 2024 Q2, and 63 at the end of 2023 Q3. The increase in Working Capital Days[NG] in 2024 Q3 compared to 2024 Q2 is mainly attributable to the greater increases in inventories that were partially offset by accounts payable and deferred revenues. As a result of lower deliveries and the supplier challenge, work-in-progress inventory has increased from 2024 Q2. As the Company continues to ramp up production, NFI is continuing to focus efforts on lowering work-in-process inventory by resolving its supplier challenges and accelerating 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, was $145.8 million at the end of 2024 Q3, a decrease of $32.9 million, or 18.4% from 2024 Q2. Total liquidity[NG] position was negatively impacted by a decrease in cash generated from operating activities, increase in inventory balances and increase in drawn funds from the secured facility.

At the end of 2024 Q3, the Company's total backlog[NG] (firm orders and options) was 14,590 EUs, a 0.1% decrease compared to 14,605 EUs at the end of 2024 Q2, and an increase of over 5,000 EUs, or 52.7%, from 2023 Q3. The year-over-year increase was driven primarily by NFI recording the highest number of quarterly awards in Company history in 2024 Q1. Backlog[NG] for 2024 Q3 had a total dollar value of approximately $12.0 billion.

The 2024 Q3 LTM ROIC[NG] increased by 6.3% to 5.3% from 2023 Q3 LTM, due to the increase in Adjusted EBITDA[NG] and increase in the invested capital base[NG]. The increase in invested capital[NG] is primarily due to a gradual increase in long-term debt, higher working capital balances and a large increase in the fair market value of the embedded derivative.

2024 Q3 Highlights

During the third quarter of 2024, NFI continued to see year-over-year improvement in many of the Company's key operational and financial metrics, including revenue, gross profit, Adjusted EBITDA[NG], Free Cash Flow[NG], and Working Capital Days[NG]. The Company saw significant growth in gross margin year-over-year, benefiting from the Company completing all of its legacy inflation-impacted contracts in the first half of 2024, which had a negative impact on prior year Manufacturing segment margins. Manufacturing segment gross margins were up to 7.5%, compared to 0.8% in 2023 Q3, and total gross margin was 12.2% compared to 7.0% in 2023 Q3, representing the highest gross margin since 2021 Q1.

The Company continues its plan to prudently increase line entry rates based on supply availability and as production labour efficiency increases. NFI experienced select supply chain disruptions during the quarter, primarily related to seats for North American transit buses discussed in detail below. Over the past 24 months, NFI has taken numerous actions to support supply performance improvements, including earlier order placement to suppliers, use of alternative suppliers (if possible) at different levels of the supply chain, an enhanced and dedicated supplier development team, and carrying higher levels of inventory for certain components. These initiatives have helped improve consistency of supply of production parts and components, but due to the highly customized nature of North American transit products and ongoing issues with a few select suppliers, there continues to be a risk of supply disruption going forward.

NFI's Aftermarket segment continued its momentum with strong financial results in 2024 Q3, fully embracing growing demand in various jurisdictions and for other bus and coach manufacturers products. Revenue and Adjusted EBITDA[NG] increased 7.2% and 8.4% year-over-year, respectively. The factors contributing to the strong results include an increasing number of vehicles being put into service by transit agencies and private operators, increasing fleet age, customers stockpiling more parts to avoid supply shortages and retrofit programs being carried out by numerous customers in North America and Asia-Pacific (APAC).

ARBOC, NFI's medium-duty and cutaway business segment, has experienced continued success for 2024 with a 47.2% increase in year-over-year revenue. ARBOC delivered 159 EUs in 2024 Q3, its highest quarterly deliveries ever, and a 65.6% increase from 2023 Q3. This significant growth was driven by heightened demand for the Company's cutaway models which offer an accessible solution for all passengers when compared to traditional high-floor cutaway vehicles.

As of the end of 2024 Q3, NFI employed almost 9,100 team members across all of its global locations, up from 9,000 as of the end of 2024 Q2 and 8,401 at the end of 2023 Q3.

Seating Supplier Disruption

The most significant supply challenge impacting the Company's North American operations relates to customer-selected passenger seats and seating kits. North American transit orders contain numerous customer specified parts and components used in the production of buses. These customer specifications, combined with Buy-America compliance, limit North American transit's ability to procure certain parts and components from alternate suppliers. This dynamic applies to seating, which is currently negatively impacting NFI and its peers in North American resulting in unfinished units remaining in WIP as NFI awaits seats for final installation. There were 79 EUs of unfinished units waiting for seats at the end of 2024 Q3. The Company expects this disruption will continue through the remainder of 2024 and into early 2025.

Given NFI's limitation in onboarding new seating suppliers or using an alternative supplier on existing contracts, the duration necessary to secure adequate seating supply is difficult to predict and may take longer than anticipated. NFI is working closely with the customer specified supplier to execute on their production recovery plan to improve the delivery of seating kits and to finalize buses missing seats. These actions include the supplier engaging an external operational advisor and the use of third-party labour by the seat supplier to improve their production rates, and efficiency. NFI is also working with another seating supplier to establish Buy America compliant seat production in 2025, and discussing potential progress payments with customers whose vehicles are essentially complete except for seat installations.

Strong Market Demand and Increasing Procurements

NFI received 1,050 new orders in the third quarter, an improvement of 8.2% year-over-year, showing a continuation of the strong market demand and procurements that the Company has seen in 2024. Firm orders made up 95% of the 2024 Q3 orders.

Forward demand metrics remained strong in 2024 Q3 with 3,226 EUs in Bids Submitted to customers, 5,533 Bids in Process and 29,449 EUs in the Company's total North American Bid Universe. NFI's backlog[ng] at the end of 2024 Q3 was 14,590 EUs and remained at record levels with an approximate value of $12.0 billion, up 1.4% from the previous quarter, and up 82.3% year-over-year, reflecting NFI recording its highest new awards ever in 2024. See Appendix B for details.

The Company also had 127 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 Q3. The combination of pending awards and active bids is expected to position NFI for new additions to its backlog[NG] in 2024 and 2025.

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 the incorporation of progress payments (deposits, advances, and milestone payments), pricing adjustments in 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 during the quarter, with specific focus on progress payments, leading to a net increase of deferred revenue of approximately $47 million. The Company has continued discussions with customers on incorporating progress payments into existing contracts and has begun to build progress payments into new contracts as a standard term wherever possible. Management expects these actions to 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™

In 2024 Q3, NFI delivered a total of 243 zero-emission EUs, representing 24.4% of total quarterly deliveries and a decline of one unit from 2023 Q3. As at the end of 2024 Q3, NFI had 5,987 EUs of ZEBs in the backlog[NG], representing 41.0% of the total backlog[NG], nearly flat from 41.1% as at the end of 2024 Q2, and up from 36.3% at the end of 2023 Q3. As of 2024 Q3, 51.1%, of the Total Bid Universe was comprised of ZEBs, essentially 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.

Quarterly New Wins

During the third quarter of 2024, the Company announced a few major milestones and contract awards, including:

- New Flyer of America Inc. was named the partner of choice in over $338 million of competitive grant awards through the FTA's 2024 Low- or No-Emission and Buses and Bus Facilities programs. The award amount was spread across 14 transit agency partners. The $338 million total represents agencies who directly partnered with New Flyer as part of their grant application.
- Alexander Dennis announced that Go-Ahead Group's subsidiary, Go-Ahead London, had ordered 31 Enviro100EV buses. The Enviro100EV is part of Alexander Dennis' next generation of future-proof zero-emission buses and provides a big bus feel in a small bus configuration.
- Alexander Dennis received an order from Stagecoach for 41 electric buses for London. The order included 24 Enviro100EV small buses and 17 Enviro400EV double decker buses.

Other Events in the Quarter

In July 2024, NFI amended its agreement with Export Development Canada ("EDC") to increase the size of its existing Guarantee Facility (the "Guarantee Facility") from $125 million to $145 million. The Guarantee Facility is made up of Account Performance Security Guarantee ("PSG") of up to $90 million (previously was up to $50 million) and Surety Reinsurance Support of up to $55 million (previously was up to $75 million). The PSG program is in place to cover standby letters of credit, or letters of guarantee (in each case a Letter of Credit or "LOC"), required as part of a collateral package provided to support a surety facility. Surety facilities are typically required by transit agencies in North America to support bus contracts. This amendment provides NFI with greater flexibility when placing surety facilities and is expected to improve liquidity and working capital as NFI now has additional capacity to issue LOCs beyond the company's Secured Facilities.

In early September 2024, Alexander Dennis announced that it had started a consultation process regarding 160 roles at potential risk of redundancy in Scotland, as government zero-emission bus funding has disproportionately benefitted competitors from lower-cost and lower-security economies. Alexander Dennis has continued to voice concerns to U.K. and Scottish governments regarding the uneven playing field that exists for U.K. bus manufacturers, who support higher wages and better domestic employment rights, while combating lower-cost foreign importers. The Company will continue to advance those discussions with a focus on increasing domestic content requirements or increased tariffs to improve the playing field for domestic players.

In late September 2024, NFI Board Chair Wendy Kei was honoured with the Women Corporate Directors 2024 Visionary Award for Strategic Leadership. The award is given to a current woman CEO or board chair who demonstrates leadership through innovation, board and management team diversity and the successful pursuit of long-term strategic growth, while developing programs to mentor and promote female employees.

Subsequent Events

In October 2024, the company announced an initiative to expand New Flyer's Winnipeg manufacturing capability to allow for complete manufacturing of heavy-duty transit buses in Canada and an increased offering of zero-emission buses (internally known as "Project True North"). The project will repurpose existing space at its Winnipeg production facility and the lease of a new finishing facility for final vehicle commissioning. The project is supported by the Government of Manitoba and Prairies Economic Development Canada (PrairiesCan).

To further support liquidity, subsequent to quarter-end, NFI received approval under its senior credit facilities to temporarily waive the minimum liquidity requirement of $50 million, effective as of November 1, 2024 to December 31, 2024. Post this waiver period the minimum liquidity requirement under the senior facilities will return to $50 million. See Outlook Financial Guidance and Liquidity for details.

Outlook

Management anticipates improvements to revenue, gross profit, Adjusted EBITDA[NG], Free Cash Flow[NG], net earnings, and ROIC[NG], in the near- and longer-term. as the Company ramps up production, executes on its backlog[NG], delivers a higher number of ZEBs, grows its aftermarket business and benefits from the growing demand for its buses, coaches, parts, and services provided by Infrastructure Solutions™.

Management believes market demand is evident through the Company’s continued new orders and an extremely strong public transit funding environment in North America and other international jurisdictions. This funding environment drives the Company’s North American bid universe which currently has active bids of 5,533 EUs, and a five-year forecasted customer demand of 20,690 EUs. In addition, the Company has seen improved competitive dynamics within the North American market, leading to the Company recording its highest new awards ever in 2024, with expectations for further large awards in the fourth quarter of the year. NFI has also seen overall market demand within private coach and international transit markets grow, driven by increasing ridership, travel and return to work initiatives. These demand factors are expected to drive additional new orders going forward.

ZEB demand continues to grow, with an increased number of ZEB bids and the number of EUs per ZEB bid increasing, as transit agencies transition to fully electric fleets and corresponding charging infrastructure. This growing demand is evident in NFI's 2024 YTD ZEB orders of 2,627 EUs. 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.

As previously referenced in the Company’s risk disclosure, the highly customized nature of NFI's products can result in specific suppliers having a significant impact on the Company’s operations and new vehicle production, as currently evidenced by seat supply disruption. The Company anticipates that there will continue to be challenges in receiving certain components as suppliers recover their operations and as NFI increases production of ZEBs (where the supply chain is not as established as in traditional propulsion systems). NFI has implemented strategies to mitigate supply chain risk specifically related to ZEBs, including the utilization of multiple battery suppliers for specific regions, partnering with larger more established suppliers (such as Accelera, Impact, BAE and Ballard), providing increased lead time for component purchases for ZEBs and carrying higher levels of inventory for certain ZEB components. The Company may experience quarterly fluctuations in the delivery of ZEBs based on supply availability and customer acceptance.

Overall, NFI has continued to see a significant decline in its moderate and high-risk suppliers, now down to two suppliers out of the Company’s top 750 suppliers, driven by a combination of improvements in global supply chain health and actions taken by NFI's supply and sourcing teams.

NFI is advancing its program to increase new vehicle production line entry rates, which were up 6.5% year-over-year, but down by 9.0% from 2024 Q2, as the Company manages certain supply disruptions and lower labour efficiency with new team members improving their production throughput while NFI increases overall ZEB production. NFI completed significant hiring initiatives in 2023 and expects that it will need to hire some additional team members in 2024 and into 2025 as it grows new vehicle production in North America, but at lower recruitment rates than those seen in 2023. While there has been significant positive improvement in total labour availability, the availability of labour in the United States and the UK remains challenging. NFI plans to continue to add personnel on a phased approach, with gradual headcount additions ensuring that the ramp-up is matched to consistent supply and labour availability.

Strong Government Investment for Bus Manufacturing 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 public investments increased NFI's new orders throughout 2022 and 2023, and in the first three quarters 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. Ridership level trends in the U.S. remain strong, with the latest available APTA Ridership Trends Dashboard report (as of 2024 Q2) showing bus ridership growth of 9.8% year-to-date and 18.2% year-over-year. 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 and initiatives to improve bus manufacturing contract structures in the United States and has begun incorporating milestone billing payment structures into new contracts, which provide payments throughout the build period of a new vehicle, rather than receiving 100% of the purchase price following final delivery and customer acceptance. These new structures have only started to be introduced into bids and contracts following the FTA's issuance of the February 2024 "Dear Colleague" letter to transit agencies that receive federal funding for bus purchases. While it will take time for the benefits of these structures to be fully reflected in NFI's financial results, the Company has seen success in increasing advance and progress payments with growth in the Company's deferred revenue balances.

In July 2024, the Canadian government announced details on its C$30 billion Canada Public Transit Fund, the largest public transit investment in Canadian history. The fund that will be distributed over ten years starting in 2026 will include baseline funding for existing infrastructure, dedicated funding for the largest public transit systems, as well as specific funding for rural and indigenous communities. This funding is in addition to the over C$17 billion in funding that is in place until 2027 to support Canadian public transit. In response to growing demand from Canadian customers, NFI announced Project True North, their all-Canadian build project, which will increase its Canadian manufacturing capacity by up to 240 equivalent units in 2027. Not only will this project allow for full Canadian bus builds, it will also free up U.S. capacity, to service more U.S. customers across NFI's network.

The U.K. government also continues to support the previous administration's funding of low- and zero-emission buses, through the Zero Emission Bus Regional Areas, or "ZEBRA", funding scheme. While government support has helped improve adoption of low- and zero-emission buses, the competitive environment in the U.K. remains challenging, with foreign manufacturers, that do not need to meet domestic labour requirements, having secured a higher proportion of government funded contracts from recent contract awards. There has been an increase of allocations of capital funding through the City Region Sustainable Transport Settlements for Metro Mayors that will provide more regional decision making and drive bus procurements. The political leadership has signaled that they are keen to ensure that any taxpayer money allocated to the bus industry ensures wider community and social benefit in the U.K. Alexander Dennis will continue to focus on capture awards from this regional funding, but may need to lower its production rates, and associated labour, as it navigates through a more competitive market.

As the market leader in North American transit bus and coach production, management believes NFI is extremely well-positioned for both the near- and long-term growth 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 appropriately 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 bus and coach 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 for both public and private markets in North America and internationally. As private markets continue to recover and through the execution of a number of mid-life vehicle programs, NFI anticipates that its Aftermarket segment will continue to generate revenue growth and strong margin contribution in 2024 Q4 and 2025, although growth rates are not expected to be as high as those seen in 2023 and 2024 YTD.

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 490 plug-in and 54 overhead charger projects, for a total of 87 megawatts ("MW") charging capacity, for 69 different customers. Through 2026, Infrastructure Solutions™ is scheduled to deliver 24 plug-in and 78 overhead depot chargers, for a total of 20 MW. Infrastructure Solutions™ has 28 active projects under contract, with 3 new projects, including the first hydrogen fueling station turnkey project, added in 2024 Q3.

Other International Markets

NFI's international business through Alexander Dennis is expected to continue to grow, with projects planned for export markets including New Zealand, Australia, Hong Kong, and Singapore, many of which are linked to funding announcements supporting the transition to zero-emission transportation.

Although the commitments, 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 for ZEB adoption will provide significant opportunities for NFI to grow revenue from increased market demand for its products.

Updated Financial Guidance

Based on YTD performance and expectations for the fourth quarter, NFI has updated its financial guidance for Fiscal 2024, as originally disclosed on January 17, 2024. Targets for 2025 have remained the same and are outlined in the table below.

	Previous 2024 Guidance	2024 Guidance	2025 Targets
Revenue	\$3.2 to \$3.6 billion	\$3.1 to \$3.3 billion	~\$4 billion
ZEBs (electric) as a percentage of manufacturing sales	30% to 35%	20% to 25%	~40%
Adjusted EBITDA[NG]	\$240 to \$280 million	\$210 to \$240 million	>\$350 million (with a \$400 million annualized run rate by the fourth quarter)
Cash Capital Expenditures	\$50 to \$60 million	\$50 to \$60 million	~\$55 million
Return on Invested Capital[NG] - provided for 2025 targets			>12%

The updated guidance reflects the following items:

- Impacts of seat supply disruption on North American transit operations and expected impacts in the fourth quarter
- Expected fourth quarter deliveries reflecting the Company's inventory, production schedule and backlog[NG]
- Aftermarket performance and expected fourth quarter sales
- Timing of certain zero-emission bus deliveries in North America and the U.K.

With YTD Adjusted EBITDA[NG] of \$146 million, NFI YTD has delivered 61% to 70% of its annual projected Adjusted EBITDA[NG] range of \$210 million to \$240 million of 2024. NFI expects to deliver \$64 to \$94 million of Adjusted EBITDA[NG] in the fourth quarter of 2024. This range reflects the impacts of potential delays in delivering buses impacted by the North American seating disruption, the percentage of zero-emission buses delivered in the quarter and the potential impacts of operational efficiencies.

NFI continues to target 2025 Adjusted EBITDA[NG] of greater than \$350 million based on anticipated volume growth and margin improvement, underpinned by firm backlog[NG] and expected aftermarket performance. In addition, disrupted North American transit deliveries from 2024 are all contractually sold, and the units that are not delivered in 2024 will be shipped in 2025. The Company is currently completing its detailed annual operating plan for 2025, factoring in the impacts of seat supply disruption, and the improving competitive dynamics in North America, among other factors. NFI will provide an update in the first quarter of 2025. Please refer to the Company's 2023 Q4 and Fiscal 2023 MD&A for details on the assumptions that drive 2025 targets, as well as certain applicable risks.

Given the heightened investment in inventory, NFI is taking specific actions to improve its near-term liquidity position including the following:

- Seeking advanced payments from customers for vehicles impacted by seat disruption that are currently in inventory
- Advancing discussions on further milestone payments, deposits and advanced billings from customers within Canada, the U.S. and the U.K.
- Utilizing the performance guarantee facility with EDC to lower letter of credit requirements
- Negotiating improved payment terms with select suppliers in North America and the U.K.

The Company has also obtained a wavier for the \$50 million liquidity requirement under its senior secured facilities, effective until December 31, 2024, providing access to those funds if required.

NFI anticipates that its current cash position and capacity under its existing credit facilities, combined with its expected fourth quarter performance, Adjusted EBITDA[NG] guidance, and anticipated success in obtaining progress payments or milestone payments from customers, alongside 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.

NFI's guidance and targets are subject to the risk that the current seat supply disruptions are extended and/or exacerbated beyond management's current expectations, and the risk of additional supply or operational disruptions.

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[1]	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[NG]	Earnings (loss) per Share
2024						
	Q3	711,344	25,516	(14,993)	53,205	(0.13)
	Q2	851,233	36,362	2,547	59,411	0.02
	Q1	722,749	10,651	(9,414)	33,936	(0.08)
	Total	**2,285,326**	**72,529**	**(21,859)**	**146,552**	**(0.18)**
2023						
	Q4	789,462	25,555	(2,329)	38,455	(0.02)
	Q3	710,343	(13,760)	(39,926)	11,167	(0.42)
	Q2	660,292	(11,297)	(48,101)	12,178	(0.62)
	Q1	525,134	(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 Third Quarter 2024 Results

($ thousands)	2024 Q3	2023 Q3[1]	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023[1]	52-Weeks Ended September 29, 2024	52-Weeks Ended October 1, 2023[1]
Statement of Earnings Data						
Revenue						
North America	449,730	457,816	1,448,194	1,172,542	1,944,305	1,587,484
United Kingdom and Europe	108,811	103,352	358,563	293,088	501,394	438,353
Asia Pacific	41	6,611	4,276	10,923	21,226	19,830
Manufacturing operations	558,582	567,779	1,811,033	1,476,553	2,466,925	2,045,667
North America	122,015	115,493	379,314	336,479	488,493	431,579
United Kingdom and Europe	24,491	22,254	74,449	66,103	95,858	86,057
Asia Pacific	6,256	4,817	20,530	16,634	25,681	21,817
Aftermarket operations	152,762	142,564	474,293	419,216	610,032	539,453
Total revenue	$ 711,344	$ 710,343	$ 2,285,326	$ 1,895,769	$ 3,076,957	$ 2,585,120
Earnings (loss) from operations	$ 25,516	$ (13,760)	$ 72,529	$ (46,806)	$ 98,084	$ (188,950)
Earnings (loss) before interest and income taxes	$ 23,920	$ (1,540)	$ 77,830	$ (39,585)	$ 100,587	$ (178,210)
Net loss	$ (14,993)	$ (39,926)	$ (21,859)	$ (133,835)	$ (24,190)	$ (286,396)
Adjusted EBITDA[NG]	$ 53,205	$ 11,167	$ 146,552	$ 30,754	$ 185,006	$ 23,660
Cash capital expenditures	$ 7,309	$ 8,516	$ 21,792	$ 16,592	$ 31,914	$ 21,324

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 Q3	2023 Q3[1]	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023[1]
Manufacturing Revenue	558,582	567,779	1,811,033	1,476,553
Aftermarket Revenue	152,762	142,564	474,293	419,216
Total Revenue	711,344	710,343	2,285,326	1,895,769
Earnings (loss) from Operations	25,516	(13,760)	72,529	(46,806)
Earnings (loss) before interest and income taxes	23,920	(1,540)	77,830	(39,585)
Loss before income tax expense	(14,633)	(44,472)	(25,312)	(154,549)
Net loss	(14,993)	(39,926)	(21,859)	(133,835)

Manufacturing revenue for 2024 Q3 decreased by $9.2 million, or 1.6%, compared to 2023 Q3. In 2024 Q3 revenue decreased as a result of decreased deliveries during the period. The average selling price per unit delivered was up approximately 6% year-over-year reflecting the Company's efforts to improve pricing for inflation and a higher number of zero-emission buses. Manufacturing revenue for 2024 Q3 YTD increased by $334.5 million, or 22.7%, compared to 2023 Q3 YTD. Year-to-date revenue figures increased as a result of increased deliveries during the year.

Aftermarket revenue for 2024 Q3 increased by $10.2 million, or 7.2% compared to 2023 Q3. Aftermarket revenue for 2024 Q3 YTD increased by $55.1 million, or 13.1%, compared to 2023 Q3 YTD. Both quarter and year-to-date figures increased 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 Q3	2023 Q3[1]	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023[1]
Manufacturing				
Direct cost of sales	437,048	489,681	1,443,881	1,263,574
Depreciation and amortization	15,656	19,059	51,426	53,772
Other overhead	64,246	54,306	197,975	155,468
Manufacturing cost of sales	516,951	563,046	1,693,283	1,472,814
As percent of Manufacturing sales	92.5 %	99.2 %	93.5 %	99.7 %
Aftermarket				
Direct cost of sales	104,547	95,191	325,730	281,802
Depreciation and amortization	3,053	2,411	9,132	7,329
Aftermarket cost of sales	107,599	97,602	334,861	289,131
As percent of Aftermarket sales	70.4 %	68.5 %	70.6 %	69.0 %
Total Cost of sales	624,550	660,648	2,028,144	1,761,945
As percent of sales	87.8 %	93.0 %	88.7 %	92.9 %

The consolidated cost of sales for 2024 Q3 decreased by $36.1 million, or 5.5%, compared to 2023 Q3. The consolidated cost of sales for 2024 Q3 YTD increased by $266.2 million, or 15.1%, compared to 2023 Q3 YTD.

Cost of sales from Manufacturing operations in 2024 Q3 was $517.0 million (92.5% of Manufacturing operations revenue) compared to $563.0 million (99.2% of Manufacturing operations revenue) in 2023 Q3, a decrease of $46.1 million, or 8.1%. Cost of sales from Manufacturing operations in 2024 Q3 YTD was $1,693.3 million (93.5% of Manufacturing operations revenue) compared to $1,472.8 million (99.7% of Manufacturing operations revenue) in 2023 Q3 YTD, an increase of $220.5 million, or 15.0%. The decrease in 2024 Q3 and increase in 2024

Q3 YTD was driven by lower new vehicle deliveries for the quarter and higher new vehicle deliveries year-over-year respectively. Cost of sales decreased as a percentage of revenue in both periods, 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 Q3 was $107.6 million (70.4% of Aftermarket revenue) compared to $97.6 million (68.5% of Aftermarket revenue) in 2023 Q3, an increase of 10.2%. Cost of sales from Aftermarket operations in 2024 Q3 YTD was $334.9 million (70.6% of Aftermarket revenue) compared to $289.1 million (69.0% of Aftermarket revenue) in 2023 Q3 YTD, an increase of 15.8%. Cost of sales increase is primarily due to increased sales, and the variability in product mix.

Gross Margins

($ thousands)	2024 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023
Manufacturing	41,631	4,733	117,751	3,742
Aftermarket	45,163	44,962	139,431	130,082
Total Gross Margins	86,794	49,695	257,182	133,824
As a percentage of sales				
Manufacturing	7.5 %	0.8 %	6.5 %	0.3 %
Aftermarket	29.6 %	31.5 %	29.4 %	31.0 %
	12.2 %	7.0 %	11.3 %	7.1 %

Manufacturing gross margin for 2024 Q3 of $41.6 million (7.5% of Manufacturing revenue), increased by $36.9 million compared to a gross margin of $4.7 million (0.8% of Manufacturing revenue) for 2023 Q3. Manufacturing gross margin for 2024 Q3 YTD of $117.8 million (6.5% of Manufacturing revenue), increased by $114.0 million compared to a gross margin of $3.7 million (0.3% of Manufacturing revenue) for 2023 Q3 YTD. Manufacturing gross margin increased as a percentage of revenue in both periods, mainly due to an improvement in favorable product mix and a higher average selling price.

Aftermarket gross margins for 2024 Q3 of $45.2 million (29.6% of Aftermarket revenue) increased by $0.2 million, or 0.4%, compared to 2023 Q3 gross margins of $45.0 million (31.5% of Aftermarket revenue). Aftermarket gross margins for 2024 Q3 YTD of $139.4 million (29.4% of Aftermarket revenue) increased by $9.3 million, or 7.2%, compared to 2023 Q3 YTD gross margins of $130.1 million (31.0% of Aftermarket revenue). Aftermarket gross margin decreased as a percentage of revenue in both periods, mainly due to an unfavourable product mix and the increased costs of sales.

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

($ thousands)	2024 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023
Selling expenses	8,392	7,189	24,308	20,703
General and administrative expenses	52,415	55,469	157,792	161,614
Total SG&A	60,807	62,658	182,100	182,317

The consolidated SG&A for 2024 Q3 of $60.8 million (8.5% of consolidated revenue) decreased by $1.9 million, or 3.0%, compared to $62.7 million (8.8% of consolidated revenue) in 2023 Q3. The consolidated SG&A for 2024 Q3 YTD of $182.1 million (8.0% of consolidated revenue) decreased by $0.2 million, or 0.1%, compared to $182.3 million (9.6% of consolidated revenue) in 2023 Q3 YTD. Consolidated SG&A remained relatively consistent between quarters and year-over-year.

Footnotes:

1. Refer to Critical Accounting Estimates and Judgements on page 25.

Realized foreign exchange loss/gain

In 2024 Q3, the Company recorded a realized foreign exchange loss of $0.5 million compared to a loss of $0.8 million in 2023 Q3. In 2024 Q3 YTD, the Company recorded a realized foreign exchange loss of $2.6 million compared to a gain of $1.7 million in 2023 Q3 YTD.

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 Q3 were $25.5 million (3.6% of consolidated revenue) compared to losses of $13.8 million ((1.9%) of consolidated revenue) in 2023 Q3, an improvement of $39.3 million, or 285.4%. Consolidated earnings from operations in 2024 Q3 YTD were $72.5 million (3.2% of consolidated revenue) compared to losses of $46.8 million ((2.5%) of consolidated revenue) in 2023 Q3 YTD, an improvement of $119.3 million, or 255.0%.

In 2024 Q3, earnings from operations attributable to the Manufacturing segment were $5.4 million (1.0% of Manufacturing revenue) compared to losses of $34.0 million ((6.0%) of Manufacturing revenue) in 2023 Q3. Losses from Manufacturing operations in 2024 Q3 YTD were $15.2 million ((0.8%) of Manufacturing revenue) compared to losses of $115.8 million ((7.8%) of Manufacturing revenue) in 2023 Q3 YTD, a decrease of $100.6 million, or 86.9%.

Earnings from operations related to Aftermarket operations in 2024 Q3 were $29.4 million (19.2% of Aftermarket revenue) compared to $27.1 million (19.0% of Aftermarket revenue) in 2023 Q3. Earnings from Aftermarket operations in 2024 Q3 YTD were $92.3 million (19.5% of Aftermarket revenue) compared to $77.0 million (18.4% of Aftermarket revenue) in 2023 Q3 YTD. Earnings from Aftermarket operations increased in both periods 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 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023
Unrealized gain (loss) on forward foreign exchanges contracts	2,991	5,012	3,789	(1,618)
Unrealized (loss) gain on other long-term monetary assets/liabilities	(4,576)	(3,401)	2,742	(818)
	(1,585)	1,611	6,531	(2,436)

At September 29, 2024, the Company had $107.1 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 October 2024 to June 2025. The related liability of $2.2 million (December 31, 2023: $1.5 million) is recorded on the statements of financial position as a current derivative financial instruments liability 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 earnings (loss).

Earnings (loss) before interest and income taxes ("EBIT")

In 2024 Q3, the Company recorded EBIT of $23.9 million compared to an EBIT loss of $1.5 million in 2023 Q3. In 2024 Q3 YTD, the Company recorded EBIT of $77.8 million compared to an EBIT loss of $39.6 million in 2023 Q3 YTD. The improvement in EBIT was driven by higher aftermarket performance and improved gross margins within manufacturing.

Interest and finance costs

The interest and finance charges for 2024 Q3 of $38.6 million decreased by $4.4 million compared to $42.9 million in 2023 Q3.

The decrease is primarily due to fair market value gain on adjustment to the Company's prepayment option on second-lien debt. These reductions in interest and finance costs were offset by an increase in costs due to fair market value loss on adjustment to the Company's interest rate swap and cash conversion options. The fair market value gain of the prepayment option related to the Company's second-lien debt was $5.4 million compared to $0.5 loss in 2023 Q3. The Company's prepayment option had a fair market value gain of $8.5 million in 2024 Q3 YTD, compared to $0.5 million loss in 2023 Q3 YTD.

The Company had a fair market value loss on its interest rate swap of $2.8 million in 2024 Q3 compared to a loss of $1.9 million in 2023 Q3. The interest rate swap had a fair market value loss of $1.2 million in 2024 Q3 YTD, compared to a loss of $9.4 million in 2023 Q3 YTD. The Company's cash conversion options had a fair market value loss of $5.2 million compared to a loss of $1.5 million in 2023 Q3. The cash conversion options had a fair market value loss of $1.1 million in 2024 Q3 YTD, compared to a loss of $3.4 million in 2023 Q3 YTD.

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.

Loss before income taxes ("LBT")

LBT in 2024 Q3 of $14.6 million improved by $29.9 million compared to LBT of $44.5 million in 2023 Q3. LBT for 2024 Q3 YTD of $25.3 million decreased by $129.2 million compared to LBT of $154.5 million in 2023 Q3 YTD. The primary drivers of the changes of LBT are addressed in the earnings (loss) from operations and Interest and finance costs sections above.

Income tax recovery/expense

The income tax expense for 2024 Q3 was $0.4 million compared to a recovery of $4.5 million in 2023 Q3. The increased income tax expense is primarily due to increased profitability.

The income tax recovery for 2024 Q3 YTD is $3.5 million, compared to a recovery of $20.7 million in 2023 Q3 YTD. The decrease in the overall income tax recovery is primarily due to increased profitability, and increased state tax expense, offset by a reduced deferred tax expense related to unrecognized deferred tax assets associated with Canadian loss carry-forwards, and restricted interest in the UK.

The Effective Tax Rate ("ETR") for 2024 Q3 was 2.5% and the ETR for 2023 Q3 was 10.2%. The ETR for 2024 Q3 YTD was 13.6% and the ETR for 2023 Q3 YTD was 13.4%. The 2024 Q3 ETR was detrimentally impacted by the non-recognition of deferred tax assets associated with Canadian loss carry-forwards, restricted interest in the UK, and the impact of BEPS Pillar Two.

Income tax expense recognized in the consolidated statement of net loss in 2024 Q3 includes $0.72 million (2023: not applicable) related to Pillar Two income taxes.

Net loss

The Company reported net loss of $15.0 million in 2024 Q3, an improvement of $24.9 million, or 62.4%, compared to net losses of $39.9 million in 2023 Q3. The Company reported net losses of $21.9 million in 2024 Q3 YTD, a decrease of $112.0 million, or 83.7%, compared to net losses of $133.8 million in 2023 Q3 YTD. The decrease in net loss for 2024 Q3 YTD is primarily due to increases in the Company's earnings from operations and decreases to interest and finance costs.

Net loss ($ millions, except per Share figures)	2024 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023
Earnings (loss) from operations	25.5	(13.8)	72.5	(46.8)
Gain (loss) on disposition of property, plant and equipment	(0.0)	0.1	-	(0.9)
Impairment loss on intangible assets	-	-	(1.0)	-
Gain on debt modification	-	10.5	-	10.5
Loss on debt extinguishment	-	-	(0.2)	-
Unrealized foreign exchange gain (loss) on monetary items	(1.6)	1.6	6.5	(2.4)
Interest and finance costs	(38.6)	(42.9)	(103.1)	(114.9)
Income tax (expense) recovery	(0.4)	4.5	3.5	20.7
Net loss	(15.0)	(39.9)	(21.9)	(133.8)
Net loss per Share (basic)	(0.13)	(0.42)	(0.18)	(1.62)
Net loss per Share (fully diluted)	(0.13)	(0.42)	(0.18)	(1.62)

The Company recorded net loss per Share for 2024 Q3 of $0.13 compared to net loss per Share of $0.42 in 2023 Q3. The Company's net loss per Share for 2024 Q3 YTD of $0.18 compared to net loss per Share of $1.62 in 2023 Q3 YTD. The per Share net loss improved in 2024 Q3 YTD as a result of a decreased loss during the period, and an increase in the outstanding number of Shares.

Cash Flow

The cash flows of the Company are summarized as follows:

($ thousands)	2024 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	45,817	5,375	137,017	14,575
Interest paid	(45,824)	(33,076)	(90,924)	(90,279)
Income taxes (paid) recovered	(9,788)	21	(264)	20,897
Cash flow invested in working capital	(35,445)	(11,105)	(47,981)	(64,133)
Net cash used in operating activities	(45,240)	(38,785)	(2,152)	(118,940)
Net cash generated by financing activities	38,262	67,904	44,844	182,908
Net cash used in investing activities	(10,340)	(10,972)	(31,197)	(40,911)

Cash flow from operating activities

The 2024 Q3 net cash used in operating activities of $45.2 million was mainly comprised of $9.8 million of net cash earnings and $35.4 million of cash invested in working capital. The 2023 Q3 net cash used in operating activities of $38.8 million was comprised of $27.7 million of net cash loss and $11.1 million of cash invested in working capital due to the timing of payment of the second lien debt and higher interest costs for the senior facility.

The 2024 Q3 YTD net cash used in operating activities of $2.2 million was mainly comprised of $45.8 million of net cash earnings and $48.0 million of cash invested in working capital. The 2023 Q3 YTD net cash used in operating activities of $118.9 million was comprised of $54.8 million of net cash loss and $64.1 million of cash invested in working capital.

Cash flow from financing activities

The cash generated by financing activities of $38.3 million during 2024 Q3 was comprised mainly of proceeds received from the Company's Secured Facilities[1], totaling $42.2 million and by repayments made to obligations under lease of $3.9 million. Net cash generated by financing activities decreased by $29.6 million from 2023 Q3. The reduction in 2024 Q3 YTD is primarily due to the refinancing that occurred in 2023 Q3.

Cash generated by financing activities of $44.8 million during 2024 Q3 YTD is due to proceeds received from the Company's Secured Facilities[1], totaling $61.2 million, offset by repayments made to obligations under lease of $16.4 million. The reduction in 2024 Q3 YTD is primarily due to the refinancing that occurred in 2023 Q3 YTD.

Cash flow from investing activities

($ thousands)	2024 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023
Acquisition of intangible assets	(3,097)	(3,402)	(10,328)	(7,446)
Proceeds from disposition of property, plant and equipment	66	1,045	923	1,250
Long-term restricted deposits	-	(99)	-	(18,123)
Acquisition of property, plant and equipment	(7,309)	(8,516)	(21,792)	(16,592)
Cash used in investing activities	(10,340)	(10,972)	(31,197)	(40,911)

Cash used in investing activities decreased in 2024 Q3, primarily due to decreased investments in property, plant and equipment and intangible assets alongside a decrease in proceeds received on property, plant and equipment. Cash used in investing activities was lower in 2024 Q3 YTD, primarily due to decreased investment in long-term restricted deposits, partially 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		September 29, 2024		December 31, 2023
Current, including holdbacks	$	418,046	$	438,165
Past due amounts but not impaired				
1 – 60 days		26,504		20,123
Greater than 60 days		13,586		8,669
Less: allowance for doubtful accounts		(740)		(604)
Total accounts receivables, net	$	457,396	$	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 September 29, 2024:

$ thousands		Total	2024	2025	2026	2027	2028	Post 2028
Leases	$	210,537	9,443	23,535	20,406	18,591	12,710	125,852
Accrued benefit liability		3,182	3,182					
	$	213,719	12,625	23,535	20,406	18,591	12,710	125,852

As at September 29, 2024, outstanding surety bonds guaranteed by the Company totaled $328.5 million (December 31, 2023: $312.7 million). The estimated maturity dates of the surety bonds outstanding at September 29, 2024 range from October 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 September 29, 2024, letters of credit totaling $82.1 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 and the Company utilizing its additional capacity under the EDC facility to support bonding requirements.

The EDC facility includes two credit facilities of up to $125 million, to support supply chain financing ("supply chain financing facility") for $25 million and surety and performance bonding requirements for new contracts ("Guarantee Facility") for up to $145 million. The Guarantee Facility is made up of an Account Performance Security Guarantee (“PSG”) up to $90 million and Surety Reinsurance Support up to $55 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 September 29, 2024, there was $107.9 million (December 31, 2023: $74.2 million) outstanding under the Guarantee Facility.

As at September 29, 2024, letters of credit in the UK totaling $8 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 Facilities[2].

Management believes that the Company was in compliance in all material respects with all applicable contractual obligations as at September 29, 2024. The Company has not provided for any costs associated with these letters of credit.

The Company does not have any off-balance sheet arrangements or any material capital asset commitments at September 29, 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 September 29, 2024, the Company had guaranteed $2.2 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 it will have to pay out on any of these arrangements.

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 to acquire 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 to acquire 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 Q3		2023 Q3	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	2,015,400	C$26.00	1,910,057	C$27.41
Granted during the period	325,925	C$13.57	375,496	C$10.46
Expired during the period	(223,316)	C$26.59	(248,982)	C$14.38
Exercised during the period	(1,369)	C$0.00	—	C$0.00
Balance at end of period	2,116,640	C$24.03	2,036,571	C$25.88

Footnotes:

1. As described in the Capital Allocation section on page 26.

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 19,233 director restricted share units ("Director RSUs"), with a total value of $0.2 million, in 2024 Q3. Approximately $0.1 million of the issued Director RSUs were exercised and exchanged for 6,670 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.

Provisions

In Q4 2023, the Company elected to make a change in accounting policy on the existence of warranties. After a review of assurance and service-type warranties was performed, it was deemed more relevant to classify certain extended warranties as assurance-type warranties in accordance with IAS 37 – Provisions, contingent liabilities and contingent assets. As the Company has applied this change in policy retrospectively, this has resulted in a 2023 Q3 restatement of quarterly revenue and cost of sales of $0.7 million and 2023 Q3 YTD revenue and cost of sales of $2.2 million.

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.

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.

On June 20, 2024, Bill C-69, *An Act to implement certain provisions of the budget tabled in Parliament on April 16, 2024*, received third reading in the House of Commons and became substantively enacted for Canadian financial reporting purposes. Bill C-69 includes the Pillar Two rules published by the Organization for Economic Co-operation and Development ("OECD") and applies to fiscal years beginning on or after December 31, 2023 (January 1, 2024 for the Company). The Pillar Two model rules impose a 15% global minimum tax applicable to large multinational enterprises, to be applied in each country. The Company continues to assess its potential exposure to the income tax resulting from these rules and does not expect any material impact on its consolidated financial statements. Income tax expense recognized in the consolidated statement of net loss in 2024 Q3 includes $0.7 million (2023: not applicable) related to Pillar Two income taxes.

Standards Issued but not 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 – Statement of cash flows and IFRS 7 – Financial instruments: disclosures, 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.

Standards Issued but not adopted (Continued)

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements for the presentation and disclosure of information in the consolidated financial statements to help ensure they provide relevant information that faithfully represents the Company's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 - Presentation of Financial Statements once effective. Initial adoption of the requirements under IFRS 18 will be obligatory for annual reporting periods on or after January 1, 2027.

Capital Allocation Policy

The Company has 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 volume and mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of 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 September 29, 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.

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]
2024 Q3	<6.00x	>1.10x	N/A	N/A	$50,000	<4.50x
2024 Q4	<4.75x	>1.25x	N/A	N/A	Waived[1]	<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	September 29, 2024	December 31, 2023
Banking Liquidity[NG] Position (must be greater than $50 million)	$ 145,784	$ 170,131
Total Leverage Ratio[NG] (must be less than 6.00 [2023: waived])	5.17	Waived
Senior Secured Net Leverage Ratio[NG] (must be less than 4.50 [2023: waived])	3.52	Waived
Interest Coverage Ratio[NG] (must be greater than 1.10 [2023: waived])	1.28	Waived

As of September 29, 2024, NFI's banking covenant liquidity[NG] was $145.8 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 has secured milestone payments and deposits from certain customers. 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 September 29, 2024, the Company has $213.4 million in deferred revenue and is continuing to work with other customers to finance the working capital required to support the transition to ZEB and increased production levels.

Footnotes:

1. Refer to Outlook Financial Guidance and Liquidity on page 16.

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 targeted leverage levels 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, but the impact of COVID-19, inflation, higher rates of interest and the continuing supply chain disruptions and associated production inefficiencies, extended the 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 services provided by 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 active focus on reducing working capital.

The Company has entered into an agreement to amend the Interest Coverage Ratio requirement for 2024 Q3 and 2024 Q4. Although, NFI would still meet the original covenant requirement, the Company proactively engaged with its banking partners to ensure continued compliance throughout 2024.

Compliance with financial covenants is reviewed monthly by management and reported 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 workforce development. 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.

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 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.

Alexander Dennis continues to advance its integrated aftermarket solution, AD24, which provides fleet telematics data, access to personalized online parts and technical publications plus connections to field support, service, training and invoice management. AD24 is one element of NFI's numerous investments into telematics solutions to assist customers to track detailed performance and maintenance metrics associated with their vehicles.

In October 2024, NFI announced that in response to growing demand for its products in Canada, the Company is expanding its Canadian manufacturing capabilities through its All Canadian Build project. NFI is co-investing in the project alongside government partners to support facility upgrades, zero-emission bus testing for Canadian customers, working capital, project administration, and other capital and operational costs. Construction activities began in October and the first bus builds are planned for the fourth quarter of 2025, with a continued ramp-up through 2026.

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 deleveraging efforts. In addition, there are covenants under the Secured Facilities that limit the Company's ability to make acquisitions, pay dividends and make 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 maintains 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 Facilities covenants.

The Company's 2024 Q3 Free Cash Flow[NG] was C$2.6 million, with no dividends declared during this period. For 2023 Q3, Free Cash Flow[NG] was (C$58.6) million and no dividends were declared during the period.

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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 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023	52-Weeks Ended September 29, 2024	52-Weeks Ended October 1, 2023[1]
Net loss	(14,993)	(39,926)	(21,859)	(133,835)	(24,190)	(286,396)
Addback						
Income taxes	360	(4,546)	(3,452)	(20,714)	(15,644)	(31,662)
Interest expense[10]	38,553	42,932	103,141	114,964	140,420	139,847
Amortization	18,708	21,470	60,556	61,102	80,234	83,682
Loss (gain) on disposition of property, plant and equipment and right of use assets	11	(101)	(32)	851	(94)	1,261
Gain on debt modification[15]	-	(10,508)	-	(10,508)	1,600	(10,508)
Loss on debt extinguishment[16]	-	-	234	-	234	-
Unrealized foreign exchange (gain) loss on non-current monetary items and forward foreign exchange contracts	1,585	(1,611)	(6,531)	2,436	(5,271)	(1,493)
Past service costs and other pension costs[7]	-	-	-	4,764	(7,000)	4,764
Equity settled stock-based compensation	925	677	2,191	1,917	2,891	2,314
Unrecoverable insurance costs and other[8]	-	-	116	-	1,009	164
Expenses incurred outside of normal operations[12]	-	308	-	2,034	132	3,742
Prior year sales tax provision[9]	-	60	-	60	41	60
Out of period costs[11]	-	-	-	-	-	(938)
Impairment loss on goodwill[13]	-	-	-	-	-	103,900
Impairment loss on intangible assets[14]	-	-	1,028	-	1,028	-
Restructuring costs[6]	8,056	2,412	11,160	7,683	9,616	14,923
Adjusted EBITDA[NG]	53,205	11,167	146,552	30,754	185,006	23,660
Depreciation of property, plant and equipment and right of use assets	(10,718)	(13,590)	(36,276)	(37,522)	(48,124)	(52,406)
Tax at 31%	(13,171)	751	(34,186)	2,098	(42,433)	8,911
NOPAT[NG]	29,316	(1,672)	76,091	(4,670)	94,449	(19,835)
Adjusted EBITDA[NG] is comprised of:						
Manufacturing	17,329	(14,162)	48,983	(53,167)	60,077	(83,688)
Aftermarket	34,333	31,678	106,771	90,707	136,251	113,589
Corporate	1,543	(6,349)	(9,202)	(6,786)	(11,322)	(6,241)

(Footnotes on page 33)

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 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023	52-Weeks Ended September 29, 2024	52-Weeks Ended October 1, 2023[1]
Net cash generated by (used in) operating activities	(45,240)	(38,785)	(2,152)	(118,940)	52,974	(117,433)
Changes in non-cash working capital items[2]	35,445	11,105	47,983	64,133	28,812	30,348
Interest paid[2]	45,824	33,076	90,924	90,279	110,034	105,744
Interest expense[2]	(30,837)	(36,390)	(93,998)	(93,736)	(125,904)	(116,609)
Income taxes recovered[2]	9,788	(21)	264	(20,897)	(8,143)	(17,853)
Current income tax (expense) recovery[2]	(6,206)	(3,012)	(23,361)	(3,932)	(7,488)	17,624
Repayment of obligations under lease	(3,867)	(4,046)	(16,378)	(14,407)	(23,683)	(20,054)
Cash capital expenditures	(7,309)	(8,516)	(21,792)	(16,592)	(31,914)	(21,324)
Acquisition of intangible assets	(3,097)	(3,402)	(10,328)	(7,446)	(13,156)	(11,182)
Proceeds from disposition of property, plant and equipment	66	1,045	923	1,250	1,442	1,264
Defined benefit funding[3]	975	996	2,475	2,267	3,393	1,966
Defined benefit recovery[3]	(1,237)	(693)	(2,829)	(2,085)	(3,523)	(1,168)
Past service costs and other pension costs[7]	-	-	-	-	(7,000)	-
Expenses incurred outside of normal operations[12]	-	308	-	2,034	132	3,742
Equity hedge	-	2,844	-	3,765	-	3,183
Unrecoverable insurance costs and other[8]	-	-	116	-	1,009	164
Out of period costs[11]	-	-	-	-	-	(938)
Prior year sales tax provision[9]	-	60	-	60	41	60
Restructuring costs[6]	8,056	2,411	11,160	7,680	12,170	13,358
Foreign exchange gain (loss) on cash held in foreign currency[4]	(406)	(137)	(1,390)	2,453	(4,895)	2,433
Free Cash Flow[NG]	1,955	(43,157)	(18,382)	(104,114)	(15,699)	(126,675)
U.S. exchange rate[1]	1.3516	1.3580	1.3516	1.3291	1.3480	1.3333
Free Cash Flow (C$)[NG]	2,642	(58,607)	(24,845)	(138,383)	(21,326)	(170,706)
Free Cash Flow per Share (C$)[NG, 5]	0.0222	(0.6224)	(0.2088)	(1.6706)	(0.1792)	(2.0964)

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$) are determined by dividing Free Cash Flow[NG] by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2024 Q3 was 119,028,532 and 94,169,027 for 2023 Q3. The weighted average number of Shares outstanding for 2024 Q3 LTM and 2023 Q2 LTM was 118,989,934 and 81,426,753, respectively. Per Share calculations for declared dividends (C$) 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 Q3 includes a loss of $2.8 million and 2023 Q3 includes a loss of $1.9 million for the interest rate swaps. 2024 Q3 includes a loss of $5.2 million and 2023 Q3 includes a loss of $1.5 million on the cash conversion option. The prepayment option had a gain of $5.4 million in 2024 Q3 and a loss of $0.5 million in 2023 Q3.

11. Includes adjustments made related to expenses that pertain to prior years. 2022 Q4 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 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.

16. In 2024 Q2, the Company recognized an accounting loss for the debt extinguishment related to the amendments made to the MDC senior unsecured facility.

Adjusted Net Earnings (Loss)[NG] and Adjusted Net Earnings (Loss) per Share[NG]

Management believes that Adjusted Net Earnings (Loss)[NG] and the associated per Share figure are important measures in evaluating the historical operating performance of the Company. Adjusted Net Earnings (Loss)[NG] and Adjusted Net Earnings (Loss) per Share[NG] are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Adjusted Net Earnings (Loss)[NG] and Adjusted Net Earnings (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 Earnings (Loss)[NG] and Adjusted Net Earnings (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 Earnings (Loss)[NG] as net earnings (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 earnings (loss) to Adjusted Net Earnings (Loss)[NG] based on the historical financial statements of the Company for the periods indicated.

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

($ thousands, except per Share figures)	2024 Q3	2023 Q3	39-Weeks Ended September 29, 2024	39-Weeks Ended October 1, 2023	52-Weeks Ended September 29, 2024	52-Weeks Ended October 1, 2023[1]
Net loss	(14,993)	(39,926)	(21,859)	(133,835)	(24,190)	(286,396)
Adjustments, net of tax[1, 2]						
Unrealized foreign exchange (gain) loss	1,094	(1,111)	(4,506)	1,681	(3,637)	(1,030)
Unrealized (gain) loss on interest rate swap	1,915	1,292	794	6,504	794	7,299
Unrealized (gain) loss on cash conversion option	3,598	1,055	779	2,375	1,134	(1,456)
Unrealized gain on prepayment option of second lien debt[3]	(3,734)	328	(5,871)	328	(6,640)	328
Accretion in carrying value of long-term debt associated with debt modification[4]	-	1,014	-	1,014	-	1,014
Gain on debt modification[5]	-	(7,250)	-	(7,250)	1,104	(7,250)
Accretion associated to gain on debt modification	(345)	-	(1,007)	-	(1,458)	0
Loss on debt extinguishment[6]	-	-	161	-	161	0
Equity swap settlement fee[7]	-	2,428	-	2,428	-	2,428
Equity settled stock-based compensation	638	467	1,511	1,323	1,994	1,597
Loss (gain) on disposition of property, plant and equipment	8	(70)	(22)	587	(65)	870
Past service costs and other pension costs[8]	-	-	-	3,287	(4,830)	3,287
Unrecoverable insurance costs and other[9]	-	-	80	-	696	114
Expenses incurred outside of normal operations[10]	-	213	-	1,404	(1,191)	2,582
Other tax adjustments[11]	-	201	-	-	-	22,292
Out of period costs[12]	-	-	-	-	-	(1,911)
Accretion in carrying value of convertible debt and cash conversion option	1,419	1,318	4,174	3,876	5,511	5,218
Prior year sales tax provision[13]	-	42	-	42	28	42
Impairment loss on goodwill[14]	-	-	-	-	-	103,900
Impairment loss on intangible assets[15]	-	-	709	-	709	-
Restructuring costs[16]	5,559	1,664	7,700	5,300	6,635	10,296
Adjusted Net Loss[NG]	(4,841)	(38,335)	(17,357)	(110,936)	(23,245)	(136,776)
Loss per Share (basic)	(0.13)	(0.42)	(0.18)	(1.62)	(0.20)	(3.52)
Loss per Share (fully diluted)	(0.13)	(0.42)	(0.18)	(1.62)	(0.20)	(3.52)
Adjusted Net Loss per Share (basic)[NG]	(0.04)	(0.41)	(0.15)	(1.34)	(0.20)	(1.68)
Adjusted Net Loss per Share (fully diluted)[NG]	(0.04)	(0.41)	(0.15)	(1.34)	(0.20)	(1.68)

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 June 30, 2024 and September 29, 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 Refinancing, the Company has recognized an accounting gain stemming from the modification made to its Secured Facilities.
6. In 2024 Q2, the Company recognized an accounting loss for the debt extinguishment related to the amendments made to the MDC senior unsecured facility.
7. 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").
8. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. In 2022 Q2, $7.0 million liability was recorded 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.
9. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
10. 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.
11. 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.
12. Includes adjustments made related to expenses that pertain to prior years. 2022 Q3 and 2022 Q4 includes expenses related to amounts that should have been capitalized from prior years.
13. Provision for sales taxes as a result of a previous state sales tax review.
14. 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.
15. In 2024 Q1, the Company recognized an impairment loss on an NPD project for $1.0 million.
16. 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 Q3	2024 Q2	2024 Q1	2023 Q4
Shareholders' Equity	699,717	704,031	697,580	702,913
Addback				
Long term debt	610,624	576,145	562,324	536,037
Second lien debt	173,309	172,910	172,568	172,396
Obligation under lease	130,020	131,382	135,959	138,003
Convertible debentures	230,453	225,628	225,972	228,985
Senior unsecured debt	56,210	54,997	61,081	61,796
Derivatives	2,327	(2,740)	(1,783)	8,010
Cash	(59,720)	(77,445)	(68,491)	(49,615)
Invested Capital[NG]	1,842,940	1,784,908	1,785,210	1,798,525
Average of invested capital[NG] over the quarter	1,813,922	1,785,059	1,791,868	1,802,654

	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Shareholders' Equity	706,177	495,140	533,756	577,575
Addback				
Long term debt	583,948	935,605	911,203	896,626
Second lien debt	172,975	-	-	-
Obligation under lease	130,102	124,405	127,247	131,625
Convertible debentures	221,427	225,081	218,719	217,516
Senior unsecured debt	60,838	87,363	86,431	-
Derivatives	6,814	(9,422)	(17,164)	(21,620)
Cash	(75,498)	(57,488)	(59,375)	(49,987)
Invested Capital[NG]	1,806,783	1,800,684	1,800,817	1,751,735
Average of invested capital[NG] over the quarter	1,803,734	1,800,751	1,776,276	1,798,614

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 Liquidity[NG]

Banking Liquidity[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines banking 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 Q3 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 and Accrued Liabilities, Deferred Revenue and Provisions.

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] was 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 was first tested with the month ending September 30, 2023, but included results from the period May 1, 2023 to September 30, 2023. The covenant continued on a cumulative basis until April 30, 2024, at which point it became a trailing-twelve month test for the second quarter of 2024. The Minimum Adjusted EBITDA[NG] tests were based on calendar month-end dates from September 2023 to June 2024.

Senior Secured Net Leverage[NG]

Senior Secured Net Leverage[NG] includes 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] was 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 September 29, 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 September 29, 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 September 29, 2024, 119,021,723 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 Third 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 Q3, active bids of 8,759 EUs were down 15.5% year-over-year, while up 29.5% from 2024 Q2. The year-over-year decline was primarily driven by the Total Bid Universe reaching an all-time high in 2023 resulting in NFI recording its highest quarterly new awards ever at 5,421 EUs in 2024 Q1. The Company ended 2024 Q3 with 5,533 bids in process, and another 3,226 bids submitted, which is expected to drive further new orders throughout the rest of 2024 and into 2025.

The forecasted five-year North American industry procurement remains strong at 20,690 EUs. As of 2024 Q3, the Total Bid Universe was 29,449 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 7.0%, or 2,233 EUs due to the record 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 Q3, 15,063 EUs, or 51.1%, 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 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
2024 Q2	3,609	3,153	6,762	21,415	28,177
2024 Q3	**5,533**	**3,226**	**8,759**	**20,690**	**29,449**

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, however, maintain a current sales pipeline and saw improvement in this pipeline in 2023 and 2024, following several periods of lower demand. The increase in market demand was on display as UK and Ireland total market delivery volumes grew by 59% year-to-date in 2024 Q3 and continue to be driven by customers' fleet recovery plans and an aging UK bus fleet. Alexander Dennis has continued to voice concerns to UK and Scottish governments regarding the uneven playing field that exists for UK bus manufacturers, who support higher wages and better domestic employment rights, while combating lower-cost foreign importers. The Company will continue to advance those discussions with a focus on increasing domestic content requirements or increased tariffs to improve the playing field for domestic players.

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. 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 Q3 totaled 1,050 EUs, a 8.2% increase from 2023 Q3. New firm and option orders for 2024 Q3 LTM were 9,946 EUs, an increase of 56.9% from 2023 Q3 LTM. This increase reflects two new contacts in 2024 Q1 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 Q3 was an average period for option conversion, which can vary from quarter-to-quarter, with 168 EUs converted. These 168 EUs contributed to 482 EUs converted in 2024 Q3 LTM. *Further details on options are provided below under the "Options" section.*

In 2024 Q3, the Company received orders for 227 EUs of battery-electric, zero-emission vehicles, an increase from the 206 EUs of ZEB orders in 2023 Q3 and a decrease from 550 EUs of ZEB orders in 2024 Q2. These 227 EUs of ZEBs equate to 21.6% of all new firm and option orders for the quarter.

127 EUs of new firm and option orders were pending from customers at the end of 2024 Q3, 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].

	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 Q3	970	6,338	17	468
2023 Q4	2,361	6,121	54	404
2024 Q1	5,421	9,669	131	491
2024 Q2	1,114	9,866	129	331
2024 Q3	**1,050**	**9,946**	**168**	**482**

Options

In 2024 Q3, 45 options expired, as compared to 30 options that expired in 2024 Q2, and 149 options that expired in 2023 Q3. Option expiries can vary significantly quarter-to-quarter. From 2021 to 2023, certain agencies allowed a portion of older options to 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[ng] growing by 89% from the end of 2021 to 2024 Q3. In LTM 2024 Q3, the option conversion rate improved to 70%. 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 and public coach 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	149						4,665
B) Options Exercised (EUs)	953	1,110	638	404	428						3,533
C) Current Options by year of expiry (EUs)					119	641	1,455	1,391	1,538	3,930	9,074
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, and 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 1,900 vehicle awards from these schedules since the start of 2018, reflecting their growing use by North American transit agencies as a procurement alternative.

The Company's 2024 Q3 Book-to-Bill[NG] ratio (defined as new firm orders and exercised options divided by new deliveries) was 117.3%, an increase from 80.0% in 2023 Q3. This increase was driven by a decrease in deliveries and the timing of customer awards. 2024 Q3 LTM Book-to-Bill[NG] was 115.4%, a decrease from 122.0% for 2023 Q3 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 transit and coach customers and private operators in the UK, US 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 manufacturer, and are not included as options in the NFI backlog[NG], but are reflected to firm backlog[NG] when the 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 59.6% of the total backlog[NG] as of the end of 2024 Q3, up from 59.2% as of the end of 2024 Q2. As at the end of 2024 Q3, there were 5,987 EUs of ZEBs in the backlog[NG], representing 41.0% of the total backlog[NG], relatively flat from 41.1% as at the end of 2024 Q2, and up from 36.3% as at the end of 2023 Q3.

	2024 Q3			2024 Q2			2023 Q3		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	5,370	9,235	14,605	5,593	9,190	14,783	5,089	4,714	9,803
New orders	998	52	1,050	910	204	1,114	825	145	970
Options exercised	168	(168)	—	129	(129)	—	17	(17)	—
Shipments[1]	(994)	—	(994)	(1,246)	—	(1,246)	(1,051)	—	(1,051)
Cancelled/expired	(26)	(45)	(71)	(16)	(30)	(46)	(17)	(149)	(166)
End of period	**5,516**	**9,074**	**14,590**	**5,370**	**9,235**	**14,605**	**4,863**	**4,693**	**9,556**
Consisting of:									
Heavy-duty transit buses	4,573	8,758	13,331	4,554	8,942	13,496	3,911	4,388	8,299
Motor coaches	282	316	598	236	293	529	353	305	658
Cutaway and medium-duty buses	661		661	580		580	599	—	599
Total Backlog[NG]	**5,516**	**9,074**	**14,590**	**5,370**	**9,235**	**14,605**	**4,863**	**4,693**	**9,556**

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 Q3, the Company's total backlog[NG] of 14,590 EUs (firm and options) decreased by 0.1% from the end of 2024 Q2, but increased by 52.7% from the end of 2023 Q3. The increase was driven by record awards in 2024 Q1, offset by higher deliveries and fewer cancellations/expiries on a LTM basis. Backlog[NG] for 2024 Q3 has a total dollar value of $12.0 billion, a 1.4% increase from 2024 Q2 and a 82.3% increase from 2023 Q3.

The average price of an EU in backlog[NG] is now $0.82 million, an 19.4% increase from 2023 Q3. This increase was driven by the impacts of improved pricing, increased ZEB orders and general improvements in contract margins.

The summary of the values is provided below.

	2024 Q3		2024 Q2		2023 Q3	
		EUs		EUs		EUs
Total firm orders	$4,168.8	5,516	$3,850.7	5,370	$2,864.6	4,863
Total options	$7,830.5	9,074	$7,988.1	9,235	$3,718.9	4,693
Total backlog[NG]	**$11,999.3**	**14,590**	**$11,838.8**	**14,605**	**$6,583.5**	**9,556**

Unaudited Interim Condensed Consolidated Financial Statements of

NFI GROUP INC.

September 29, 2024

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NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET LOSS AND TOTAL COMPREHENSIVE EARNINGS (LOSS)

13-weeks and 39-weeks ended September 29, 2024 ("2024 Q3" and "2024 Q3 YTD", respectively) and 13-weeks and 39-weeks ended October 1, 2023 ("2023 Q3" and "2023 Q3 YTD", respectively)

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

	2024 Q3	2023 Q3 restated (note 2.6)	2024 Q3 YTD	2023 Q3 YTD restated (note 2.6)
Revenue (note 17)	$ 711,344	$ 710,343	$ 2,285,326	$ 1,895,769
Cost of sales (note 4)	624,550	660,648	2,028,144	1,761,945
Gross Profit	86,794	49,695	257,182	133,824
Sales, general and administration costs and other operating expenses	60,807	62,658	182,100	182,317
Foreign exchange loss (gain)	471	797	2,553	(1,687)
Earnings (loss) from operations	25,516	(13,760)	72,529	(46,806)
(Loss) gain on disposition of property, plant and equipment and right-of-use asset	(11)	101	32	(851)
Gain on debt modification	—	10,508	—	10,508
Impairment loss on intangible assets	—	—	(1,028)	—
Loss on debt extinguishment	—	—	(234)	—
Unrealized foreign exchange (loss) gain on monetary items	(1,585)	1,611	6,531	(2,436)
Earnings (loss) before interest and income taxes	23,920	(1,540)	77,830	(39,585)
Interest and finance costs				
Interest on long-term debt	22,617	24,930	65,540	66,111
Interest on convertible debt	3,113	3,138	9,339	9,380
Interest on senior unsecured debt (note 9)	1,461	3,045	4,565	6,929
Accretion in carrying value of long-term debt (note 10)	2,352	732	6,966	1,919
Accretion in carrying value of convertible debt (note 12)	2,055	1,909	6,048	5,617
Accretion in carrying value of senior unsecured debt (note 9)	73	25	247	349
Interest expense on lease liability	2,791	1,653	7,659	6,110
Other interest and bank charges	1,513	105	9,006	1,687
Fair market value (gain) loss on prepayment option of second lien debt (note 11)	(5,412)	475	(8,508)	475
Equity swap settlement fee	—	3,519	—	3,519
Fair market value loss on interest rate swap (note 16a)	2,775	1,873	1,151	9,427
Fair market value loss on cash conversion option (note 12)	5,214	1,528	1,128	3,441
	38,553	42,932	103,141	114,964
Loss before income tax expense	(14,633)	(44,472)	(25,311)	(154,549)
Income tax expense (recovery) (note 8)	360	(4,546)	(3,452)	(20,714)
Net loss for the period	$ (14,993)	$ (39,926)	$ (21,859)	$ (133,835)
Other comprehensive gain (loss)				
Actuarial (loss) gain on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	(3,911)	4,425	4,724	4,774
Unrealized foreign exchange gain (loss) on translation of foreign operations - this item will not be reclassified subsequently to profit	13,649	(6,137)	11,726	3,563
Net gain on equity hedge of restricted share plan	—	—	—	271
Total comprehensive earnings (loss) for the period	(5,255)	(41,638)	(5,409)	(125,227)
Net loss per share (basic) (note 14)	$ (0.13)	$ (0.42)	$ (0.18)	$ (1.62)
Net loss per share (diluted) (note 14)	$ (0.13)	$ (0.42)	$ (0.18)	$ (1.62)

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 September 29, 2024
(in thousands of U.S. dollars)

	September 29, 2024	December 31, 2023
Assets		
Current		
Cash	$ 59,720	$ 49,615
Accounts receivable (note 3, 16d)	457,396	466,353
Inventories (note 4)	970,289	762,581
Income tax receivable	6,297	26,314
Prepaid expenses and deposits	18,918	18,988
	1,512,620	1,323,851
Property, plant and equipment	196,539	194,474
Right-of-use asset	106,471	114,437
Derivative financial instruments (note 11, 16a, b)	11,275	2,767
Goodwill and intangible assets	972,595	976,377
Accrued benefit asset	10,211	4,337
Other long-term assets (note 5)	50,871	50,676
Deferred tax assets	48,224	33,041
	$ 2,908,806	$ 2,699,960
Liabilities		
Current		
Accounts payable and accrued liabilities	601,849	547,626
Derivative financial instruments (note 16a, b)	2,214	1,481
Current portion of long-term liabilities (note 6)	280,751	179,207
	884,814	728,314
Accrued benefit liability	4,127	3,035
Obligations under leases	113,236	120,044
Deferred compensation obligation	2,519	708
Deferred revenue	41,351	30,540
Provisions (note 7)	45,500	59,140
Deferred tax liabilities	35,558	46,756
Derivative financial instruments (note 12, 16a, b)	11,388	9,296
Senior unsecured debt (note 9)	56,210	61,796
Long-term debt (note 10)	610,624	536,037
Second lien debt (note 11)	173,309	172,396
Convertible debentures (note 12)	230,453	228,985
	$ 2,209,089	$ 1,997,047
Commitments and contingencies (note 18)		
Shareholders' equity		
Share capital (note 13)	1,241,358	1,240,163
Stock option and restricted share unit reserve	14,691	13,673
Accumulated other comprehensive income	20,859	4,409
Deficit	(577,191)	(555,332)
	$ 699,717	$ 702,913
	$ 2,908,806	$ 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 September 29, 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	—	—	—	(133,835)	(133,835)
Other comprehensive gain	—	—	8,609	—	8,609
Equity transaction cost	(10,248)	—	—	—	(10,248)
Share-based compensation, net of deferred income taxes	—	2,021	—	—	2,021
Shares issued – private placement	170,458	—	—	—	170,458
Shares issued	91,847	(250)	—	—	91,597
Balance, October 1, 2023	**$ 1,240,275**	**$ 13,056**	**$ 5,630**	**$ (553,003)**	**$ 705,958**
Net loss	—	—	—	(2,329)	(2,329)
Other comprehensive loss	—	—	(1,221)	—	(1,221)
Equity transaction cost	(228)	—	—	—	(228)
Share-based compensation, net of deferred income taxes	—	735	—	—	735
Shares issued	116	(118)	—	—	(2)
Balance, December 31, 2023	**$ 1,240,163**	**$ 13,673**	**$ 4,409**	**$ (555,332)**	**$ 702,913**
Net loss	—	—	—	(21,859)	(21,859)
Other comprehensive gain	—	—	16,450	—	16,450
Equity transaction cost	7	—	—	—	7
Share-based compensation, net of deferred income taxes	—	2,193	—	—	2,193
Shares issued (note 13)	1,188	(1,175)	—	—	13
Balance, September 29, 2024	**$ 1,241,358**	**$ 14,691**	**$ 20,859**	**$ (577,191)**	**$ 699,717**

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 and 39-weeks ended September 29, 2024 ("2024 Q3" and "2024 Q3 YTD", respectively) and 13-weeks and 39-weeks ended October 1, 2023 ("2023 Q3" and "2023 Q3 YTD", respectively)

(in thousands of U.S. dollars)

	2024 Q3	2023 Q3 restated (note 2.6)	2024 Q3 YTD	2023 Q3 YTD restated (note 2.6)
Operating activities				
Net loss for the period	$ (14,993)	$ (39,926)	$ (21,859)	$ (133,835)
Income tax expense (recovery)	360	(4,546)	(3,452)	(20,714)
Depreciation of property, plant and equipment	10,719	13,590	36,277	37,522
Amortization of intangible assets	7,991	7,879	24,281	23,579
Impairment loss on intangible assets	—	—	1,028	—
Share-based compensation	925	677	2,191	1,917
Interest and finance costs recognized in profit or loss	38,747	40,927	110,516	111,046
Gain on fair value adjustment for total return swap	—	(2,844)	—	(3,765)
Unrealized foreign exchange loss (gain) on monetary items	1,585	(1,611)	(6,531)	2,436
Foreign exchange loss (gain) on cash held in foreign currency	407	137	1,390	(2,453)
Loss on fair value adjustment for cash conversion option	5,214	1,529	1,128	3,442
(Gain) loss on fair value adjustment for prepayment option	(5,412)	475	(8,508)	475
Loss (gain) on disposition of property, plant and equipment	11	(101)	(32)	851
Gain on debt modification	—	(10,508)	—	(10,508)
Loss on debt extinguishment	—	—	234	—
Past service costs	—	—	—	4,764
Defined benefit expense	1,237	693	2,829	2,085
Defined benefit funding	(975)	(996)	(2,475)	(2,267)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	45,817	5,375	137,017	14,575
Changes in non-cash working capital items (note 15)	(35,445)	(11,105)	(47,981)	(64,133)
Cash generated by (used in) operating activities before interest and income taxes paid	10,372	(5,730)	89,036	(49,558)
Interest paid	(45,824)	(33,076)	(90,924)	(90,279)
Income taxes (paid) recovered	(9,788)	21	(264)	20,897
Net cash used in operating activities	(45,240)	(38,785)	(2,152)	(118,940)
Financing activities				
Repayment of obligations under lease	(3,867)	(4,046)	(16,378)	(14,407)
Proceeds (repayment) from revolving credit facilities	42,116	(173,233)	61,202	(134,864)
Share issuance	13	262,057	13	262,057
Share issuance costs	—	(10,248)	7	(10,248)
Proceeds on other long-term liabilities	—	18,374	—	18,374
(Repayment) proceeds from senior unsecured debt	—	(25,000)	—	61,996
Net cash generated by financing activities	38,262	67,904	44,844	182,908
Investing activities				
Acquisition of intangible assets	(3,097)	(3,402)	(10,328)	(7,446)
Proceeds from disposition of property, plant and equipment	66	1,045	923	1,250
Investment in long-term restricted deposits	—	(99)	—	(18,123)
Acquisition of property, plant and equipment (note 17)	(7,309)	(8,516)	(21,792)	(16,592)
Net cash used in investing activities	(10,340)	(10,972)	(31,197)	(40,911)
Effect of foreign exchange rate on cash	(407)	(137)	(1,390)	2,453
(Decrease) increase in cash	(17,725)	18,010	10,105	25,510
Cash — beginning of period	77,445	57,488	49,615	49,987
Cash — end of period	$ 59,720	$ 75,498	$ 59,720	$ 75,498

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

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

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 November 6, 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").

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.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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

In Q4 2023, the Company elected to make a change in accounting policy on the existence of warranties. After a review of assurance and service-type warranties was performed, it was deemed more relevant to classify certain extended warranties as assurance-type warranties in accordance with IAS 37 – Provisions, contingent liabilities and contingent assets. As the Company has applied this change in policy retrospectively, this has resulted in a 2023 Q3 restatement of quarterly revenue and cost of sales of $0.7 million and 2023 Q3 YTD revenue and cost of sales of $2.2 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.

On June 20, 2024, Bill C-69, *An Act to implement certain provisions of the budget tabled in Parliament on April 16, 2024*, received third reading in the House of Commons and became substantively enacted for Canadian financial reporting purposes. Bill C-69 includes the Pillar Two rules published by the Organization for Economic Co-operation and Development ("OECD") and applies to fiscal years beginning on or after December 31, 2023 (January 1, 2024 for the Corporation). The Pillar Two model rules impose a 15% global minimum tax applicable to large multinational enterprises, to be applied in each country. Income tax expense recognized in the unaudited interim condensed consolidated statement of net loss in 2024 Q3 includes $0.7 million (2023: not applicable) related to Pillar Two income taxes.

The enacted Pillar Two legislation in both the United Kingdom ("UK") and Canada, as well as the proposed Pillar Two legislation in certain jurisdictions the Company operates in is not expected to have a significant impact on the consolidated financial statements of the Company.

2.8 Standards issued but not yet adopted

IAS 7 & IFRS 7 – Supplier financing arrangements - disclosures

In May 2023, the IASB issued the final amendments to IAS 7 – Statement of cash flows and IFRS 7 – Financial instruments: disclosures 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.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements for the presentation and disclosure of information in the consolidated financial statements to help ensure they provide relevant information that faithfully represents the Company's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 - Presentation of Financial Statements once effective. Initial adoption of the requirements under IFRS 18 will be obligatory for annual reporting periods on or after January 1, 2027.

3. ACCOUNTS RECEIVABLE

	September 29, 2024	December 31, 2023
Trade, net of allowance for doubtful accounts (note 16d)	$ 425,804	$ 430,261
Other	31,592	36,092
	$ 457,396	$ 466,353

4. INVENTORIES

	September 29, 2024	December 31, 2023
Raw materials	$ 404,353	$ 360,575
Work in process	477,484	331,119
Finished goods	88,452	70,887
	$ 970,289	$ 762,581

	2024 Q3	2023 Q3	2024 Q3 YTD	2023 Q3 YTD
Cost of inventories recognized as expense and included in cost of sales	$ 587,724	$ 639,876	$ 1,930,613	$ 1,706,810
Write-down of inventory to net realizable value in cost of sales	1,216	373	2,148	1,959
Reversals of a previous write-down in inventory	—	91	—	91

5. OTHER LONG-TERM ASSETS

	September 29, 2024	December 31, 2023
Long-term restricted deposit(s) (note 16a)	$ 46,847	$ 45,441
Long-term accounts receivable	4,024	5,235
	$ 50,871	$ 50,676

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

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

6. CURRENT PORTION OF LONG-TERM LIABILITIES

	September 29, 2024	December 31, 2023
Deferred revenue	$ 229,873	$ 138,091
Provisions (note 7)	29,063	19,459
Deferred compensation obligation	5,031	3,698
Obligations under leases	16,784	17,959
	$ 280,751	$ 179,207

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

On September 12, 2024, the Company announced a potential reduction of up to 160 roles across its Falkirk and Larbert locations in UK as a result of the impacts of government funding disproportionately benefitting competitors from outside UK putting domestic manufacturers at a disadvantage.

The other category includes the restructuring provision consisting of costs associated with the closure and termination of the lease in respect of the Guildford, UK facility operated by Alexander Dennis, which will be terminated in May 2025. It also includes a provision for the costs in relation to the announced redundancy of up to 160 jobs at their Scottish facilities and 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	Warranty	Other	Total
January 1, 2023	$ 22,527	$ 63,941	$ 8,786	$ 95,254
Additions	20,010	46,550	3,184	69,744
Amounts used/realized	(11,556)	(65,677)	(1,412)	(78,645)
Unused provision	(551)	1,172	(8,243)	(7,622)
Unwinding of discount and effect of changes in the discount rate	—	15	—	15
Exchange rate differences	(1)	(263)	117	(147)
December 31, 2023	$ 30,429	$ 45,738	$ 2,432	$ 78,599
Additions	9,411	56,993	7,339	73,743
Amounts used/realized	(9,768)	(67,370)	(2,034)	(79,172)
Unused provision	380	—	—	380
Unwinding of discount and effect of changes in the discount rate	—	(18)	—	(18)
Exchange rate differences	3	656	375	1,031
	30,452	35,999	8,112	74,563
Less current portion (note 6)	641	20,310	8,112	29,063
September 29, 2024	$ 29,811	$ 15,689	$ —	$ 45,500

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

8. INCOME TAX EXPENSE (RECOVERY)

The income tax expense for 2024 Q3 was $0.4 million compared to a recovery of $4.5 million in 2023 Q3. The increased income tax expense is primarily due to increased profitability.

The income tax recovery for 2024 Q3 YTD is $3.45 million, compared to a recovery of $20.7 million in 2023 Q3 YTD. The decrease in the overall income tax recovery is primarily due to increased profitability, increased state tax expense, offset by a reduced deferred tax expense related to unrecognized deferred tax assets associated with Canadian loss carry-forwards, and restricted interest in the UK.

The Effective Tax Rate ("ETR") for 2024 Q3 was 2.5% and the ETR for 2023 Q3 was 10.2%. The ETR for 2024 Q3 YTD was 13.6% and the ETR for 2023 Q3 YTD was 13.4%. The 2024 Q3 ETR was detrimentally impacted by the non-recognition of deferred tax assets associated with Canadian loss carry-forwards, restricted interest in the UK, and the impact of BEPS Pillar Two.

Income tax expense recognized in the unaudited interim condensed consolidated statement of net loss in 2024 includes $0.72 million (2023: not applicable) related to Pillar Two income taxes.

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 (“PSG”) up to $50 million and Surety Reinsurance Support up to $75 million.

On July 17, 2024, NFI entered into an amended agreement with EDC to increase the size of its Guarantee Facility from $125 million to $145 million. The amended Guarantee Facility is made up of a PSG of up to $90 million and Surety Reinsurance Support up to $55 million.

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 required by EDC to be repaid on the supply chain financing facility as a permanent reduction.

In April 2024, MDC and the Company 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).

	Face Value	Unamortized Transaction Costs	**Net Book Value September 29, 2024**	Net Book Value December 31, 2023
MDC	$ 37,020	$ —	$ 37,020	$ 37,480
Unamortized interest benefit	(5,346)	—	(5,346)	—
EDC	25,000	464	24,536	24,316
	$ 56,674	$ 464	$ 56,210	$ 61,796

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

10. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value September 29, 2024**	Net Book Value December 31, 2023
First lien North America ("NA") revolving credit facility, Secured ("NA Revolving Facility")	$ 180,520	$ 9,024	$ 171,496	$ 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")	20,233	500	19,733	—
First lien UK term loan, Secured ("UK Non-Revolving Facility")	20,516	—	20,516	19,913
Gain on debt modification	(7,295)	—	(7295)	—
Government of Canada Loan	7,399	1,225	6,174	2,827
	$ 621,373	$ 10,749	$ 610,624	$ 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 $82.1 million of outstanding letters-of-credit drawn against the North American Facility at September 29, 2024. The North American Facility bears interest at a rate equal to the 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 the MCI Winnipeg facility enhancements and zero-emission product development and growth. The financing matures on March 1, 2030.

11. SECOND LIEN DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value September 29, 2024**	Net Book Value December 31, 2023
Second Lien Debt	$ 193,814	$ 9,230	$ 184,584	$ 175,163
Prepayment Option	11,275	—	11,275	2,767
	$ 182,539	$ 9,230	$ 173,309	$ 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 of every year 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 September 29, 2024, the asset was revalued at $11.3 million. A fair market value gain of $5.4 million was recorded on the Company's unaudited interim condensed consolidated statement of net loss and total comprehensive earnings (loss).

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 September 29, 2024**	Net Book Value December 31, 2023
Convertible Debt	$ 235,229	$ 4,776	$ 230,453	$ 228,985
Cash Conversion Option	10,237	—	10,237	9,296
	$ 245,466	$ 4,776	$ 240,690	$ 238,281

13. SHARE CAPITAL

	September 29, 2024	December 31, 2023
Authorized - Unlimited		
Issued – 119,029,669 Common Shares (December 31, 2023: 118,961,932)	$ 1,241,358	$ 1,240,163

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

Shares	Number (000s)	Net Book Value
Balance - December 31, 2023	118,962	$ 1,240,163
Cash Payout of Stock Options	1	19
Director Restricted Share Units ("Director RSU") exercised	66	1,169
Equity Transaction Cost	—	7
Balance - September 29, 2024	119,029	$ 1,241,358

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

14. LOSS PER SHARE

	2024 Q3	2023 Q3	2024 Q3 YTD	2023 Q3 YTD
Net loss attributable to equity holders	$ (14,993)	$ (39,926)	$ (21,859)	$ (133,835)
Weighted average number of Shares in issue	119,028,532	94,169,027	118,999,446	82,835,018
Weighted average number of Shares for diluted earnings per Share	119,028,532	94,169,027	118,999,446	82,835,018
Net loss per Share (basic)	$ (0.1260)	$ (0.4240)	$ (0.1837)	$ (1.6157)
Net loss per Share (diluted)	$ (0.1260)	$ (0.4240)	$ (0.1837)	$ (1.6157)

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 restricted share units 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 Q3	2023 Q3	2024 Q3 YTD	2023 Q3 YTD
Accounts receivable	$ 29,806	$ 14,103	$ 8,957	$ (108,416)
Income tax receivable	112	127	(3,080)	(1,125)
Inventories	(131,294)	3,437	(207,171)	(91,941)
Prepaid expenses and deposits	5,777	5,003	69	4,546
Accounts payable and accrued liabilities	12,638	(5,608)	54,229	86,255
Income tax payable	(2,333)	—	—	—
Deferred revenue	47,470	(26,305)	102,594	48,195
Provisions	(4,781)	(782)	(4,036)	(1,508)
Other	7,160	(1,080)	457	(139)
	$ (35,445)	$ (11,105)	$ (47,981)	$ (64,133)

(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.

	September 29, 2024		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 59,720	$ 59,720
Long-term restricted deposit (note 5)	Level 1	46,847	46,847
Prepayment Option (note 11)	Level 2	11,275	11,275
Derivative financial instrument assets - long term		$ 11,275	$ 11,275
Financial liabilities recorded at fair value			
Foreign exchange forward contracts	Level 2	2,214	2,214
Derivative financial instrument liabilities - current		$ 2,214	$ 2,214
Interest Rate Swap	Level 2	1,151	1,151
Cash Conversion Option (note 12)	Level 2	10,237	10,237
Derivative financial instrument liabilities - long term		$ 11,388	$ 11,388

	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 September 29, 2024, the Company had $107.1 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 October 2024 to June 2025. The related liability of $2.2 million (December 31, 2023: $1.5 million) is recorded on the statements of financial position as a current derivative financial instruments liability 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 earnings (loss) and total comprehensive earnings (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 North American 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 September 29, 2024, the Company had a cash balance of $57.3 million (December 31, 2023: $49.6 million), $573 million drawn under the North American Facility due in 2026 (December 31, 2023: $526 million), and $82.1 million of outstanding letters of credit (December 31, 2023: $96.6 million). As at September 29, 2024 the Company had $41 million drawn under the UK Facility (December 31, 2023: $21.0 million). The total liquidity[NG] position as at September 29, 2024 is $145.8 million, without consideration given to the minimum banking liquidity[NG] requirement under the Secured Facilities of $50.0 million. In addition, as at September 29, 2024 the Company had $46.0 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]
2024 Q3	<6.00x	>1.10x	N/A	N/A	$50,000	<4.50x
2024 Q4	<4.75x	>1.25x	N/A	N/A	Waived[7]	<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 in effect 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 with respect to 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.

7. The Company obtained a waiver for the $50 million liquidity requirement under its senior secured facility providing access to those funds if required.

The calculation of the banking liquidity[NG] position, without consideration given to the minimum banking liquidity[NG] requirements under the Secured Facilities at September 29, 2024 is provided below.

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	September 29, 2024	December 31, 2023
Banking Liquidity[NG] Position (must be greater than $50 million)	$ 145,784	$ 170,131
Total Leverage Ratio[NG] (must be less than 6.00 [2023: waived])	5.17	Waived
Senior Secured Net Leverage Ratio[NG] (must be less than 4.50 [2023: waived])	3.52	Waived
Interest Coverage Ratio[NG] (must be greater than 1.10 [2023: waived])	1.28	Waived

The Company has entered into an agreement to amend the Interest Coverage Ratio requirement for 2024 Q3 and 2024 Q4. Although, NFI would still meet the original covenant requirement, the Company proactively engaged with its banking partners to ensure continued compliance throughout 2024.

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. As at September 29, 2024, the Company was in compliance with all covenant requirements.

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 Facilities covenants.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at September 29, 2024:

	Total	2024	2025	2026	2027	2028	Post 2028
Leases	$ 210,537	$ 9,443	$ 23,535	$ 20,406	$ 18,591	$ 12,710	$ 125,852
Accrued benefit liability	3,182	3,182					
	$ 213,719	$ 12,625	$ 23,535	$ 20,406	$ 18,591	$ 12,710	$ 125,852

(d) 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.

	September 29, 2024	December 31, 2023
Current, including holdbacks	$ 418,046	$ 438,165
Past due amounts but not impaired		
1 – 60 days	26,504	20,123
Greater than 60 days	13,586	8,669
Less: Allowance for doubtful accounts	(740)	(604)
Total accounts receivables, net	$ 457,396	$ 466,353

As at September 29, 2024, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

(e) 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 from time to time 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 – Operating segments, 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.

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 loss (earnings) and assets is as follows:

	2024 Q3			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 558,582	$ 152,762	—	$ 711,344
Operating costs and expenses	564,008	123,360	38,609	725,977
(Loss) earnings before income tax expense	(5,426)	29,402	(38,609)	(14,633)
Total assets	2,147,506	472,110	286,127	2,905,743
Addition of capital expenditures	6,705	604	—	7,309
Addition of intangibles assets	3,097	—	—	3,097
Indefinite-life intangible assets	247,728	18,887	—	266,615
Goodwill	224,217	191,296	—	415,513

	2024 Q3 YTD			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 1,811,033	$ 474,293	—	$ 2,285,326
Operating costs and expenses	1,826,252	381,960	102,425	2,310,637
(Loss) earnings before income tax recovery	(15,219)	92,333	(102,425)	(25,311)
Total assets	2,147,506	472,110	286,127	2,905,743
Addition of capital expenditures	21,188	604	—	21,792
Addition of intangibles assets	10,328	—	—	10,328
Indefinite-life intangible assets	247,728	18,887	—	266,615
Goodwill	224,217	191,296	—	415,513

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

17. SEGMENT INFORMATION (Continued)

	2023 Q3			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers (note 2.6)	$ 567,779	$ 142,564	—	$ 710,343
Operating costs and expenses (note 2.6)	612,384	115,410	27,021	754,815
(Loss) earnings before income tax recovery	(44,605)	27,154	(27,021)	(44,472)
Total assets	1,965,158	488,371	309,243	2,762,772
Addition of capital expenditures	8,398	118	—	8,516
Addition of intangibles assets	3,402	—	—	3,402
Indefinite-life intangible assets	244,265	18,334	—	262,599
Goodwill	223,027	188,068	—	411,095

	2023 Q3 YTD			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers (note 2.6)	$ 1,476,553	$ 419,216	—	$ 1,895,769
Operating costs and expenses (note 2.6)	1,602,693	342,221	105,404	2,050,318
(Loss) earnings before income tax recovery	(126,140)	76,995	(105,404)	(154,549)
Total assets	1,965,158	488,371	309,243	2,762,772
Addition of capital expenditures	16,297	295	—	16,592
Addition of intangibles assets	7,446	—	—	7,446
Indefinite-life intangible assets	244,265	18,334	—	262,599
Goodwill	223,027	188,068	—	411,095

The Company's revenue by geography is summarized below:

	2024 Q3	2023 Q3 (note 2.6)	2024 Q3 YTD	2023 Q3 YTD (note 2.6)
North America	$ 571,745	$ 573,309	$ 1,827,508	$ 1,509,021
UK and Europe	133,302	125,606	433,012	359,191
Asia Pacific	6,297	11,428	24,806	27,557
Total	$ 711,344	$ 710,343	$ 2,285,326	$ 1,895,769

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

	2024 Q3	2023 Q3 (note 2.6)	2024 Q3 YTD	2023 Q3 YTD (note 2.6)
Transit buses	$ 417,537	$ 450,849	$ 1,414,646	1,143,232
Motor coaches	109,104	96,321	309,793	269,160
Medium-duty and cutaway buses	18,666	12,687	55,626	36,254
Pre-owned coach	2,148	4,195	7,588	15,824
Infrastructure solutions	7,518	1,950	14,633	5,922
Fiberglass reinforced polymer components	3,609	1,777	8,747	6,161
Manufacturing revenue	$ 558,582	$ 567,779	$ 1,811,033	1,476,553

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 and other employment-related matters, 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 September 29, 2024 range from October 2024 to December 2039.

At September 29, 2024, outstanding surety bonds guaranteed by the Company totaled $328.5 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 September 29, 2024, letters of credit totaling $82.1 million (December 31, 2023: $96.6 million) remain outstanding as security for contractual obligations of the Company under the North American Facility.

The EDC surety facility in the amount of $145 million consists of the PSG up to $90 million and the Surety Reinsurance Support up to $55 million.

The PSG program under the EDC facility 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 PSG and Surety Reinsurance Support programs must only be used to support 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.

As at September 29, 2024, there was $107.9 million (December 31, 2023: $74.2 million) outstanding under the Guarantee Facility.

As at September 29, 2024, letters of credit in the UK totaling $8 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.

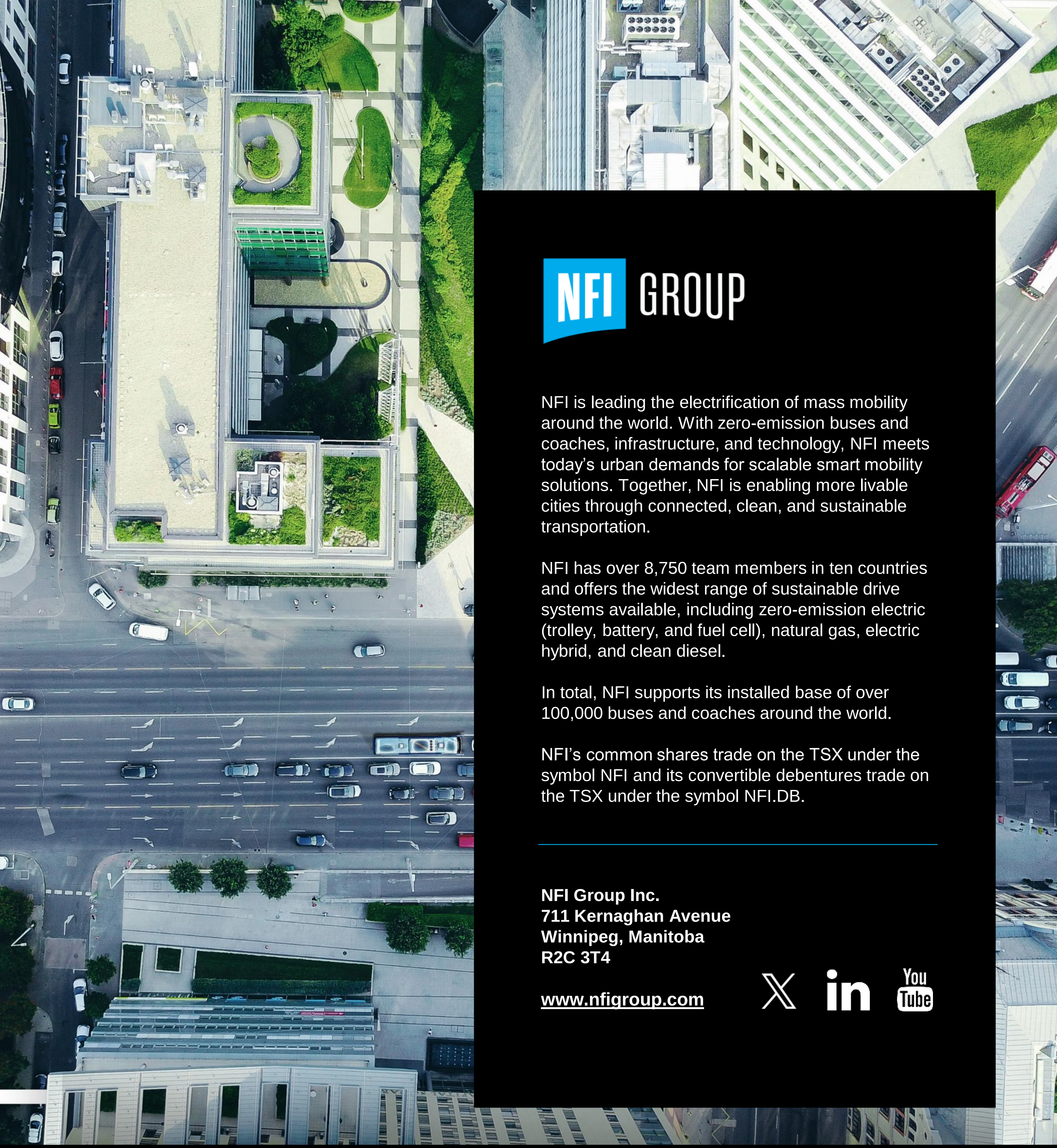
As at September 29, 2024, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

(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 September 29, 2024, the Company had guaranteed $2.2 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

In October 2024, the company announced an initiative to expand New Flyer's Winnipeg manufacturing capability to allow for complete manufacturing of heavy-duty transit buses in Canada and an increased offering of zero-emission buses (internally known as "Project True North"). The project will repurpose existing space at its Winnipeg production facility and the lease of a new finishing facility for final vehicle commissioning. The project is supported by the Government of Manitoba and Prairies Economic Development Canada ("PrairiesCan").

To further support liquidity, subsequent to quarter-end, NFI received approval under its senior credit facilities to temporarily waive the minimum liquidity requirement of $50 million, effective as of November 1, 2024 to December 31, 2024. Post this waiver period the minimum liquidity requirement under the senior facilities will return to $50 million.



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.

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