NFI Announces Third Quarter 2023 Results

November 8, 2023

All figures quoted in U.S. dollars unless otherwise noted:

- **2023 Q3 revenue of $710 million; 1,051 equivalent units ("EUs") delivered, up 34% from 2022 Q3, with 23% of deliveries being battery- and fuel cell-electric buses ("ZEBs").**
- **Net loss of $40 million; Net loss per Share of $0.42, and Adjusted Net Loss per Share[2] of $0.41; 2023 Q3 Adjusted EBITDA[2] of $11 million.**
- **Ending liquidity[2] position of $170 million.**
- **Ending total backlog[2] position (both firm and options) of 9,556 EUs (valued at $6.6 billion); ZEB backlog[2] now 3,456 EUs, or 36%, of total backlog[2].**
- **Active North American public Total Bid Universe[4] ended at 10,361 EUs, up 3% year-over-year; ZEBs now represent 52% of the Total Bid Universe.**
- **Updated financial guidance for Fiscal 2023 for revenue of $2.7 to $2.8 billion and Adjusted EBITDA[2] of $45 to $65 million; other elements remain unchanged.**
- **Completed NFI's comprehensive refinancing plan ("Refinancing Plan") in August 2023.**

WINNIPEG, Manitoba, Nov. 08, 2023 (GLOBE NEWSWIRE) -- **(TSX: NFI, OTC: NFYEF, TSX: NFI.DB)** NFI Group Inc. ("NFI" or the "Company"), a leader in zero-emission electric mobility solutions, today announced its unaudited interim condensed consolidated financial results for the third quarter of 2023.

Key financial metrics of the quarter and for the last twelve months are highlighted below:

in millions except deliveries and per Share amounts		**2023 Q3**	**Change[1]**		**2023 Q3 LTM**	**Change[1]**
Deliveries (EUs)		1,051	*34 %*		3,808	*23 %*
IFRS Measures[3]						
Revenue	$	710	*38 %*	$	2,576	*25 %*
Net loss	$	(40)	*1 %*	$	(283)	*(113 %)*
Net loss per Share	$	(0.42)	*21 %*	$	(3.48)	*(100 %)*
Non-IFRS Measures[2,3]						
Adjusted EBITDA[2]	$	11	*184 %*	$	27	*209 %*
Adjusted Net Loss[2]	$	(38)	*16 %*	$	(134)	*11 %*
Adjusted Net Loss per Share[2]	$	(0.41)	*32 %*	$	(1.64)	*17 %*
Free Cash Flow[2]	$	(43)	*23 %*	$	(125)	*24 %*
Liquidity[2] (including minimum liquidity requirement of $50 million)	$	170	*(64 %)*	$	170	*(64 %)*
Return on Invested Capital[2] (ROIC)		(1.0 %)	*2.3 %*		(1.0 %)	*2.3 %*

Footnotes:

1. Results noted herein are for the 13-week period ("2023 Q3") and the 52-week period ("LTM 2023 Q3") ended October 1, 2023. The comparisons reported in this press release compare 2023 Q3 to the 13-week period ("2022 Q3") and LTM 2023 Q3 to the 53-week period ("LTM 2022 Q3") ended October 2, 2022. Comparisons and comments are also made to the 13-week period ("2023 Q2") ended July 2, 2023. The term "LTM" is an abbreviation for "last twelve months."

2. Adjusted EBITDA, Adjusted Net Loss, and Free Cash Flow represent non-IFRS measures, Adjusted Net Loss per Share and Return on Invested Capital ("ROIC") are non-IFRS ratios, and Liquidity and Backlog are supplementary financial measures. Such measures and ratios are not defined terms under IFRS and do not have standard meanings, so they may not be a reliable way to compare NFI to other companies. Adjusted Net Loss per Share is based on the non-IFRS

measure Adjusted Net Loss. ROIC is based on net operating profit after tax and average invested capital, both of which are non-IFRS measures. See “Non-IFRS Measures” and detailed reconciliations of IFRS Measures to Non-IFRS Measures in the Appendices of this press release. Readers are advised to review the unaudited interim condensed consolidated financial statements (including notes) (the “Financial Statements”) and the related Management's Discussion and Analysis (the "MD&A").

3. The Company retrospectively adopted IFRS 17 - Insurance Contracts on January 2, 2023. Refer to the section, "new and amended standards adopted by the Company" for details of the impact of the adoption. NFI's Financial Statements were prepared on a going concern basis in accordance with IFRS. Readers are recommended to read "Note 2.2 Basis of preparation" in the Financial Statements regarding the basis of preparation and the determination of application of the going concern assumption.

4. 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, 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.

"The completion of our comprehensive refinancing plan has set the stage for NFI's recovery, and we look forward to displaying our resiliency as we work to ramp up our manufacturing production through 2024, capitalize on aftermarket outperformance, and deliver revenue, gross margin and profitable growth," said Paul Soubry, President and Chief Executive Officer, NFI.

"The third quarter saw new order growth, and improvements in both vehicle deliveries and margin performance, with the Aftermarket segment delivering its third consecutive quarter of record Adjusted EBITDA[2]. Customer demand remains at record levels with a heightened bidding environment and backlog[2] of $6.6 billion, with over 36% of backlog[2] being zero-emission buses and coaches. In addition, we had over 1,800 EUs of pending awards that will help drive additional backlog growth.

"New contract pricing was another positive, with the average sale price in NFI's backlog[2] up 20% year-over-year. We plan to complete and deliver the majority of the remaining inflation-impacted legacy contracts in 2023, although a small percentage of impacted units will carry into the first half of 2024. While supply chains have not returned to pre-pandemic performance, there has been significant improvement, allowing us to increase new vehicle production rates through the third quarter, which is expected to continue in the fourth quarter of 2023 and into 2024.

"We expect to see temporary inefficiencies as we ramp up our production, and we are also continuing efforts to lower work-in-process inventory, and accelerate customer acceptance programs. Due to the timing of these efforts, we may see impacts to margins and overall working capital cash inflows in the near-term. Looking forward, we see a path for significant margin growth in 2024 and 2025 from a combination of pricing improvements, higher delivery volumes, sales mix, and enhanced operational performance."

Refinancing Plan and Liquidity[2]

NFI's completed Refinancing Plan generated total gross proceeds of $444 million, extended the maturity of the Company's senior credit facilities to April 2026, and resulted in covenant relief under the Company's senior credit facilities in 2023, 2024, and 2025 to support NFI's operational recovery.

The Company's liquidity[2] position, which combines cash on-hand plus available capacity under its credit facilities (without consideration given to the minimum liquidity requirement of $50 million), was $170 million as at the end of 2023 Q3, up $88 million from the end of 2023 Q2. The liquidity[2] position reflects the contributions from the Refinancing Plan, plus the impact of a $250 million reduction in capacity under NFI's senior credit facilities. In addition to the continued focus on reducing work-in-process buses awaiting parts and buses delivered but not yet accepted, NFI continues to carry higher inventory balances of raw materials to assist in preventing future supply shortages.

NFI remains focused on cash management and efforts to address heightened inventory and accelerate collections of receivable balances. The working capital benefits from these efforts will be somewhat offset by investments in additional working capital to support manufacturing production ramp-up and to mitigate supply chain risks.

Segment Results

Manufacturing segment revenue for 2023 Q3 increased by $171 million, or 43%, compared to 2022 Q3, driven by higher new vehicle deliveries across all NFI product lines. While quarterly deliveries have seen improvement both year-over-year and sequentially from 2023 Q2, they have been impacted by supply chain challenges and related production inefficiencies. These challenges are largely the result of suppliers recovering from the impacts of the COVID-19 pandemic.

Manufacturing Adjusted EBITDA[2] increased by $23 million, or 61%, compared to 2022 Q3. The increase was driven by higher deliveries, favourable sales mix, and a lower number of legacy inflation-impacted contracts. Manufacturing Adjusted EBITDA[2] as a percentage of revenue showed continued improvement, increasing from -9.3% in 2022 Q3 to -2.5% in 2023 Q3.

At the end of 2023 Q3, the Company's total backlog[2] (firm and options) of 9,556 EUs decreased from 9,803 units as of the end of 2023 Q2, but was up over 1,000 EUs from 2022 Q3. The decrease was primarily driven by higher deliveries, somewhat offset by awards in the quarter and fewer cancellations/expiries. The third quarter is generally a slower period due to transit agency approval processes. Award timing also impacted backlog as NFI's bid award pending, where approval of the award to NFI had been made but purchase documentation had not yet been received and therefore not yet included in the backlog, was 1,834 EUs (firm and option orders), up from 719 as of the end of 2023 Q2. These pending awards are expected to drive additional backlog growth in the fourth quarter of 2023.

Backlog[2] for 2023 Q3 has a total dollar value of $6.6 billion, and the average price of an EU in backlog[2] is now $0.69 million, a 20% increase from 2022 Q3.

Aftermarket segment revenue for 2023 Q3 of $143 million increased by $25 million, or 21% compared to 2022 Q3, driven by increased volume in North America in both the public and private markets and the impacts of inflation on pricing. In 2023 Q3, Aftermarket Adjusted EBITDA[2] was $32 million, an increase of $14 million, or 74%, year-over-year, stemming from improved sales volume and product mix. Aftermarket Adjusted EBITDA[2] as a percentage of revenue was also very strong at 22.2% compared to 15.4% for the same period in 2022.

Net Loss, Adjusted Net Loss[2], and Return on Invested Capital[2]

In 2023 Q3, the net loss of $40 million was essentially flat with 2022 Q3, improving by 1%, with improvements in vehicle deliveries, revenue, Adjusted EBITDA, and favourable sales mix, offset somewhat by higher interest and financing costs on elevated debt levels and higher interest rates. In addition, the Company also had fair market value losses on the adjustment to the Company's interest rate swaps and cash conversion option on the Company's convertible debentures (the "Debentures").

Adjusted Net Loss[2] for 2023 Q3 of $38 million improved from 2022 Q3 Adjusted Net Loss[2] of $46 million, driven by the same items that impacted Adjusted EBITDA[2] and net loss, adjusted for fair market losses and gains related to the Company's interest rate swaps and Refinancing Plan, plus other normalization adjustments including non-recurring restructuring and equity swap settlement fees.

LTM 2023 Q3 Return on Invested Capital[2] ("ROIC") increased by 1% from LTM 2023 Q2, primarily due to the increase in Adjusted EBITDA[2] and a slight decrease in the invested capital base. The decrease in invested capital[2] is primarily due to a decrease in long-term debt, offset by increases in cash and shareholders' equity as a result of the completion of the Refinancing Plan. Also contributing to the decrease in invested capital was the sale of the Company's interest rate swaps.

Outlook

NFI anticipates positive improvements to revenue, gross profit, Adjusted EBITDA[2] and Free Cash Flow[2], a shift to net profit, and improvement in ROIC[2] in the medium- to longer-term, as it delivers on its backlog, and benefits from record government investments in public transportation, and growing demand for its buses, coaches, aftermarket parts, and Infrastructure Solutions™ services.

Market demand is evident through the high volume of active bus and motor coach procurements in both North America and international markets. As of 2023 Q3, the Company's North American public active bids, which includes bids in process plus those submitted to customers, remained high at 10,361 EUs. This bid activity is expected to drive additional backlog growth in the fourth quarter of 2023 and throughout 2024. The current five-year forecasted demand within the Company's North American bid universe is also strong at 21,321 EUs, and, when combined with active bids, provides a record Total Bid Universe of 31,682 EUs.

In addition to the increased numbers of bids for ZEBs, the number of EUs per bid has increased, as transit agencies are progressing from pilots or trials of ZEBs to more active deployment and operation of ZEB fleets. NFI expects active ZEB bids to remain high through the coming years based on strong government funding levels supporting state, provincial and municipal ZEB adoption targets. In 2023 Q3, NFI also saw an increase in orders for ARBOC and MCI vehicles, up 93% and 47% year-over-year respectively. NFI was especially encouraged by the growth in MCI demand within the private sector.

NFI's overall supply base continues to improve, and the Company has seen the number of moderate and high-risk suppliers decrease. NFI is working closely with its suppliers to monitor performance, and, due to the Company's strong order book, has been able to provide longer-term visibility to suppliers well into 2024. The improvement of on-time supplier delivery performance, combined with actions taken by NFI's supply and sourcing teams, supports expected increases to 2023 and 2024 production volumes.

NFI has commenced the increase of new vehicle production rates and is hiring new team members. The Company has seen success in these actions and added over 240 direct and indirect team members in the third quarter of 2023, primarily focused in North America. While there has been positive improvement, the labour market within the United States and the UK remains challenging. NFI intends to continue to ramp-up production and add personnel on a phased approach with gradual headcount additions throughout 2023 and in 2024 to achieve its targets.

Gross margins and other profitability metrics are expected to improve in-line with increases in production rates, increases to bus and coach deliveries, the reduction of work-in-progress vehicle inventory, and the completion of the remaining inflation impacted legacy contracts, originally bid in 2020 and 2021. NFI anticipates that the majority of these legacy contracts will be delivered in 2023 and expects that less than 5% of deliveries in the first half of 2024 will be legacy inflation-impacted contracts. The Company has also experienced signs of commodities and material costs easing during the first three quarters of 2023 and anticipates that newer contracts in NFI's backlog now reflect appropriate, inflation-adjusted costing and pricing.

Financial Guidance and Targets

NFI updates its financial guidance for Fiscal 2023: revenue of $2.7 to $2.8 billion (previous: $2.6 to $2.8 billion) and Adjusted EBITDA[2] of $45 to $65 million (previous: $40 to $60 million); anticipated ZEBs as a percentage of manufacturing sales and cash capital expenditures remain unchanged for 2023. NFI also reaffirms its Fiscal 2024, and its 2025 targets, as presented on March 1, 2023.

	2019 Pro-forma Results	2023 Guidance	2024 Guidance	2025 Targets
Revenue	$3.2 billion	**$2.7 to $2.8 billion**	$3.2 to $3.6 billion	~$4 billion
ZEBs (electric) as a percentage of manufacturing sales	6%	25% to 30%	30% to 35%	~40%
Adjusted EBITDA[2]	$331 million	**$45 to $65 million**	$250 to $300 million	~$400 million

Cash Capital Expenditures		$35 to $40 million	$50 to $60 million	~$50 million
Return on Invested Capital[2] - provided for 2025 targets	9.8%			>12%

Please review the Company's March 1, 2023 press release and the 2022 Q4 and Fiscal Year MD&A for details on the assumptions that drive Fiscal 2023 and Fiscal 2024 guidance, and 2025 targets, as well as certain applicable risks. Management's expectations regarding financial guidance and targets above are also subject to the risks and other factors referred to in Appendix B.

The 2023 and 2024 guidance ranges and the 2025 targets provided above are driven by numerous expectations and assumptions including, but not limited to, the following:

- **Revenue:** Anticipated revenue growth in 2023, 2024 and 2025 is based on year-to-date results, NFI's firm order backlog[2], current 2023 and 2024 production schedules, expected backlog[2] option order conversion, and anticipated 2023, 2024 and 2025 new vehicle orders and aftermarket parts sales. Revenue guidance and targets reflect higher volume of ZEB sales, higher average vehicle prices in NFI's backlog[2] and anticipated product mix benefits, plus expected international sales expansion. The guidance ranges also reflect potential variances in delivery volumes from supply disruption, product mix and expected timing of production recovery driving improved efficiency in the second half of 2023 and Fiscal 2024 and Fiscal 2025.

- **Adjusted EBITDA**[2]: Adjusted EBITDA[2] performance is driven by 2023 year-to-date results, anticipated recoveries in new vehicle deliveries, changes to product mix, a higher percentage of ZEB deliveries, aftermarket segment contributions and anticipated improvements in operating margins due to recovery in supply chain health, improved labour efficiency and higher average vehicle sales prices. While there will be some impact to margins in 2023 and H1 2024 from legacy inflation impacted contracts, contracts secured in the second half of 2022 and in Fiscal 2023 reflect updated pricing and improved margins.

- The ranges for ZEBs as a percentage of manufacturing sales are based on year-to-date results combined with existing firm backlog[2], active bids, and anticipated future orders. Cash capital expenditures are based on investments made in 2023 and expected future maintenance and growth projects.

Guidance and targets above are conditional on several factors and expectations, including the recovery of supply chain performance, consistent availability of labour, a higher percentage of ZEB sales (which provide a higher revenue and dollar margin benefit), the mitigation of inflationary pressures, end markets recovering inline with management expectations, international expansion, aftermarket parts sales, and continuous improvement initiatives.

NFI's guidance and targets are subject to the risk of extended duration of the current supply disruptions and the risk of additional supply disruptions affecting particular key components. In addition, the guidance and targets do not reflect potential escalated impact on supply chains or other factors arising directly or indirectly as a result of ongoing conflicts in Ukraine, Russia, Israel and Palestine. 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.

Third Quarter 2023 Results Conference Call and Filing

A conference call for analysts and interested listeners will be held on November 8, 2023, from 8:30 a.m. Eastern Time (ET) until approximately 9:30 a.m. ET. An accompanying results presentation will be available prior to market open on November 8, 2023 at www.nfigroup.com.

For attendees who wish to join by webcast, registration is not required; the event can be accessed at https://edge.media-server.com/mmc/p/cxsxqvxk/. NFI encourages attendees to join via webcast as the results presentation will be presented and users can also submit questions to management through the platform.

Attendees who wish to join by phone must visit the following link and pre-register: https://register.vevent.com/register/BIb87fbfe1956742878c0533f5236a8dd2. An email will be sent to the user's registered email address, which will provide the call-in details. Due to the possibility of emails being held up in spam filters, we highly recommend that attendees wishing to join via phone register ahead of time to ensure receipt of their access details.

A replay of the call will be accessible from about 12:00 p.m. ET on November 8, 2023, until 11:59 p.m. ET on November 7, 2024, at https://edge.media-server.com/mmc/p/cxsxqvxk/. The replay will also be available on NFI's website at: www.nfigroup.com.

About NFI Group

Leveraging 450 years of combined experience, 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.

With over 8,200 team members in ten countries, NFI is a leading global bus manufacturer of mass mobility solutions under the brands **New Flyer**® (heavy-duty transit buses), **MCI**® (motor coaches), **Alexander Dennis Limited** (single and double-deck buses), **Plaxton** (motor coaches), **ARBOC**® (low-floor cutaway and medium-duty buses), and **NFI Parts** ™. NFI currently 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 Shares trade on the Toronto Stock Exchange ("TSX") under the symbol NFI, and its Debentures trade on the TSX under the symbol NFI.DB. News and information is available at www.nfigroup.com, www.newflyer.com, www.mcicoach.com, nfi.parts, www.alexander-dennis.com, arbocsv.com, and carfaircomposites.com.

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Appendix A - Reconciliation Tables

Reconciliation of Net Loss to Adjusted EBITDA and Net Operating Profit after Taxes

Management believes that Adjusted EBITDA[1], and net operating profit after taxes[1] ("NOPAT") are important measures in evaluating the historical operating performance of the Company. However, Adjusted EBITDA[1] and NOPAT[1] are not recognized earnings measures under International Financial Reporting Standards ("IFRS") and do not have standardized meanings prescribed by IFRS. Accordingly, Adjusted EBITDA[1] and NOPAT[1] may not be comparable to similar measures presented by other issuers. Readers of this press release are cautioned that Adjusted EBITDA[1] should not be construed as an alternative to net earnings or loss determined in accordance with IFRS as an indicator of the Company's performance and NOPAT[1] should not be construed as an alternative to earnings or loss from operations determined in accordance with IFRS as an indicator of the Company's performance. See "Non-IFRS Measures" for the definition of Adjusted EBITDA[1]. The following table reconciles net loss to Adjusted EBITDA[1] based on the historical financial statements of the Company for the periods indicated. The Company defines NOPAT[1] as Adjusted EBITDA[1] less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%.

(U.S. dollars in thousands) - unaudited	2023 Q3	2022 Q3	52-Weeks Ended October 1, 2023	53-Weeks Ended October 2, 2022
Net loss	(39,926)	(40,167)	(283,280)	(132,662)
Addback				
Income taxes	(4,546)	(10,133)	(31,662)	(37,539)
Interest expense[15]	42,932	12,274	139,669	11,417
Amortization	21,470	22,282	83,682	91,032
(Gain) loss on disposition of property, plant and equipment and right of use assets	(101)	(544)	1,261	(1,161)
Gain on debt modification[19]	(10,508)	—	(10,508)	—
Fair value adjustment for total return swap[9]	—	—	—	1,599
Unrealized foreign exchange (gain) loss on non-current monetary items and forward foreign exchange contracts	(1,611)	(2,481)	(1,493)	9,131
Costs associated with assessing strategic and corporate initiatives[7]	—	—	—	(106)
Past service costs and other pension costs[11]	—	—	4,764	7,000
Proportion of the total return swap realized[10]	—	—	—	(872)
Equity settled stock-based compensation	677	421	2,314	1,242
Unrecoverable insurance costs and other[12]	—	—	164	8,325
Expenses incurred outside of normal operations[17]	308	2,054	3,742	2,054
Prior year sales tax provision [13]	60	—	60	1,996
COVID-19 costs[14]	—	—	—	2,926
Out of period costs[16]	—	(659)	(938)	575
Impairment loss on goodwill[18]	—	—	103,900	—
Restructuring costs[8]	2,412	3,672	14,923	10,632
Adjusted EBITDA[1]	11,167	(13,281)	26,598	(24,411)
Depreciation of property, plant and equipment and right of use assets	(13,590)	(14,571)	(50,875)	(59,094)
Tax at 31%	751	8,634	7,526	25,887
NOPAT[1]	(1,672)	(19,218)	(16,751)	(57,618)
Adjusted EBITDA[1] is comprised of:				
Manufacturing	(14,162)	(36,804)	(83,688)	(126,354)
Aftermarket	31,678	18,182	113,589	88,355
Corporate	(6,349)	5,341	(3,303)	13,588

Free Cash Flow and Free Cash Flow per Share

Management uses Free Cash Flow[1] and Free Cash Flow per Share[1] as non-IFRS measures to evaluate the Company's operating performance and liquidity and to assess the Company's ability to pay dividends on its Shares, service debt, and meet other payment obligations. However, Free Cash Flow[1] and Free Cash Flow per Share[1] are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Free Cash Flow[1] and the associated per Share figure may not be comparable to similar measures presented by other issuers.

Readers of this press release are cautioned that Free Cash Flow[1] should not be construed as an alternative to cash flows from operating activities determined in accordance with IFRS as a measure of liquidity and cash flow. See "Non-IFRS Measures" for the definition of Free Cash Flow[1]. The following table reconciles net cash generated by operating activities to Free Cash Flow[1].

The Company defines Free Cash Flow per Share[1] as Free Cash Flow[1] divided by the average number of Shares outstanding.

(U.S. dollars in thousands, except per Share figures) - unaudited	**2023 Q3**	**2022 Q3**	**52-Weeks Ended October 1, 2023**	**53-Weeks Ended October 2, 2022**
Net cash generated by (used in) operating activities	(38,785)	(118,966)	(116,487)	(83,405)
Changes in non-cash working capital items[3]	11,105	90,659	32,390	(18,001)
Interest paid[3]	33,076	15,384	105,746	60,135
Interest expense[3]	(36,390)	(18,792)	(117,923)	(73,771)
Income taxes paid (recovered)[3]	(21)	(6,556)	(17,853)	(7,464)
Current income tax recovery (expense)[3]	(3,012)	(7,184)	17,624	(12,264)
Repayment of obligations under lease	(4,046)	(8,017)	(20,054)	(21,094)
Cash capital expenditures	(8,516)	(6,199)	(21,324)	(29,587)
Acquisition of intangible assets	(3,402)	(2,947)	(11,182)	(8,364)
Proceeds from disposition of property, plant and equipment	1,045	360	1,264	4,322
Costs associated with assessing strategic and corporate initiatives[7]	—	—	—	(106)
Defined benefit funding[4]	996	2,270	1,966	6,156
Defined benefit expense[4]	(693)	(1,860)	(1,169)	(7,484)
Past service costs and other pension costs[11]	—	—	—	7,000
Expenses incurred outside of normal operations[17]	308	2,054	3,742	2,054
Equity Hedge	2,844	(297)	3,183	(421)
Proportion of the total return swap realized[10]	—	—	—	(872)
Unrecoverable insurance costs and other[12]	—	—	164	10,320
Out of period costs[16]	—	(659)	(938)	1,839
Prior year sales tax provision[13]	60	—	60	—
Restructuring costs[8]	2,411	2,281	13,358	6,175
COVID-19 costs[14]	—	—	—	2,938
Foreign exchange gain (loss) on cash held in foreign currency[5]	(137)	2,345	2,433	(2,082)
Free Cash Flow[1]	(43,157)	(56,124)	(125,000)	(163,976)
U.S. exchange rate[2]	1.3580	1.3826	1.3333	1.3096
Free Cash Flow (C$)[1]	(58,607)	(77,597)	(166,663)	(214,603)
Free Cash Flow per Share (C$)[6]	(0.6224)	(1.0170)	(2.0467)	(3.1848)
Declared dividends on Shares (C$)	—	4,096	—	28,678
Declared dividends per Share (C$)[6]	—	0.0537	—	0.3724

1. Adjusted EBITDA, NOPAT, Free Cash Flow and Free Cash Flow per Share are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS.
2. U.S. exchange rate (C$ per US$) is the weighted average exchange rate applicable to dividends declared for the period.
3. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow as these temporary fluctuations are managed through the credit facilities which are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the consolidated statements of cash flows net of interest and income taxes paid.
4. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.
5. Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow.
6. Per Share calculations for Free Cash Flow (C$) are determined by dividing Free Cash Flow by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares

outstanding for 2023 Q3 was 94,169,027 and 76,299,666 for 2022 Q3. The weighted average number of Shares outstanding for 2023 Q3 LTM and 2023 Q2 LTM are 81,426,753 and 74,517,345, respectively. Per Share calculations for declared dividends (C$) are determined by dividing the amount of declared dividends by the number of outstanding Shares at the respective period end date.

7. Normalized to exclude non-operating expenses and recoveries related to the costs of assessing strategic and corporate initiatives.
8. 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 NFI Forward and other restructuring initiatives. Free Cash Flow reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
9. The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted EBITDA. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
10. A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA and Free Cash Flow to match the equivalent portion of the related deferred compensation expense recognized. Beginning in 2022 Q2, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
11. 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 the Pembina facility and withdrawal from the multi-employer pension plan. Also included is $4.8 million of pension past service costs incurred during Q1 2023.
12. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
13. Provision for sales taxes as a result of a previous state sales tax review.
14. Normalized to exclude COVID-19 related costs. Costs primarily relate to asset impairments, medical costs directly related to COVID-19 and miscellaneous operating costs associated with COVID-19. Asset impairments are primarily attributable to pre-owned coach inventory. During 2022, management determined costs related to sanitization and masks were an operating cost and would no longer be included in the definition.
15. Includes fair market value adjustments to interest rate swaps and the cash conversion option on the Convertible Debentures. 2023 Q3 includes a loss of $20.3 million and 2022 Q3 includes a gain of $10.5 million for the interest rate swaps. 2023 Q3 includes a loss of $1.5 million and 2022 Q2 includes a loss of $0.3 million on the cash conversion option.
16. Includes adjustments made related to expenses that pertain to prior years. 2022 Q2 includes expenses related to amounts that should have been capitalized from Fiscal Years 2010 - 2021.
17. 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.
18. 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.
19. As a result of the Company's comprehensive refinancing plan, the Company has recognized an accounting gain stemming from the modification made to its credit facilities.

Reconciliation of Net Loss to Adjusted Net Loss

Adjusted Net Loss[1] and Adjusted Net Loss per Share[1] are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Accordingly, Adjusted Net Loss[1] and Adjusted Net Loss per Share[1] may not be comparable to similar measures presented by other issuers. Readers of this press release are cautioned that Adjusted Net Loss[1] and Adjusted Net Loss per Share[1] 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. See Non-IFRS Measures for the definition of Adjusted Net Loss[1] and Adjusted Net Loss per Share[1]. The following table reconcile net loss to Adjusted Net Loss[1] based on the historical financial statements of the Company for the periods indicated.

(U.S. dollars in thousands, except per Share figures)	2023 Q3	2022 Q3	52-Weeks Ended October 1, 2023	53-Weeks Ended October 2, 2022

Net loss	(39,926)	(40,167)	(283,280)	(132,662)
Adjustments, net of tax[1, 2]				
Fair value adjustments of total return swap[3]	—	—	—	952
Unrealized foreign exchange (gain) loss	(1,111)	(1,713)	(1,030)	4,937
Unrealized loss (gain) on interest rate swap	1,292	(7,271)	7,299	(31,310)
Unrealized gain on Cash Conversion Option	1,055	217	(1,456)	(12,573)
Unrealized loss on prepayment option of second lien debt[4]	328	—	328	—
Accretion in carrying value of long-term debt associated with debt modification[5]	1,014	—	1,014	—
Gain on debt modification[6]	(7,250)	—	(7,250)	—
Portion of the total return swap realized[7]	—	—	—	(462)
Equity swap settlement fee[8]	2,428	—	2,428	—
Costs associated with assessing strategic and corporate initiatives[9]	—	—	—	(106)
Equity settled stock-based compensation	467	291	1,597	789
(Gain) loss on disposition of property, plant and equipment	(70)	(376)	870	(758)
Past service costs and other pension costs[10]	—	—	3,287	4,830
Unrecoverable insurance costs and other[11]	—	—	114	6,652
Expenses incurred outside of normal operations[12]	213	1,417	2,582	1,417
Other tax adjustments[13]	201	(1,428)	22,292	(6,141)
COVID-19 costs[14]	—	—	—	1,331
Out of period costs[15]	—	(455)	(1,911)	1,371
Accretion in carrying value of convertible debt and cash conversion option	1,318	1,321	5,218	4,204
Prior year sales provision[16]	42	—	42	—
Impairment loss on goodwill[17]	—	—	103,900	—
Restructuring costs[18]	1,664	2,534	10,296	7,470
Adjusted Net Loss[1]	(38,335)	(45,630)	(133,660)	(150,059)
Loss per Share (basic)	(0.42)	(0.53)	(3.48)	(1.74)
Loss per Share (fully diluted)	(0.42)	(0.53)	(3.48)	(1.74)
Adjusted Net Loss per Share[1] (basic)	(0.41)	(0.60)	(1.64)	(1.97)
Adjusted Net Loss per Share[1] (fully diluted)	(0.41)	(0.60)	(1.64)	(1.97)

1. Addback items are derived from the historical financial statements of the Company. Adjusted Net Loss and Adjusted Net Loss per Share are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS.
2. The Company has utilized a rate of 54.5% to tax effect the adjustments in periods related to Fiscal 2021. A rate of 31.0% has been used to tax effect the adjustments for all other periods.
3. The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted EBITDA. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
4. The unrealized loss on the prepayment option is related to the Company's second lien debt instrument. The loss is the result of a decrease in the options fair value between its inception date (August 25, 2023) and October 1, 2023.
5. Normalized to exclude the over accretion of transaction costs relating to the Company's credit facilities.
6. As a result of the Company's comprehensive refinancing plan, the Company has recognized an accounting gain stemming from the modification made to its credit facilities.
7. A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA and Free Cash Flow to match the equivalent portion of the related deferred compensation expense recognized. Beginning in 2022 Q2, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
8. 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").
9. Normalized to exclude non-operating expenses and recoveries related to the costs of assessing strategic and corporate

initiatives.

10. 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 the Pembina facility and withdrawal from the multi-employer pension plan. Also included is $4.8 million of pension past service costs.
11. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
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 the impact of changes in deferred tax balances as a result of substantively enacted tax rate changes. The 2021 and 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.
14. Normalized to exclude COVID-19 related costs. Costs primarily relate to asset impairments, medical costs directly related to COVID-19 and miscellaneous operating costs associated with COVID-19. Asset impairments are primarily attributable to pre-owned coach inventory. During 2022, management determined costs related to sanitization and masks were an operating cost and would no longer be included in the definition.
15. Includes adjustments made related to expenses that pertain to prior years. 2022 Q1 includes expenses related to amounts that should have been capitalized from Fiscal Years 2010 - 2021.
16. Provision for sales taxes as a result of a previous state sales tax review.
17. 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.
18. 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 NFI Forward and other restructuring initiatives. Free Cash Flow reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.

Reconciliation of Shareholders' Equity to Invested Capital

The following table reconciles Shareholders' Equity to Invested Capital. The average invested capital for the last twelve months is used in the calculation of ROIC[1]. ROIC[1] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Accordingly, ROIC[1] may not be comparable to similar measures presented by other issuers. See Non-IFRS Measures for the definition of ROIC[1].

(U.S. dollars in thousands) - unaudited	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)
Bank indebtedness	—	—	—	—
Invested Capital	1,793,155	1,819,528	1,800,817	1,751,735
Average of invested capital over the quarter	1,806,342	1,810,173	1,776,276	1,798,614

	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Shareholders' Equity	710,984	783,905	850,323	871,772
Addback				
Long term debt	859,297	718,139	677,996	586,411
Second lien debt	—	—	—	—
Capital leases	122,666	131,077	139,129	143,675
Convertible Debentures	211,281	224,947	229,673	225,768

Senior unsecured debt	—	—	—	—
Derivatives	(18,904)	(8,179)	4,806	31,883
Cash	(39,832)	(50,274)	(26,604)	(77,318)
Bank indebtedness	—	—	1,233	—
Invested Capital	1,845,492	1,799,615	1,876,556	1,782,191
Average of invested capital over the quarter	1,822,554	1,838,085	1,829,374	1,862,392

1. ROIC is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

Appendix B - Non-IFRS Measures and Forward-Looking Statements

Non-IFRS Measures

References to “Adjusted EBITDA” are to earnings before interest, income taxes, depreciation and amortization after adjusting for the effects of certain non-recurring and/or non-operations related items and expenses incurred outside the normal course of operations that do not reflect the current ongoing cash operations of the Company. These adjustments include gains or losses on disposal of property, plant and equipment, fair value adjustment for total return swap, unrealized foreign exchange losses or gains on non-current monetary items and forward foreign exchange contracts, costs associated with assessing strategic and corporate initiatives, past service costs and other pension costs or recovery, non-operating costs or recoveries related to business acquisition, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, proportion of the total return swap realized, equity settled stock-based compensation, expenses incurred outside the normal course of operations, recovery of currency transactions, prior year sales tax provision, COVID-19 costs and impairment loss on goodwill and non-operating restructuring costs.

References to "NOPAT" are to Adjusted EBITDA less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%.

“Free Cash Flow” means net cash generated by or used in operating activities adjusted for changes in non-cash working capital items, interest paid, interest expense, income taxes paid, current income tax expense, repayment of obligation under lease, cash capital expenditures, acquisition of intangible assets, proceeds from disposition of property, plant and equipment, costs associated with assessing strategic and corporate initiatives, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, defined benefit funding, defined benefit expense, past service costs and other pension costs or recovery, expenses incurred outside the normal course of operations, proportion of total return swap, unrecoverable insurance costs, prior year sales tax provision, non-operating restructuring costs, extraordinary COVID-19 costs, foreign exchange gain or loss on cash held in foreign currency.

References to "ROIC" are to NOPAT divided by average invested capital for the last twelve month period (calculated as to shareholders’ equity plus long-term debt, obligations under leases, other long-term liabilities and derivative financial instrument liabilities less cash).

References to "Adjusted Net Earnings (Loss)" are to net earnings (loss) after adjusting for the after tax effects of certain non-recurring and/or non-operational related items that do not reflect the current ongoing cash operations of the Company including: fair value adjustments of total return swap, unrealized foreign exchange loss or gain, unrealized gain or loss on the interest rate swap, impairment loss on goodwill, portion of the total return swap realized, costs associated with assessing strategic and corporate initiatives, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, equity settled stock-based compensation, gain or loss on disposal of property, plant and equipment, past service costs and other pension costs or recovery, recovery on currency transactions, expenses incurred outside the normal course of operations prior year sales tax provision, COVID-19 costs and non-operating restructuring costs .

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

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

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

"Liquidity" is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines liquidity as cash on-hand plus available capacity under its credit facilities.

"Backlog" value is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

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; "Asia Pacific" or "APAC" refers to Hong Kong, Malaysia, Singapore, Australia, and New Zealand; and the "Other" category includes any sales that do not fall into the categories above.

Forward-Looking Statements

This press release 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 duration, 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" and "targets" and similar 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, the recovery of the Company's markets and the expected benefits to be obtained through its "NFI Forward" initiatives) and the Company's financial and operating performance and speak only as of the date of this press release. 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[NG], and the Company's strategic initiatives, objectives, plans, business prospects and opportunities, including the Company's plans and expectations relating to the duration, 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 [NG] may be materially adversely impacted by the aftermath and ongoing effects of COVID-19 pandemic and related supply chain and operational challenges, inflationary effects and labour supply and labour rate challenges; the Company's business, operating results, financial condition and liquidity [NG] 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 security holders 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; 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 (such as engines, components containing microprocessors or, in other cases, for example, the supply of transmissions, batteries for battery-electric buses, axles or structural steel tubing) resulting in the Company's raw materials and components not being readily available from alternative sources of supply, being available only in limited supply, a particular component may be specified by a customer, the Company's products have been engineered or designed with a component unique to one supplier or a supplier may have limited or no supply of such raw materials or components or sells such raw materials or components to the Company on less than favorable commercial terms; the Company's vehicles and certain other products contain electrical components, electronics, microprocessors control modules, and other computer chips, for which there has been a surge in demand, resulting in a worldwide supply shortage of such chips in the transportation industry, and a shortage or disruption of the supply of such microchips could materially disrupt the Company's operations and its ability to deliver products to customers; 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, component and labour 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 may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds and letters of credit required for new contracts; the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability 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 [NG] and financial position and the resumption of dividend 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; 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 [NG] 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[NG] 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 "NFI Forward" initiatives include: the Company's ability to successfully execute the initiative and to generate the planned savings in the expected time frame or at all; management may have overestimated the amount of savings and production efficiencies that can be generated or may have underestimated the amount of costs to be expended; the implementation of the initiative may take longer than planned to achieve the expected savings; further restructuring and cost-cutting may be required in order to achieve the objectives of the initiative; the estimated amount of savings generated under the initiative may not be sufficient to achieve the planned benefits; combining business units and/or reducing the number of production or parts facilities may not achieve the efficiencies anticipated; and the impact of the continuing global COVID-19 pandemic, supply chain challenges and inflationary pressures. There can be no assurance that the Company will be able to achieve the anticipated financial and operational benefits, cost savings or other benefits of the initiative.

Factors relating to the Company's financial guidance and targets disclosed in this press release 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 and targets and the Company's ability to successfully execute the "NFI Forward" initiatives and to generate the planned savings in the expected time frame or at all.

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 press release (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.