NFI provides update on fourth quarter 2023 deliveries, orders, backlog, and financial guidance

January 17, 2024

All amounts shown in this press release are in United States dollars unless otherwise indicated

WINNIPEG, Manitoba, Jan. 17, 2024 (GLOBE NEWSWIRE) -- **(TSX: NFI, OTC: NFYEF, TSX: NFI.DB)** NFI Group Inc. ("NFI" or the "Company"), a leading independent global bus and coach manufacturer and a leader in electric mass mobility solutions, provided an update on its deliveries for the 13-week period ended December 31, 2023 ("2023 Q4"), and provided an update on its orders, backlog[1] and financial guidance as of the end of 2023 Q4.[2] All figures related to 2023 Q4 and Fiscal 2023 included in this press release are unaudited and will be finalized prior to the release of NFI's audited financial results.

"NFI finished 2023 strong as our team delivered buses, coaches, and aftermarket parts in line with our expectations," said Paul Soubry, President and Chief Executive Officer, NFI. "Our actions to mitigate supply disruption and increase manufacturing production resulted in a 19% increase in year-over-year deliveries and lowered work-in-process inventory. The demand environment remains very healthy, with new orders driving 22% backlog[1] growth since the end of 2023 Q3 to over 10,500 units valued at nearly $8 billion. We expect the first quarter of 2024 to be even busier from a demand and award perspective, with potential to record our highest number of quarterly awards ever, further enhancing our market-leading position.

"NFI is positioned well for Fiscal 2024, where we expect significant Adjusted EBITDA [1] growth, a return to net profit, and a reduction in debt leverage ratios. Our updated Fiscal 2024 Adjusted EBITDA[1] guidance range of $240 million to $280 million reflects our expectations for a significant increase in deliveries and strong performance from the Aftermarket segment. These positives are somewhat offset by the delivery of remaining legacy inflation-impacted contracts, some of which were planned for 2023 delivery, and operational labour inefficiencies as we ramp manufacturing production to meet heightened demand and execute on our secured backlog. We remain confident in our medium-term targets to deliver over $4 billion of revenue in 2025, with a quarterly run rate in the fourth quarter of 2025 that, annualized, would deliver $400 million of Adjusted EBITDA[1]."

Preliminary Delivery, Aftermarket, Liquidity[1], Order and Backlog[1] Highlights

- NFI delivered 1,227 equivalent units ("EUs") in 2023 Q4 and 4,001 EUs in Fiscal 2023, a 19% increase from 2022 Q4 and a 32% increase from Fiscal 2022.
- Expected 2023 Q4 quarter-end work-in-process inventory of 914 EUs, a decrease of 211 EUs from 2023 Q3.
- For Fiscal 2023, Aftermarket segment expected to deliver more than $500 million in revenue and over $100 million in Adjusted EBITDA[1] – the strongest performance in NFI's history.
- Anticipate positive overall cash flows in 2023 Q4, with an expected ending liquidity[1] position of $180 million, up from $169 million at the end of 2023 Q3.
- NFI received orders of over 2,100 EUs in 2023 Q4, generating an ending backlog[1] of over 10,500 EUs, with over half being firm orders.
- Total backlog[1] value at the end of 2023 Q4 of almost $8 billion, an increase of approximately 22% from 2023 Q3.

Total backlog[1] does not include over 3,800 EUs of new firm and option orders that were pending at the end of 2023 Q4, where approval of the award to NFI had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by NFI and are therefore not yet included in the backlog[1].

The Company cautions that the figures presented above are preliminary, unaudited, and subject to change as management completes its quarter-end and year-end financial procedures.

Guidance Update

Projected revenue and Adjusted EBITDA[1] for Fiscal 2023 are expected to surpass the mid-point of the Company's guidance ranges set forth in its November 8, 2023, press release. For Fiscal 2023, NFI anticipates a revenue range of $2.7 billion to $2.8 billion (unchanged), and an Adjusted EBITDA[1] range of $45 million to $65 million (unchanged).

Following a detailed financial review of its backlog[1], expected new awards, expected Aftermarket performance, supply chain conditions, and investments being made into operations and new products, NFI is maintaining its overall revenue guidance for Fiscal 2024 of $3.2 billion to $3.6 billion, but is updating its Adjusted EBITDA[1] guidance range to $240 million to $280 million (previously $250 million to $300 million).

The change in Adjusted EBITDA[1] guidance for Fiscal 2024 is based on the expected impacts of:

- The delivery of remaining legacy inflation-impacted contracts (now representing approximately 10% of first half 2024 deliveries).
- Timing of certain zero-emission bus awards causing some deliveries to shift into 2025.

- Growth in backlog and demand for buses and coaches, with NFI electing to maintain operations at NFI's Pembina, North Dakota facility (originally planned for closure in 2023) to support this increased demand.
- Longer-term investments to relaunch double deck bus production in North America (with expectations for positive Adjusted EBITDA[1] contribution in 2025 and beyond).
- Expected improvements in Aftermarket segment performance based on 2023 outperformance.
- Improved margins on bus and coach contracts secured in 2023 and the benefits of overhead cost mitigation efforts.

Based on expected revenue growth and associated investments in working capital, Adjusted EBITDA[1] guidance, cash capital expenditures, lease payments and cash taxes, NFI anticipates that its current and expected liquidity[1] will be sufficient to fund operations (including working capital), capital investments and bonding requirements in 2024 and the longer-term. In 2024, NFI expects to lower its overall debt leverage ratios from Adjusted EBITDA[1] growth rather than significant debt repayments.

For Fiscal 2025, NFI maintains its target to achieve $4 billion of revenue and now expects to deliver Adjusted EBITDA[1] of over $350 million, with adjustments to reflect the timing of manufacturing production ramp-up and certain electric vehicle deliveries. NFI expects that it will achieve an annualized run rate of $400 million of Adjusted EBITDA[1] by the fourth quarter of 2025. NFI will provide additional details on its outlook, Fiscal 2024 guidance, and 2025 financial targets with the release of its audited Fiscal 2023 results.

Guidance and targets above are driven by numerous expectations and assumptions. Please see NFI's November 8, 2023, press release and the 2023 Q3 Management's Discussion and Analysis ("MD&A"), as well as NFI's March 1, 2023, press release and the Fiscal 2022 MD&A. The guidance and targets are also based on several factors and expectations, including the supply chain performance, consistent availability and training of labour, a higher percentage of zero-emission bus ("ZEB") sales (which provide a higher revenue and dollar margin benefit), the mitigation of inflationary pressures, end markets recovering in-line with management expectations, growth in international markets, aftermarket parts sales, and continuous improvement initiatives. The guidance and targets are also subject to various risks and other factors, which are detailed in the Forward-Looking Statements and the Company's filings on SEDAR at www.sedarplus.ca.

NFI is Leading the *ZE*volution™

NFI is a leader in zero-emission mobility, with electric vehicles operating (or on order) in more than 150 cities in six countries. NFI offers the widest range of zero-emission battery and fuel cell-electric buses and coaches, and its vehicles have completed over 140 million EV service miles.

NFI supports growing North American cities with scalable, clean, and sustainable mobility solutions through its mobility solution ecosystem, which includes buses and coaches; infrastructure; parts and service; technology; workforce development and training; and vehicle financing. NFI also operates the Vehicle Innovation Center ("VIC"), the first and only innovation lab of its kind dedicated to advancing bus and coach technology and providing workforce development. Since opening in late 2017, the VIC has hosted over 350 interactive events, welcoming 7,000 industry professionals for EV and infrastructure training.

About NFI

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 common shares ("Shares") trade on the Toronto Stock Exchange ("TSX") under the symbol NFI and its convertible unsecured debentures ("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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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 [1] 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 and investments in operations and new products, labour supply shortages and labour training, the recovery of the Company's markets and the expected benefits to be obtained through cost mitigation efforts) 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 [1], 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 [1] may be materially adversely impacted by the aftermath and ongoing impacts 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 [1] 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 [1] 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 [1] 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[1] 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.

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.

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including the risks and uncertainties discussed in the materials filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedarplus.ca.

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[1] Adjusted EBITDA is a non-IFRS measure, and Liquidity and Backlog are supplementary financial measures. Such measures are not recognized measures under International Financial Reporting Standards ("IFRS") and do not have standardized meanings prescribed by IFRS, so they may not be a reliable way to compare NFI to other companies. See NFI's most recent interim and annual MD&A for a description of how NFI has defined these measures and detailed historical reconciliations to the applicable IFRS measures.

[2] Year-over-year comparisons reported in this release compare 2023 Q4 to the 13-week period ended January 1, 2023 ("2022 Q4") and the 13-week period ended October 1, 2023 ("2023 Q3"). References to Fiscal 2023 are to the 52-week period ending December 31, 2023, and references to Fiscal 2022 are to the 52-week period ended January 1, 2023. References to Fiscal 2024 are to the 52-week period ending December 29, 2024. All figures for 2023 Q4 and Fiscal 2023 are not audited.