NFI Group Announces Second Quarter 2019 Results

August 13, 2019

Summary of 2019 Q2 results compared to 2018 Q2:

- **On May 28, 2019 (“Acquisition Date”) NFI Group Inc. acquired 100% of the voting interest of Alexander Dennis Limited (“ADL”). ADL’s financial results have been included in NFI’s consolidated 2019 Q2 results from May 28 th**
- **Revenue of $683 million increased by 1%.**
- **Adjusted EBITDA of $81.1 million decreased by 11%.**
- **Net earnings of $8.5 million and Earnings per Share of $0.14 both decreased by 82% having been significantly impacted by one-time costs including $13.3 million of transaction costs related to the acquisition of ADL. Adjusted Net Earnings of $25.8 million, or $0.42 per share, decreased by 50%. Both Net earnings and Adjusted Net Earnings were impacted by a non-cash $12 million mark-to-market loss on interest rate swaps.**
- **Free Cash Flow of $41.4 million, decreased by 13%, but still resulted in a positive Free Cash Flow margin of 6%.**
- **Dividends declared of C$26.5 million increased by 12%, representing a second quarter payout ratio of 49% and a current implied dividend yield of over 6%.**
- **Overall North American Public Bid Universe increased by 12% from 2018 Q2 to 24,846 EUs, with active bids up by 22% from 2019 Q1.**

WINNIPEG, August 13, 2019 - (TSX:NFI) NFI Group Inc., ("NFI" or the "Company"), one of the world’s leading independent bus manufacturers, today announced its financial results for 2019 Q2[1]. Readers are advised to view the unaudited interim consolidated financial statements (the “Financial Statements”) and the Management's Discussion and Analysis (the "MD&A") that are available at the Company's website at: https://www.nfigroup.com/investor-relations/performance-reports/ and under the Company's profile on www.sedar.com

“The second quarter represents a significant milestone for NFI as it is the first time we have recorded international revenue following our transformative acquisition of Alexander Dennis Limited. We expect ADL to assist with future growth and diversification as we expand globally and develop opportunities to leverage our combined product portfolio, engineering and design capabilities,” said Paul Soubry, President and Chief Executive Officer of NFI. “As we previously advised, during the first half of 2019 our legacy bus and coach manufacturing business experienced production challenges that increased our work in process inventory and impacted our financial results. We know the issues that need to be addressed and are focused on recovering to improve deliveries in the second half of 2019. Fundamentally the core strengths of NFI have not changed and as we move forward we are a more diverse business, with a material backlog, a growing North American public Bid Universe, a peer leading Adjusted EBITDA margin, strong free cash flow generation, leadership positions in all of our core markets, and a focus on continuing to return capital to shareholders.”

Acquisition of Alexander Dennis Limited (ADL)

On May 28, 2019, the Company, through its wholly owned subsidiary NFI International Limited, acquired 100% of the voting equity interest in ADL for £295.1 million, based on an initial enterprise value of £320 million. This was a significant milestone as it transitioned NFI from being a purely North American company to a leading independent global bus manufacturer. The transaction was funded through NFI’s existing credit facility, a new $300 million credit facility and the issuance from treasury of 1.47 million common shares of NFI, in lieu of cash to ADL’s primary shareholders. NFI incurred costs of $13.3 million associated with the acquisition that are expected to be one-time in nature.

ADL has completed its conversion from UK GAAP to IFRS and as such, its results from the Acquisition Date onward are included in NFI’s financial results for 2019 Q2. In order to provide context on ADL’s operations, management has provided proforma Fiscal 2018, 2019 Q1 and 2019 Q2 (pre-and post-acquisition) within its MD&A. While ADL did not positively contribute to NFI’s results for the one-month period ended June 30, results were within management’s expectations as there were some adjustments required from the conversion to IFRS that impacted revenue recognition. ADL’s first half 2019 results were very similar to the first half of Fiscal 2018 with first and second quarter results varying due to the timing and location of vehicle deliveries.

As the NFI Group now delivers an even broader range of vehicles, including: single deck, double deck and articulated transit buses, motor coaches and motor coach bodies, low-floor cutaways and medium duty shuttle buses, across various geographic jurisdictions, management believes certain historic performance metrics (including average selling price per EU and Adjusted EBITDA per EU) are no longer appropriate to measure the Company’s comparable performance. As a result, management has revised the MD&A to reflect these changes and added additional focus on gross margins, earnings before interest and income taxes (“EBIT”) and separated unallocated costs and corporate SG&A from the existing Manufacturing and Aftermarket reporting segments.

To provide a more comprehensive disclosure of financial performance, management will no longer issue a separate quarterly, deliveries, orders and backlog press release and will now consolidate the deliveries, orders and backlog information into its normal quarterly reporting. This reporting change will take effect starting with NFI’s 2019 Q3 results.

2019 Q2 Impact of the Transition to IFRS 16

Effective December 31, 2018, the Company adopted IFRS 16, the accounting standard which specifies how to recognize, present and disclose leases.

This standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. On transition, the Company has elected to use the following practical expedients and policies:

- To utilize the modified retrospective approach to adopting the standard, accordingly comparative information for 2018 has not been restated
- To utilize the definition of a lease under International Accounting Standard 17 to identify contracts that are, or contain, leases
- To exclude the recognition of the right-of-use asset and lease liability for leases with a term of twelve months or less
- To exclude the recognition of the right-of-use asset and lease liability for leases and of low-value assets
- To value the right-of-use asset as equal to the lease liability, adjusting for related amounts prepaid or accrued

The impact of the adoption of IFRS 16 primarily impacts NFI's Gross Margin, Adjusted EBITDA, Net earnings and Adjusted Net Earnings, and the associated per common share ("Share") amounts, Return on Invested Capital ("ROIC") and several balance sheet accounts as reported in the Financial Statements and MD&A. The primary impacts of the transition on several of NFI's key financial metrics are summarized in the table below.

Impact of IFRS 16 Transition on Consolidated Results	**2019**	**2019**	**2018**
(Unaudited, U.S. dollars in millions)	**Q2**	**Q2 (excluding IFRS 16)**	**Q2**
Gross Margin			
Manufacturing	$ 70.2	$ 70.3	$ 97.2
Aftermarket	28.6	29.2	27.6
Total Gross Margins	**$ 98.8**	**$ 99.5**	**124.8**
Adjusted EBITDA			
Manufacturing	$ 61.9	$ 59.3	$ 80.0
Aftermarket	21.9	20.9	19.2
Corporate	(2.7)	(2.7)	(7.8)
Total Adjusted EBITDA	**$ 81.1**	**$ 77.5**	**$ 91.4**
Net Earnings			
Manufacturing	$ 32.2	$ 33.4	$ 43.1
Aftermarket	15.7	15.7	19.2
Corporate	(39.4)	(39.4)	(14.3)
Total Net Earnings	**$ 8.5**	**$ 9.7**	**$ 48.0**
Adjusted Net Earnings	**$ 25.8**	**$ 26.9**	**$ 51.2**
Adjusted EBITDA % of revenue			
Manufacturing	10.6%	10.2%	13.9%
Aftermarket	21.8%	20.8%	19.5%
Total Adjusted EBITDA as % of revenue	**11.9%**	**11.3%**	**13.6%**
Net earnings per Share (basic)	**$ 0.14**	**$ 0.16**	**$ 0.81**
Adjusted earnings per Share (basic)	**$ 0.42**	**$ 0.44**	**$ 0.83**
Total assets	$2,909.2	$2,710.0	$ 2,037.7
Total long-term liabilities	$1,442.2	1,321.0	805.1
ROIC (Last Twelve Months ("LTM"))	11.2%	11.5%	15.5%

Management recommends readers review the Company's Financial statements and MD&A for 2019 Q2 that provides further details on the impact of adoption of IFRS 16. All other financial information provided for 2019 Q2 within this release is presented with adoption for IFRS 16.

2019 Q2 Financial Results

As the Company diversifies and grows internationally, management believes that in addition to Adjusted EBITDA, readers should also focus on EBIT, Net earnings, Adjusted Net Earnings and Free Cash Flow measures with less focus on average selling price per EU and Adjusted EBITDA per EU.

Consolidated Results	2019	2018	LTM	LTM
(Unaudited, U.S. dollars in millions)	Q2	Q2	2019 Q2[(1)]	2018 Q2[(1)]
Revenue				
Transit bus	$ 440.5	$ 397.1	$ 1,570.7	$ 1,439.0
Motor coach	119.4	150.7	482.4	546.6
Medium-duty and cutaway buses	10.6	10.2	38.4	23.6
New transit bus, coach and cutaway revenue	**$ 570.5**	**$ 558.0**	**$ 2,091.3**	**$ 2,009.2**
Pre-owned coach revenue	10.9	11.7	47.3	49.8
Fiberglass reinforced polymer components revenue	1.6	4.9	9.4	11.4
Manufacturing revenue	**$ 583.0**	**$ 574.6**	**$ 2,148.1**	**$ 2,070.4**
Aftermarket revenue	100.3	98.4	369.5	377.6
Total Revenue	**$ 683.4**	**$ 673.0**	**$ 2,517.7**	**$2,448.0**
Adjusted EBITDA				
Manufacturing	$ 61.9	$ 80.0	$ 242.7	$ 280.8
Aftermarket	21.9	19.2	74.3	75.4
Corporate	(2.7)	(7.8)	(25.6)	(29.4)
Total Adjusted EBITDA	**$ 81.1**	**$ 91.4**	**$ 291.5**	**$ 326.7**
EBIT				
Manufacturing	$ 34.5	$ 63.0	$ 167.4	$ 223.2
Aftermarket	19.3	17.4	66.4	63.8
Corporate	(14.5)	(8.0)	(35.6)	(38.6)
Total EBIT	**$ 39.3**	**$ 72.4**	**$ 198.5**	**$ 248.4**
Earnings from operations	$ 37.0	$ 72.1	$ 227.0	$ 248.8
Non-cash gain (loss)	2.3	0.3	4.5	(1.0)
Interest expense	(25.0)	(6.4)	(42.0)	(17.8)
Income tax expense	(5.8)	(16.3)	(43.9)	(46.1)
Net earnings	**$ 8.5**	**$ 49.7**	**$ 104.5**	**$ 190.8**
Adjusted Net Earnings	**$ 25.8**	**$ 51.2**	**$ 120.5**	**$ 201.5**
Free cash flow (U.S. dollars)	$ 41.4	$ 47.8	$ 145.0	$ 168.6
Free cash flow (CAD dollars)	$ 54.2	$ 63.0	$ 192.6	$ 215.8
Declared dividends (CAD dollars)	$ 26.5	$ 23.6	$ 98.7	$ 85.0
Adjusted EBITDA % of revenue				
Manufacturing	10.6%	13.9%	11.3%	13.6%
Aftermarket	21.8%	19.5%	20.1%	20.0%
Total Adjusted EBITDA as % of revenue	**11.9%**	**13.6%**	**11.6%**	**13.3%**
Net earnings per Share (basic)	**$ 0.14**	**$ 0.81**	**$ 1.66**	**$ 3.05**
Adjusted Earnings per Share (basic)	**$ 0.42**	**$ 0.83**	**$ 1.92**	**$ 3.22**

(1) Within the LTM 2019 Q2 results, 2019 Q1 and 2019 Q2 numbers include IFRS 16. LTM 2018 Q2 results do not include IFRS 16. Totals may not add due to rounding.

Manufacturing revenue increased by $8.4 million, or 1.5%, in comparison to 2018 Q2 with the acquisition of ADL contributing $41.0 million during 2019 Q2. Partially offsetting this increase were lower volumes of 12.1% in the Company's manufacturing businesses prior to the acquisition of ADL ("legacy manufacturing business") resulting from delayed deliveries in heavy-duty transit bus, motor coach, and low-floor cutaway products. As reported, the Company experienced production and delivery challenges as a result of new product launches, supply disruption of certain ARBOC chassis, extended start-up of KMG Fabrication Inc. (“KMG”) (the Company’s new parts fabrication facility), external supply issues and lost production days due to weather. The result of these factors also lead to a temporary growth in work-in-progress inventory (“WIP”). As WIP is reduced, sales are expected to be realized in future periods.

Aftermarket revenue increased by $1.9 million, or 1.9%, compared to 2018 Q2 with the acquisition of ADL contributing $8.8 million during 2019 Q2. Offsetting this addition was lower sales volumes within the NFI Parts business primarily driven by the $2 million impact from Daimler’s 2018 termination of MCI’s Distribution Rights Agreement to sell and support German made Setra motor coaches and parts in the U.S. and Canada, and

fewer fleet renewal programs.

Manufacturing gross margins for 2019 Q2 decreased by $26.9 million, or 27.7%, compared to 2018 Q2. The decrease was primarily caused by production inefficiencies within the legacy heavy-duty transit and coach businesses, startup costs at KMG and higher remediation costs. ADL experienced a $9.7 million loss on manufacturing gross margins for just one month of operations, $7.9 million of which was due to unwinding fair value adjustments related to the valuation of acquired assets. Aftermarket gross margins increased by $1.0 million, or 3.6%, compared to 2018 Q2 primarily due to favourable sales mix.

Manufacturing Adjusted EBITDA decreased by $18.1 million, or 22.6%, due to the previously mentioned impacts on gross margins. ADL did not positively contribute to Manufacturing Adjusted EBITDA in the quarter primarily due to timing of vehicle deliveries being deferred into the third quarter. Aftermarket Adjusted EBITDA increased by $1.7 million compared to 2018 Q2 due to higher gross margins from a favourable sales mix and the addition of ADL's parts business.

Consolidated EBIT decreased by $33.1 million, or 45.7%, driven by the previously mentioned impacts on deliveries plus from one-time costs of $13.3 million related to the acquisition of ADL and the addition of $4.7 million of SG&A related to ADL's operations. Partially offsetting these amounts were lower compensation expense as a result of reduced incentive compensation accruals.

Net earnings decreased by $39.5 million, or 82.2%, compared to 2018 Q2, and Net Earnings per Share decreased by $0.67. In addition to the items that impacted EBIT, interest expense increased by $18.6 million, primarily from losses on the Company's interest rate derivatives and higher average draw under the Company's credit facility, driven by the acquisition of ADL and higher working capital balances.

Adjusted Net Earnings during 2019 Q2 decreased by $25.5 million compared to 2018 Q2, primarily due to the previously mentioned impacts on Net Earnings.

Liquidity

Free cash flow in 2019 Q2 decreased by $6.4 million, or 13.4%, when compared to 2018 Q2. The decrease was primarily due to lower net earnings, partially offset by lower capital expenditures. Dividends declared increased by 12.3% in 2019 Q2 as a result of the increase in the annual dividend rate, partially offset by the impact of repurchases under the Company's Normal Course Issuer Bid ("NCIB"), which lowered the number of shares outstanding.

NFI's liquidity position as at June 30, 2019 was $202.2 million a decrease from the position of $301.5 million at March 31, 2019. The decrease in liquidity primarily relates to the acquisition of ADL, the amount of capital returned to shareholders through dividends and repurchase of shares under the NCIB, and changes in non-cash working capital, which are primarily a result of seasonality and delivery disruption previously discussed and are expected to be temporary in nature. Management believes these funds, together with share and debt issuances, other borrowings capacity and the cash generated from NFI's operating activities, will provide the Company with sufficient liquidity and capital resources to meet its current financial obligations as they come due, as well as provide funds for its financing requirements, capital expenditures, the increased dividend payments and other operational needs for the foreseeable future.

Outlook

The North American heavy-duty transit market's active Bid Universe continued to grow in 2019 Q2, up by 22.7% from 2019 Q1 and 12.1% from 2018 Q2. Award activity for active competitions is expected to increase in the second half of 2019. The private motor coach market in North America continued to decline, but management expects stronger second half private MCI motor coach deliveries in 2019 when compared to the first half. Overall, demand for low-floor cutaway and medium-duty buses remains encouraging.

The Company's transformative acquisition of ADL provides NFI with a platform for growth. ADL is the largest bus and coach provider in the UK and the global market leader in double deck buses with an established presence in numerous geographic jurisdictions. In addition, ADL is currently pursuing a number of international growth opportunities and management anticipates ADL will provide NFI with North American growth from the addition of its complementary double deck transit bus offering.

Zero Emission Buses ("ZEBs") continue to be an area of growing focus for NFI with the Company strengthening its leadership position. ZEBs are now being built in all New Flyer factories, consisting of 4% of New Flyer's heavy-duty transit backlog and representing a growing portion of the active bids in North America. ADL's ZEB offering includes the UK's leading double deck battery-electric vehicle and single-deck electric variants sold to the UK and New Zealand markets. In addition, ADL has two contracts in place for battery electric double deck buses in North America. MCI continues the development and testing of its battery electric motor coach, and ARBOC has recently launched an electrification project for the Equess medium duty bus.

Management believes its turn-key solution of high-quality vehicles; infrastructure advisory services and unmatched aftermarket support makes NFI the partner of choice for customers who are exploring the addition of ZEBs to their fleet. In addition, the combination of NFI's EV expertise with ADL's global reach and existing customer partnerships is anticipated to generate long-term benefits.

Management's Fiscal 2019 delivery guidance has been updated to 5,660 EUs to reflect the addition of ADL's anticipated 2019 deliveries for the period of May 28, 2019 to December 29, 2019. Management notes that ADL vehicle revenue and gross margins vary significantly by geographic region and product type and recommends that readers review the adjusted ADL historical Fiscal 2018 and Q1 and Q2 2019 financial information provided within the MD&A for further context on ADL's potential impact on NFI's Fiscal 2019 results.

The Company's annual delivery schedule has an element of seasonality due to the nature of each unique market segment and the varied annual production and vacation schedule of each production facility. With the addition of ADL, management now expects seasonality to become even more pronounced in the second half of 2019. Management has initiated a WIP reduction plan and management expects to see a reduction in WIP during the second half of 2019, with the majority of the recovery expected for the fourth quarter.

NFI Parts continues to focus on numerous strategic initiatives to counter market pressures and competitive intensity. These initiatives include additional focus on vendor managed inventory ("VMI") programs, an enhanced product offering and capitalizing on the implementation of a common IT platform. In addition, NFI Parts is exploring absorbing the management and distribution of ARBOC and cutaway bus parts which management believes will provide an additional revenue stream. ADL's parts business has begun collaboration with NFI Parts and is focused on enhancing its

online parts and services platform (AD 24) which provides industry leading aftermarket support to customers in the UK. ADL Parts revenue is also expected to grow as ADL expands its installed base within the UK, North America, APAC and other new markets.

Management believes ADL's operations have less exposure to the potential implications of the UK withdrawing from the European Union ("EU") (commonly referred to as "Brexit") than many of its peers within the automobile or specialty vehicle industries given it currently has minimal sales to other member states of the EU. While the outcome of Brexit remains unclear, with several possible scenarios, management is taking steps to mitigate potential risks including: diversifying its supplier base, using global assembly partners, identifying components that may be impacted by tariffs or may be delayed entry into the UK and building appropriate inventories, and continuing to use its hedging strategy.

Following the increase in total leverage required to complete the acquisition of ADL, management remains focused on deleveraging and anticipates combined financial results will enable it to return to its target of 2.0x to 2.5x net debt to EBITDA within 18 to 24 months without impacting the Company's dividend policy. Management is focused on decreasing WIP, improving deliveries and moving past production challenges while continuing to generate significant positive free cash flow, return cash to shareholders and realize meaningful value from investments made.

Conference Call

A conference call for analysts and interested listeners will be held on August 14, 2019 at 8 a.m. (ET). The call-in number for listeners is 888-231-8191, 647-427-7450 or 403-451-9838. A live audio feed of the call will also be available at:

https://event.on24.com/wcc/r/2050583/E9E49ED41DBA09AAA47E2B835BF215B0

A replay of the call will be available from 11:00 a.m. (ET) on August 14, 2019 until 11:59 p.m. (ET) on August 21, 2019. To access the replay, call 855-859-2056 or 416-849-0833 and then enter pass code number 6918467. The replay will also be available on NFI's web site at www.wordpress-336039-1034032.cloudwaysapps.com.

About NFI Group

With over 8,900 team members operating from more than 50 facilities across ten countries, NFI is a leading independent global bus manufacturer providing a comprehensive suite of mass transportation solutions under brands: New Flyer® (heavy-duty transit buses), Alexander Dennis Limited (single and double-deck buses), Plaxton (motor coaches), MCI® (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses), and NFI Parts™. NFI vehicles incorporate the widest range of drive systems available including: clean diesel, natural gas, diesel-electric hybrid, and zero-emission electric (trolley, battery, and fuel cell). In total, NFI now supports over 105,000 buses and coaches currently in service around the world. NFI common shares are traded on the Toronto Stock Exchange under the symbol NFI. Further information is available at www.wordpress-336039-1034032.cloudwaysapps.com, www.newflyer.com, www.mcicoach.com, www.arbocsv.com, www.nfi.parts, www.alexander-dennis.com, and www.carfair.com

Non-IFRS Measures

References to "Adjusted EBITDA" are to earnings before interest, income taxes, depreciation and amortization after adjusting for the effects of certain non-recurring and/or non-operations related items that do not reflect the current ongoing cash operations of the Company including: gains or losses on disposal of property, plant and equipment, unrealized foreign exchange losses or gains on non-current monetary items, fair value adjustment for total return swap, non-recurring transitional costs or recoveries relating to business acquisitions, equity settled stock-based compensation, gain on bargain purchase of subsidiary company, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, past service costs, costs associated with assessing strategic and corporate initiatives and proportion of the total return swap realized. "Free Cash Flow" means net cash generated by operating activities adjusted for changes in non-cash working capital items, interest paid, interest expense, income taxes paid, current income tax expense, effect of foreign currency rate on cash, defined benefit funding, non-recurring transitional costs relating to business acquisitions, past service costs, costs associated with assessing strategic and corporate initiatives, defined benefit expense, cash capital expenditures, proportion of the total return swap realized, proceeds on disposition of property, plant and equipment, gain received on total return swap settlement, fair value adjustment to acquired subsidiary company's inventory and deferred revenue and principal payments on capital leases. "Free Cash Flow Margin" is calculated as Free Cash Flow divided by Revenue. References to "ROIC" are to net operating profit after taxes (calculated as Adjusted EBITDA less depreciation of plant and equipment and income taxes at the expected effective tax rate) divided by average invested capital for the last twelve month period (calculated as to shareholders' equity plus long-term debt, obligations under finance leases, other long-term liabilities, convertible debentures and derivative financial instrument liabilities less cash).References to "Adjusted Net Earnings" are to net earnings after adjusting for the after tax effects of certain non-recurring and/or non-operational related items that do not reflect the current ongoing cash operations of the Company including: gains or losses on disposal of property, plant and equipment, unrealized foreign exchange losses or gains on non-current monetary items, fair value adjustment for total return swap, non-recurring transitional costs or recoveries relating to business acquisitions, equity settled stock-based compensation, gain on bargain purchase of subsidiary company, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, past service costs, costs associated with assessing strategic and corporate initiatives and proportion of the total return swap realized. References to "Adjusted Net Earnings per Share" are to Adjusted Net Earnings divided by the average number of Shares outstanding.

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

NFI's method of calculating Adjusted EBITDA, ROIC, Free Cash Flow, Free Cash Flow Margin, Adjusted Net Earnings and Adjusted Earnings per Share may differ materially from the methods used by other issuers and, accordingly, may not be comparable to similarly titled measures used by other

issuers. Dividends paid from Free Cash Flow are not assured, and the actual amount of dividends received by holders of Shares will depend on, among other things, the Company's financial performance, debt covenants and obligations, working capital requirements and future capital requirements, all of which are susceptible to a number of risks, as described in NFI's public filings available on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements in this press release are "forward-looking statements", which reflect the expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. The words "believes", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates" and similar expressions are intended to identify forward looking statements. These forward-looking statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this press release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Such differences may be caused by factors which include, but are not limited to, funding may not continue to be available to the Company's customers at current levels or at all, the Company's business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for the Company's products and the results of its operations, currency fluctuations could adversely affect the Company's financial results or competitive position, interest rates could change substantially, materially impacting the Company's revenue and profitability, an active, liquid trading market for the Shares may cease to exist, which may limit the ability of shareholders to trade Shares, the market price for the Shares may be volatile, if securities or industry analysts do not publish research or reports about the Company and its business, if they adversely change their recommendations regarding the Shares or if the Company's results of operations do not meet their expectations, the Share price and trading volume could decline. In addition, other risk factors may include, if securities or industry analysts publish inaccurate or unfavorable research about the Company or its business, the Share price and trading volume of the Shares could decline, competition in the industry and entrance of new competitors, failure of the ratification of the United States-Mexico-Canada Agreement (USMCA) could be materially adverse to NFI, current requirements under "Buy America" regulations may change and/or become more onerous or suppliers' "Buy America" content may change, the implications from Brexit could have a negative impact on the Company's UK business, operations and sales from the UK into the EU and the Company may have to modify its UK business practices in order to attempt to mitigate such impact and such mitigation steps may not be effective, failure of the Company to comply with the DBE program requirements or the failure to have its DBE goals approved by the FTA, absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience, United States content bidding preference rules may create a competitive disadvantage, 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, operational risk, dependence on limited sources or unique sources of supply, dependence on supply of engines that comply with emission regulations, a disruption, termination or alteration of the supply of vehicle chassis or other critical components from third-party suppliers could materially adversely affect the sales of certain of the Company's products, the Company's profitability can be adversely affected by increases in raw material and component costs as well as the imposition of tariffs and surtaxes on material imports, the Company may incur material losses and costs as a result of product warranty costs, recalls and remediation of buses, production delays may result in liquidated damages under the Company's contracts with its customers, catastrophic events may lead to production curtailments or shutdowns, the Company may not be able to successfully renegotiate collective bargaining agreements when they expire and may be adversely affected by labour disruptions and shortages of labour, the Company's operations are subject to risks and hazards that may result in monetary losses and liabilities not covered by insurance or which exceed its insurance coverage, the Company may be adversely affected by rising insurance costs, the Company may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds and letters of credit required for new contracts, the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability claims, the Company may have difficulty selling pre-owned coaches and realizing expected resale values, the Company may incur costs in connection with provincial, state or federal 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, disclosure 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, acquisition risk, 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, payment of dividends is not guaranteed, a significant amount of the Company's cash is distributed, which may restrict potential growth, NFI is dependent on its subsidiaries for all cash available for distributions, future sales or the possibility of future sales of a substantial number of Shares may impact the price of the Shares and could result in dilution, if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected, income tax risk, investment eligibility and Canadian Federal Income Tax risks, the effect of comprehensive U.S. tax reform legislation on the NF Group, whether adverse or favorable, is uncertain, certain U.S. tax rules may limit the ability of NF Holdings and its U.S. subsidiaries (the "NF Group") to deduct interest expense for U.S. federal income tax purposes and may increase the NF Group's tax liability, certain financing transactions could be characterized as "hybrid transactions" for U.S. tax purposes, which could increase the NF Group's tax liability. NFI cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in NFI's MD&A, press releases, Annual Information Form and materials filed with the Canadian securities regulatory authorities which are available on SEDAR at www.sedar.com.

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

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