Financial Results
First Quarter 2021

May 5, 2021

NOTES TO READERS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 52-WEEKS ENDED MARCH 28, 2021

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. ("NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's unaudited interim condensed consolidated financial statements (including notes) (the "Financial Statements") for the 13-week period ended March 28, 2021.

This MD&A contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such forward-looking statements, including, but not limited to, the factors described in the Company's public filings available on SEDAR at www.sedar.com. See "Forward-Looking Statements" in Appendix A. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, except where otherwise indicated, are presented in U.S. dollars, which is the functional currency of NFI. Unless otherwise indicated, the financial information contained in this MD&A has been prepared in accordance with IFRS and references to "$" or "dollars" mean U.S. dollars, "C$" means Canadian dollars, and "GBP" and "£" mean British Pounds Sterling.

QUARTERLY AND ANNUAL REPORTING PERIODS

The quarterly and annual reporting periods for the current and prior year are as follows:

Period from December 28, 2020 to January 2, 2022 ("Fiscal 2021")				**Period from December 30, 2019 to December 27, 2020 ("Fiscal 2020")**			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	March 28, 2021	("2021 Q1")	13	Quarter 1	March 29, 2020	("2020 Q1")	13
Quarter 2	June 27, 2021	("2021 Q2")	13	Quarter 2	June 28, 2020	("2020 Q2")	13
Quarter 3	September 26, 2021	("2021 Q3")	13	Quarter 3	September 27, 2020	("2020 Q3")	13
Quarter 4	January 2, 2022	("2021 Q4")	14	Quarter 4	December 27, 2020	("2020 Q4")	13
Fiscal year	January 2, 2022		53	Fiscal year	December 27, 2020		52

Specific references and definitions are used throughout this MD&A, please see "Meaning of Certain References" and "Definitions of Adjusted EBITDA, Return-on-Invested-Capital ("ROIC"), Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share, Working Capital Days and Regions including: North America, UK and Europe, Asia Pacific, and Other" in Appendix A. References to LTM mean last-twelve months ("LTM"). Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Working Capital Days and Adjusted Earnings (Loss) per Share are non-IFRS measures and should not be considered substitutes or alternatives for IFRS measures. These are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies. See the heading entitled: "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) Per Share, and Working Capital Days, regions including: North America, UK and Europe, Asia Pacific, and Other" in Appendix A for information about these measures, including how they are calculated and the way in which they are used.

NOTES TO READERS

Buses manufactured by New Flyer and ADL's single and double deck buses are classified as "transit buses". ARBOC manufactures body on-chassis or “cutaway” and "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, transit buses, medium-duty buses and cutaways, are referred to as "buses". A “motor coach” or “coach” is a 35-foot to 45-foot over-the-highway bus typically used for intercity transportation and travel over longer distances than heavy-duty transit buses, and is typically characterized by (i) one or two axles in the rear (related to the weight of the vehicle), (ii) high deck floor, (iii) baggage compartment under the floor, (iv) high-backed seats with a coach-style interior (often including a lavatory), and (v) no room for standing passengers. “Product lines” include heavy-duty transit buses, motor coaches, pre-owned coaches, cutaway and medium-duty buses.

Zero-emission buses ("ZEBs") consist of trolley-electric, hydrogen fuel cell-electric, and battery-electric buses. All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motor coaches in service and delivered, is measured in, or based on, “equivalent units”. One equivalent unit (or “EU”) represents one production “slot”, being one 30-foot, 35-foot, 40-foot, 45-foot heavy-duty transit bus, one double deck bus, one medium-duty bus, one cutaway bus or one motor coach, whereas one articulated transit bus represents two equivalent units. An articulated transit bus is an extra-long transit bus (approximately 60-feet in length), composed of two passenger compartments connected by a joint mechanism. The joint mechanism allows the vehicle to bend when the bus turns a corner, yet have a continuous interior.

A summary of the Company’s order, delivery and backlog information can be found in Appendix B.

NFI is leading the evolution to global zero-emission mobility

NEW FLYER

NA Market Leader in Heavy-Duty Transit Buses and Infrastructure Solutions

MCI

NA Market Leader in Motor Coaches

ALEXANDER DENNIS

PLAXTON

World Leader in Double Deck Buses; UK Market Leader in Bus and Coach

ARBOC SPECIALTY VEHICLES

NA Market Leader in Low-floor Cutaway and Medium-Duty Shuttle Buses

nfi.parts™

NA Market Leader for Bus and Motor Coach Parts Distribution

NFI Leading the *ZE*volution.™

NFI is leading zero-emission electric mobility

40+ million
Electric service miles driven

1,465
Zero-Emission Buses ("ZEBs") delivered since 2015

94
ZEBs delivered in 2021 Q1 (9.8% of total deliveries)

80+
Cities with an NFI ZEB in service or on order

4
Countries have NFI ZEBs

1,568
ZEBs in backlog (18.2% of total backlog, up from 5.8% at end of 2020 Q4)

200+
EV chargers installed via Infrastructure Solutions™

20% to 25%
of 2021 production is expected to be ZEBs

8,000
Annual ZEB production capacity

27.5%
of the Total Bid Universe is ZEBs

2021 Q1 Highlights (US$)

$574.1 M
Revenue

955
EUs delivered

1,212
EUs in New Orders

23,387
Total Bid Universe

$319.0 M
Liquidity

8,586 EUs
In Backlog

$54.8 M
Adjusted EBITDA(1)

$15.5 M
Free Cash Flow (1)

$11.6 M
NFI Forward Adjusted EBITDA (1) savings

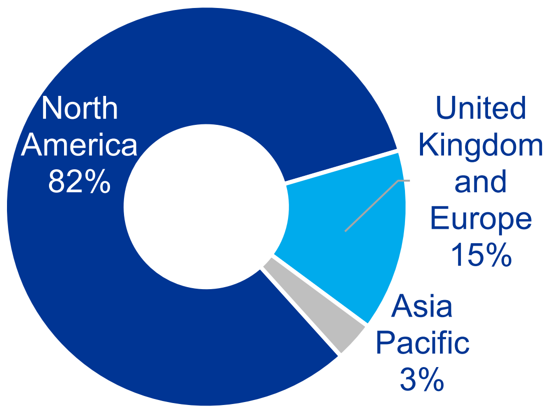
$0.09
Adjusted Net Earnings per Share (1)

C$250
Gross proceeds from equity raise

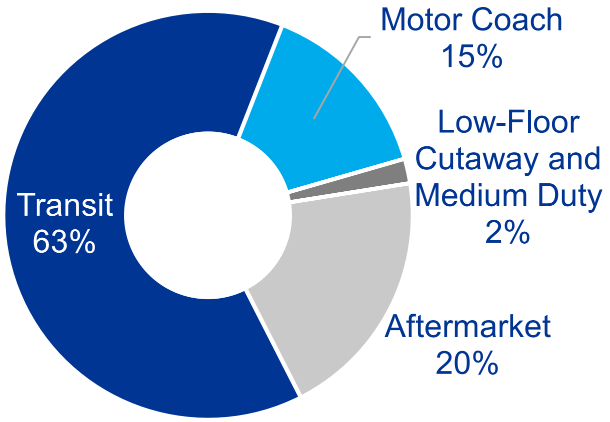
$4,354.8 B
Value of Backlog

Footnote
(1) Non-IFRS Measure – See Appendix A

Revenue by Geography

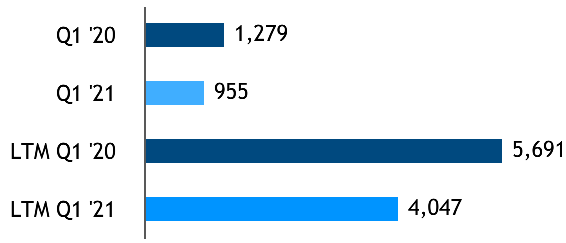


Revenue by Product

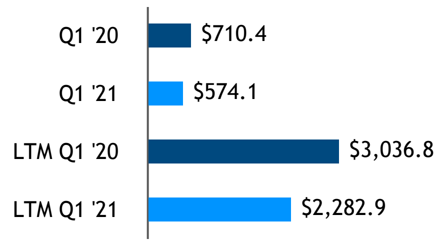


KEY PERFORMANCE INDICATORS

Deliveries (EUs)



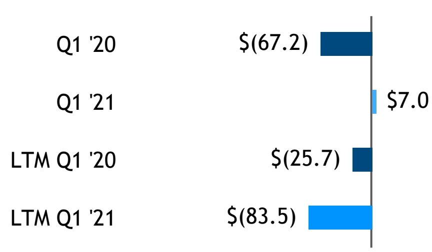
Revenue ($ millions)



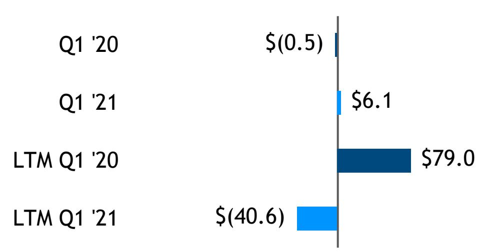
The decrease in deliveries from 2020 Q1 to 2021 Q1 was related to lower production volumes resulting from the ongoing COVID-19 pandemic and the fact that 2020 Q1 included almost three months of pre-COVID-19 pandemic production. Lower deliveries were experienced in all of NFI's product lines, with 2021 Q1 new vehicle deliveries down by 324 EUs, or 25.3%, from 2020 Q1, as the Company maintained the lower production rates set in 2020 Q2 in response to public customer order deferrals and private customer order delays or cancellations, which were both attributable to the economic impacts of the COVID-19 pandemic. Pre-owned coach sales increased as the Company continued to recognize revenue for deliveries related to a 2020 Q4 contract to sell the majority of the Company's North American pre-owned coach fleet. 2021 Q1 deliveries included 94 ZEBs, or 9.8% of total deliveries. LTM 2021 Q1 deliveries decreased over LTM 2020 Q1 due to the described impacts of the ongoing COVID-19 pandemic. The Company expects 2021 Q2 deliveries to be significantly higher than the same period in 2020.

Total revenue decreased by 19.2% from 2020 Q1 to 2021 Q1 as a result of the decline in vehicle deliveries. Aftermarket parts sales recovered to pre-pandemic levels and 2021 Q1 revenue was relatively consistent with 2020 Q1. Lower volumes in private and public North American markets were offset by higher volumes in the Asia Pacific region, and by sales of the Clean and Protect™ product line in North America. The comparative quarter and LTM decline is also partly a reflection of the fact that, following the acquisition of ADL in 2019, 2020 Q1 had been on track to be a record quarter prior to the onset of the COVID-19 pandemic. The Company expects improvement in its financial results as markets gradually recover, with significant improvement in manufacturing revenues expected in 2021 Q2 as compared to 2020 Q2.

Net earnings (loss) ($ millions)



Adjusted Net Earnings[1] (Loss) ($ millions)



Footnotes

1. Non-IFRS Measure - See Appendix A

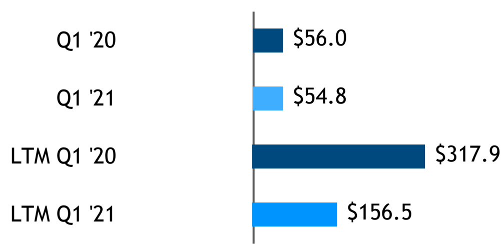
2021 Q1 net earnings of $7.0 million, an increase of $74.2 million from 2020 Q1, was mainly driven by a goodwill impairment charge of $50.8 million relating to MCI and a $15.5 million mark-to-market loss on the Company's interest rate swap in 2020 Q1. Although deliveries were down quarter-over-quarter, 2021 Q1 net earnings of $7.0 million was positively impacted by Adjusted EBITDA savings of $11.6 million generated from the NFI Forward initiative and the receipt of CEWS and CJRS government grants of $21.8 million, and an unrealized mark-to-market gain on the Company's interest rate swap. These positive impacts were somewhat offset by one-time non-recurring restructuring charges associated with the NFI Forward initiative and COVID-19 operating costs.

The Company reported a net loss of $83.5 million for LTM 2021 Q1, largely driven by lower than normal production volumes resulting from the ongoing COVID-19 pandemic combined with one-time non-recurring restructuring charges associated with the NFI Forward initiative and COVID-19 operating costs.

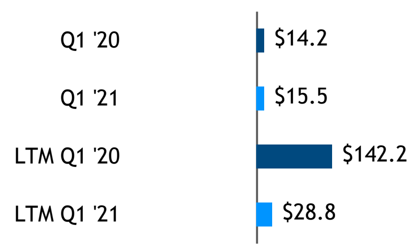
2021 Q1 Adjusted Net Earnings of $6.1 million improved by $6.6 million compared to 2020 Q1. The improvement in Adjusted Net Earnings was primarily driven by the same factors relating to net earnings. The improvement in Adjusted Net Earnings was less significant than the improvement in Net Earnings, primarily as a result of the exclusion of the $50.8 million goodwill impairment charge and lower mark-to-market impacts from the Company's interest rate swap.

LTM 2021 Adjusted Net Losses of $40.6 were primarily driven by the idling of nearly all production facilities in 2020 Q2 which resulted in 2020 Q2 Adjusted Net Losses of $60.6 million.

Adjusted EBITDA[1] ($ millions)



Free Cash Flow[1] ($ millions)



Footnotes

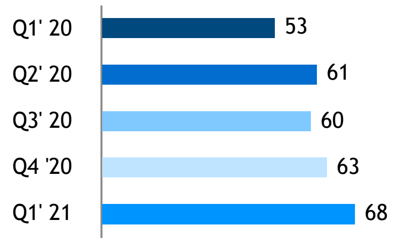
1. Non-IFRS Measure - See Appendix A

2021 Q1 Adjusted EBITDA of $54.8 million decreased by just $1.2 million from 2020 Q1, or 2.1%, resulting from the decrease in deliveries and aftermarket revenue mentioned above. In response to the decline in revenue, the Company was focused on lowering both variable production costs and fixed general and administrative expenses. This included the transformational NFI Forward initiative, which is anticipated to lower both direct and fixed costs. In 2021 Q1, NFI Forward realized Adjusted EBITDA savings of $11.6 million, and a further $0.7 million of Free Cash Flow savings related to interest expenses and leases.

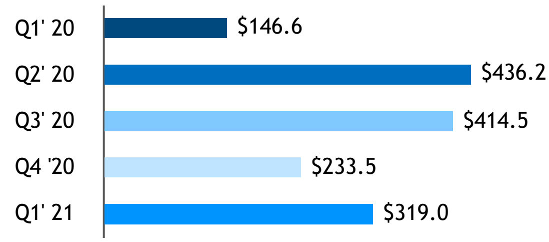
On an LTM basis, Adjusted EBITDA decreased by $161.4 million, or 50.8%, as NFI delivered fewer vehicles in LTM 2021 Q1 due to the impacts of the COVID-19 pandemic. In addition, the Company continued to incur fixed operating costs on a lower revenue base. The decline in Adjusted EBITDA was offset by combined CEWS and CJRS government grants of $75.3 million, and continued improvements at KMG Fabrication, Inc., the Company's parts fabrication facility ("KMG"). Despite COVID-19-related operational challenges, 2021 Q1 was KMG's third consecutive quarter of positive Adjusted EBITDA contribution.

Free Cash Flow in 2021 Q1 increased by $1.3 million, or 9.2%, as compared to 2020 Q1. Factors contributing to this increase of 2021 Q1 over 2020 Q1 include the items that impacted Adjusted EBITDA, as well as lower current income taxes, proceeds from the disposition of fixed assets and additional NFI Forward savings of $11.6 million for Adjusted EBITDA, and a further $0.7 million of Free Cash Flow savings. On an LTM basis, Free Cash Flow decreased by 79.7%, primarily driven by the idling of production facilities in the second quarter of 2020, which resulted in 2020 Q2 Free Cash Flow losses of $43.1 million.

Working Capital Days[1]



Total Liquidity ($ millions)

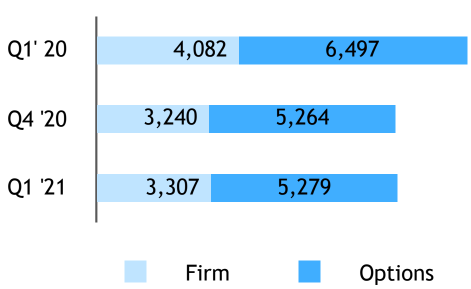


As part of the Company's increased focus on cash conversion and leverage reduction NFI has added a new external performance indicator, Working Capital Days (see definition in Appendix A). In 2021 Q1, Working Capital Days were 68 compared to 63 at the end of 2020 and 53 in 2020 Q1. The first quarter of 2021 was a heightened number relative to the same period in 2020 Q1 primarily driven by lower LTM sales volumes combined with higher average inventory levels due to the deferral or cancellation of private customer orders. In 2021 Q1, NFI also had lower accounts payable balances due to lower production rates at the Company's facilities plus higher receivables balances due to the timing of customer receipts.

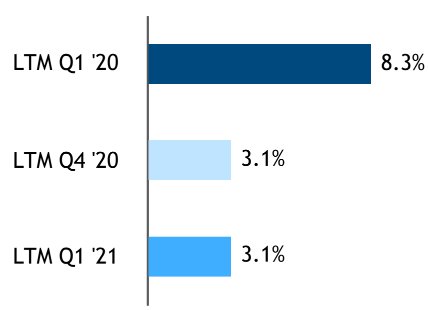
The Company's liquidity position, which combines cash on-hand plus available capacity under its credit facilities as at March 28, 2021, was $319.0 million, up $172.4 million from 2020 Q1. On March 1, 2021, NFI announced it had closed a bought-deal equity offering ("Offering") with a syndicate of underwriters pursuant to which NFI issued 8,446,000 common shares at a price of C$29.60 per share for gross proceeds to the Company of C$250 million. The Company immediately used the proceeds of the Offering to reduce the outstanding balances under its credit facilities. 2020 Q2 and Q3 Liquidity were higher due to the inclusion of an unused $250 million unsecured credit facility NFI entered into in April 2020 (the “Sidecar”), which was intended to provide additional liquidity during the COVID-19 pandemic. The Sidecar was terminated in December 2020 as the Company believed it was no longer required and had never been used.

NFI believes that its existing liquidity combined with the additional financial flexibility provided from the Offering will allow it to pursue its operational and strategic goals, such as investments in NFI’s zero-emission products and electric propulsion technology, investments required under the previously disclosed NFI Forward cost-reduction initiative and other potential growth opportunities, in addition to continuing to return capital to shareholders through dividends. In addition, while the quarterly dividend payment was reduced effective 2020 Q1, the continued payment reflects the confidence of the Board of Directors (the "Board") in the Company’s business while maintaining the financial flexibility required to operate during a period of continued uncertainty.

Backlog (EUs)



ROIC[1]



Footnotes

1. Non-IFRS Measure - See Appendix A

At the end of 2021 Q1, the Company's total backlog (firm and options) of 8,586 EUs (valued at $4.4 billion) has increased compared to 8,504 EUs (valued at $4.3 billion) at the end of 2020 Q4. The increase was primarily driven by increased order activity in the UK, Europe, and North America. Backlog was also impacted by the expiry of 108 option EUs and the cancellation of 67 EUs.

LTM 2021 Q1 ROIC was flat with LTM 2020 Q4 results. LTM 2021 Q1 ROIC decreased by 5.2% from LTM 2020 Q1, due to the decline in Adjusted EBITDA, driven by the impacts of COVID-19, combined with one-time non-recurring lower of cost or net realizable value adjustments in respect of the Company's pre-owned coaches, and goodwill impairment in the MCI business unit.

2021 Q1 HIGHLIGHTS

The first quarter of 2021 saw NFI continue to gradually recover from the impacts of the COVID-19 pandemic, but challenges related to the emergence of variants, regional variations in the speed and efficiency of vaccine distribution, continued work-from-home and shelter-in-place mandates, and an ongoing slowdown in public transit and leisure travel remain. Year-over-year results for the quarter were down slightly, primarily due to the ongoing COVID-19 pandemic and the fact that 2020 Q1 included almost three months of pre-COVID-19 pandemic production. As anticipated, and in-line with NFI's guidance, NFI's end markets continued to be impacted by the ongoing COVID-19 pandemic in the first quarter of 2021. NFI anticipates seeing a gradual improvement in its financial results as markets recover from the pandemic and as NFI Forward continues to deliver improvements to operating metrics.

As a result of the pandemic and in order to achieve the anticipated benefits from the ongoing NFI Forward initiative, the Company incurred one-time costs in the quarter that have been normalized within Adjusted EBITDA and Adjusted Net Earnings. These adjustments (tax effected) include $1.2 million in restructuring costs related to the NFI Forward initiative and in COVID-19 operating costs including the purchase of personal protective equipment, plant sanitation activities and incremental cleaning activities.

Adjusted Net Earnings are also normalized for the following tax effected items:

- $3.5 million mark-to-market gain on interest rate swap (compared to a $15.5 million loss in 2020 Q1)
- $1.2 million unrealized foreign exchange loss
- $0.2 million fair value adjustments to the total return swap

After adjusting for these items, Adjusted Net Earnings is $6.1 million or $0.09 per share on a fully diluted basis.

Leading the *ZE*volution™

On January 11, 2021, NFI held its virtual Investor Day 2021, where NFI's Executive Leadership Team and Board provided presentations regarding NFI's business and strategy, with a focus on NFI's activities to drive the increased adoption of zero-emission, battery-electric and fuel-cell electric buses and coaches, what NFI is calling the ***ZE***volution™. Full details of the event can be found on the Company's website. As part of the ***ZE***volution™ strategy, NFI achieved the following milestones during the first quarter:

- Received orders for 279 EUs of battery-electric, zero-emission vehicles from major customers in Connecticut, Pittsburgh, Boston, Seattle, Glasgow and Edinburgh (Scotland). Many of these were option conversion orders, or orders from existing NFI customers, who executed contracts following successful trial or pilot projects.

- NFI's UK subsidiary Alexander Dennis Limited ("ADL") announced that it was strengthening its electric vehicle partnership with BYD UK by moving the design and assembly of single- and double-deck electric bus chassis for the British market to ADL's UK facilities, with on-the-ground support from the BYD team, in the second half of 2021. Currently, chassis for the BYD ADL electric vehicles were built by BYD before being delivered to ADL's facilities to have their bodywork fitted in the UK. The BYD ADL partnership is the leading provider of electric buses in the UK having delivered or secured orders for more than 500 buses.

- Expanded the Company's battery-electric and fuel-cell electric vehicle offerings and solutions, which are expected to contribute to revenue and net earnings performance. These new launches included:

    - The Xcelsior Charge NG™, NFI's most advanced electric bus, which is lighter, more efficient and features longer range and higher passenger carrying capacity.

    - The Xcelsior AV™, North America's first automated Level 4 transit bus, which combines battery-electric propulsion with the latest in advanced driver-assistance systems.

    - For the UK market, ADL's next generation double-deck hydrogen bus, the H2.0, which incorporates NFI's 25 years of hydrogen experience and is expected to deliver a zero-emission range of up to 300 miles.

    - ARBOC's first fully accessible, battery-electric low-floor bus, the zero-emission Equess CHARGE™. The Equess CHARGE™ harnesses New Flyer EV technology and ARBOC's proven low-floor platform, expanding accessible zero-emission mobility in North America.

    - Subsequent to the quarter, on May 4, 2021, NFI launched the new MCI J4500 CHARGE, a battery-electric luxury coach, with a 200+ mile range.

- Announced a partnership with Li-Cycle Corporation ("Li-Cycle") to complete a heavy-duty lithium-ion battery recycling pilot, Li-Cycle's first pilot in the heavy-duty vehicle space.

Strengthening the Balance Sheet and Financial Flexibility

NFI continued to focus on strengthening its balance sheet by increasing liquidity and decreasing leverage. On March 1, 2021, NFI closed a the Offering with a syndicate of underwriters pursuant to which NFI issued 8,446,000 common shares at a price of C$29.60 per share for gross proceeds to the Company of C$250 million. The Company immediately used the proceeds of the Offering to reduce the outstanding balances under its credit facilities.

NFI returned capital to shareholders in the quarter through its quarterly dividend of C$0.2125 per share (LTM rate of C$0.85 per share), the Board expects to maintain dividends on a quarterly basis, although such dividends are not assured.

NFI Forward

During the quarter, NFI announced that the North American aftermarket parts business of Alexander Dennis Limited ("ADL Parts") had been officially integrated into NFI Parts. Prior to this combination, NFI Parts and ADL Parts were standalone businesses, with redundant physical inventories, parts stocking locations, and investments. The combination of ADL Parts into NFI Parts was a component of NFI's transformative cost reduction initiative, "NFI Forward", first announced in July 2020. In 2021 Q1, NFI Forward realized Adjusted EBITDA savings of $11.6 million, and a further $0.75 million of Free Cash Flow savings.

NFI Forward is expected to drive at least $67.0 million in annual Adjusted EBITDA savings by the end of 2023 from 2019 levels, plus an additional $10.0 million in annualized Free Cash Flow generation. Since inception to the end of 2021 Q1 NFI Forward had generated $28.6 million in Adjusted EBITDA savings and an additional $1.75 million of Free Cash Flow Savings.

Commitment to ESG

In addition to driving the change to zero-emission mobility and cleaner transportation, the Company also showed its ongoing commitment to its employees and to creating social benefit for the communities in which it operates, through the following initiatives:

- The introduction of Accelerate Anniston™, a $25,000 scholarship and educational incentive program providing financial support to deserving recipients in the Anniston, Alabama region to continue educational studies, which is one of several initiatives as part of the Anniston Workforce Development Program (AWDP), a local program announced in September 2020 and launched under NFI's Community Benefits Framework (CBF), a national workforce development initiative introduced by New Flyer and its partner the Transportation Diversity Council (TDC) earlier in 2020.

- NFI formalized its commitment to advancing diversity, inclusion, equity and gender parity in all of its workplaces, announcing that the Company had joined the "50 – 30 Challenge", an initiative between Innovation, Science and Economic Development Canada ("ISED"), business, and numerous diversity organizations. The 50 – 30 Challenge asks that organizations aspire to two goals:

    - Gender parity (50%) on Canadian board(s) and senior management; and

    - Significant representation ("30%") on Canadian board(s) and senior management of other underrepresented groups, including racialized persons, people living with disabilities (including invisible and episodic disabilities) and members of the LGBTQ2 community. The program and participants recognize that First Nations, Inuit and Métis peoples as founding peoples of Canada are under-represented in positions of economic influence and leadership.

- To coincide with International Women's Day 2021, NFI released its gender diversity data in advance of the Company's formal environmental, social and governance ("ESG") report which will be released in May 2021. NFI also observed International Day for the Elimination of Racial Discrimination by announcing the formal issuance of a human rights statement (the "NFI Group Human Rights Statement"), and by also announcing that the Company would be reviewing its diversity, equity, and inclusion efforts in 2021, in coordination with external consultant Korn Ferry.

NFI's Clean and Protect™ product line continued to help customers provide a safer transportation experience as customers equipped their vehicles with sanitization, cleaning and air purification products. In addition, successful in-service testing of the Proactive Air and Surface Purification System ("PASP") was completed by independent testing lab EMSL Analytical, Inc., indicating overall bacteria count reductions of 99.3%, demonstrating the PASP system ability to deactivate the SARS-CoV-2 virus, which causes COVID-19.

FINANCIAL RESULTS

NFI's 2021 Q1 financial results are consistent with previously issued guidance, but continued to be affected by the impact of the COVID-19 pandemic on the Company's customers and end markets. The Company maintained the lower production rates set following the onset of the pandemic in 2020 and continued to execute on the cost saving initiatives of NFI Forward.

Full details of the Company's orders, deliveries and backlog information can be found in Appendix B.

Deliveries (unaudited, EUs)	2021 Q1	2020 Q1	% Change	2021 Q1 LTM	2020 Q1 LTM	% Change
Transit buses	703	958	(26.6)%	3,063	4,196	(27.0)%
Motor coaches	149	179	(16.8)%	603	1,075	(43.9)%
Medium-duty and cutaway	103	142	(27.5)%	381	420	(9.3)%
New Vehicle Deliveries	955	1,279	(25.3)%	4,047	5,691	(28.9)%
Pre-owned coach	173	89	94.4 %	413	475	(13.1)%

Revenue (unaudited, dollars in millions)	2021 Q1	2020 Q1	% Change	2021 Q1 LTM	2020 Q1 LTM	% Change
Transit buses	$ 358.7	$ 471.8	(24.0)%	$ 1,480.3	$ 1,930.0	(23.3)%
Motor coaches	73.9	90.1	(18.0)%	318.2	542.5	(41.3)%
Medium-duty	11.2	15.5	(27.7)%	37.4	58.1	(35.6)%
Total new transit bus, coach and cutaway revenue	**$ 443.8**	**$ 577.4**	**(23.1)%**	**$ 1,835.9**	**$ 2,530.6**	**(27.5)%**
Pre-owned coach revenue	10.0	6.0	66.7 %	22.5	41.9	(46.3)%
Infrastructure solutions	3.9	10.4	(62.5)%	18.3	16.4	11.6 %
Fiberglass reinforced polymer components	1.5	1.3	15.4 %	5.2	5.8	(10.3)%
Manufacturing Revenue	**$ 459.2**	**$ 595.1**	**(22.8)%**	**$ 1,881.9**	**$ 2,594.7**	**(27.5)%**
Aftermarket	114.9	115.3	(0.3)%	401.0	442.1	(9.3)%
Total Revenue	**$ 574.1**	**$ 710.4**	**(19.2)%**	**$ 2,282.9**	**$ 3,036.8**	**(24.8)%**
North America	471.7	606.7	(22.3)%	1,834.0	2,549.3	(28.1)%
United Kingdom and Europe	84.1	99.3	(15.3)%	317.3	419.4	(24.3)%
Asia Pacific	18.3	4.4	315.9 %	131.6	68.1	93.2 %
Other	—	—	— %	—	—	— %

Manufacturing revenue for 2021 Q1 decreased by $135.9 million, or 22.8%, compared to 2020 Q1. The decrease was primarily driven by lower new vehicle deliveries, as the Company maintained the lower production rates set in 2020 Q2 in response to public customer order deferrals and private customer order delays or cancellations, which were both attributable to the economic impacts of the COVID-19 pandemic. Pre-owned coach sales increased as the Company continued to recognize revenue for deliveries related to a 2020 Q4 contract to sell the majority of the Company's North American pre-owned coach fleet. The Company is on schedule to deliver the remaining units and complete the pre-owned coach sales contract in 2021 Q2. Infrastructure solutions revenue was lower due to the timing of revenue recognition on projects in progress. Medium-duty revenue was lower due to lower deliveries and an unfavourable product mix. The Company expects improvement in its financial results as markets gradually recover, with significant improvement in manufacturing revenues expected in 2021 Q2 as compared to 2020 Q2.

Revenue from Aftermarket operations recovered to pre-pandemic levels in 2021 Q1, as quarterly revenue of $114.9 million was relatively consistent with 2020 Q1. Lower volumes in private and public North American markets were offset by higher volumes in the Asia Pacific region. The Company's new Clean and Protect™ product line also helped offset the volume decline in North America.

Adjusted EBITDA[1] (unaudited, dollars in millions)	2021 Q1	2020 Q1	% Change	2021 Q1 LTM	2020 Q1 LTM	% Change
Manufacturing	35.8	35.4	*1.1 %*	102.4	244.5	*(58.1)%*
Aftermarket	22.5	20.9	*7.7 %*	68.3	77.6	*(12.0)%*
Corporate	(3.5)	(0.3)	*(1,066.7)%*	(14.2)	(4.2)	*(238.1)%*
Total Adjusted EBITDA	**$54.8**	**$56.0**	***(2.1)%***	**$156.5**	**$317.9**	***(50.8)%***
Adjusted EBITDA as a percentage of revenue						
Manufacturing	7.8 %	5.9 %	*32.2 %*	5.4 %	9.4 %	*(42.6)%*
Aftermarket	19.6 %	18.1 %	*8.3 %*	17.0 %	17.6 %	*(3.4)%*
Total	**9.6 %**	**7.9 %**	***21.5 %***	**6.9 %**	**10.5 %**	***(34.3)%***

Net Earnings (Loss) [2] (unaudited, dollars in millions, except per share amounts)	2021 Q1	2020 Q1	% Change	2021 Q1 LTM	2020 Q1 LTM	% Change
Manufacturing	8.4	(44.7)	*118.8 %*	(65.4)	14.4	*(554.2)%*
Aftermarket	18.3	18.0	*1.7 %*	53.2	66.2	*(19.6)%*
Corporate	(19.7)	(40.6)	*(51.5)%*	(71.2)	(106.3)	*33.0 %*
Net earnings (Loss)	**$ 7.0**	**$ (67.2)**	***110.4 %***	**$ (83.5)**	**$ (25.7)**	***224.9 %***
Goodwill impairment	—	50.8	*N/A*	—	50.8	*N/A*
Extraordinary COVID-19 costs (tax effected)	0.1	—	*N/A*	32.8	—	*N/A*
Non-recurring restructuring costs (tax effected)	1.1	—	*N/A*	20.1	0.2	*9,950.0 %*
Adjusted Net Earnings (Loss)[1]	6.1	(0.5)	*1,120.0 %*	(40.6)	79.0	*(151.4)%*
Net earnings (Loss) Per Share	$ 0.11	(1.08)	*110.2 %*	(1.32)	(0.41)	*(222.0)%*
Adjusted Earnings (Loss) Per Share[1]	$ 0.09	$ (0.01)	*1,000.0 %*	$ (0.64)	$ 1.15	*(100.0)%*

[1] Non-IFRS Measure - See Appendix A for details.
[2] Comparative segment allocations have been restated to conform with current period presentation.

2021 Q1 Manufacturing Adjusted EBITDA increased by $0.4 million, or 1.1%, compared to 2020 Q1, even with the impact of lower production volumes. Lower volumes were offset by direct and general and administrative fixed cost reductions associated with NFI Forward. The Company realized total Manufacturing Segment cost savings of $10.9 million through NFI Forward in the quarter. The quarter was positively impacted by the receipt of CEWS and CJRS government grants of $21.8 million and continued improvements at KMG. Despite COVID-19 related operational challenges, KMG continues to consistently contribute positively to quarterly Adjusted EBITDA. Manufacturing 2021 Q1 net earnings increased by $53.1 million, or 118.8%, primarily due to the impairment charge related to MCI's private coach business in 2020 Q1. Manufacturing Net earnings in 2021 Q1 were also impacted by one-time, non-recurring restructuring charges of $1.8 million, associated with the NFI Forward initiative.

2021 Q1 Aftermarket Adjusted EBITDA increased by $1.6 million, or 7.7%. This is mostly the result of a return to pre-pandemic sales levels, combined with NFI Forward cost savings. 2021 Q1 net earnings increased by $0.3 million, or 1.7%. The increase was also driven by NFI Forward cost savings, partially offset by one-time, non-recurring restructuring charges associated with NFI Forward.

Corporate Adjusted EBITDA decreased by $3.2 million, primarily as a result of unfavourable realized foreign exchange. Corporate expenses included in the calculation of net earnings decreased by $20.9 million, or 51.5%, primarily due to favourable mark-to-market adjustments to the Company's interest rate swaps, offset by unrealized foreign exchange losses on non-current monetary items and higher interest expenses on credit facilities.

Free Cash Flow[1] (unaudited, dollars in millions, except per share amounts)	2021 Q1	2020 Q1	*% Change*	2021 Q1 LTM	2020 Q1 LTM	*% Change*
Free Cash Flow	$ 15.5	$ 14.2	*9.2 %*	$ 28.8	$ 142.2	*(79.7)%*
Free Cash Flow (CAD dollars)	19.4	19.8	*(2.0)%*	34.4	187.9	*(81.7)%*
Declared Dividends (CAD dollars)	15.1	13.3	*13.5 %*	54.9	92.9	*(40.9)%*
Free Cash Flow per Share (CAD dollars)	$ 0.30	$ 0.32	*(6.3)%*	$ 0.54	$ 3.02	*(82.1)%*
Dividends per Share (CAD dollars)	$ 0.21	$ 0.21	*— %*	$ 0.85	$ 1.49	*(43.0)%*
Payout Ratio (Declared Dividends divided by Free Cash Flow	77.8 %	67.2 %	*15.8 %*	159.6 %	49.4 %	*223.1 %*

[1]Non-IFRS Measure - See Appendix A for details.

Free Cash Flow in 2021 Q1 increased by $1.3 million, or 9.2%, compared to 2020 Q1, primarily due to the items that impacted Adjusted EBITDA, as well as lower current income taxes, proceeds from the disposition of fixed assets and realized NFI Forward savings of $12.3 million. NFI Forward savings include $11.6 million of Adjusted EBITDA savings and $0.7 million of additional Free Cash Flow savings. The additional NFI Forward Free Cash Flow savings primarily relate to lower principal and interest lease payments, which are not reflected in Adjusted EBITDA. The proceeds from disposition of fixed assets relate to the sale of an MCI service centre under the NFI Forward initiative, but the proceeds from the sale have not been included in the NFI Forward numbers because it is a non-recurring item.

The 2021 Q1 LTM Free Cash Flow was particularly impacted by the idling of nearly all production facilities in 2020 Q2, which resulted in 2020 Q2 Free Cash Flow losses of $43.1 million. Losses in 2020 Q2 were the primary driver of the Company's 2021 Q1 LTM payout ratio of 159.6% percent. In response to these challenges, the Company reduced quarterly dividends 50% to C$0.2125 per common share, effective 2020 Q1.

OUTLOOK

Management continues to expect that 2021 will be a transition year as NFI's end markets are expected to continue to be impacted by the COVID-19 pandemic throughout the year. Year-over-year performance is expected to improve as the effect of the pandemic is reflected in the comparative 2020 numbers and NFI continues to recover from the lows experienced at the beginning of the pandemic. Management, however, expects that financial performance will continue to be below pre-pandemic levels throughout 2021. Moving through 2021 and beyond the Company expects improvement in its financial results as markets recover and the NFI Forward initiative continues to deliver improvements to operating metrics.

Overall market recovery will be dependent upon several factors, including government funding and green fleet investments, COVID-19 case rates, vaccine distribution, the length of the pandemic, mutations of the virus, travel restrictions, and economic reopening activity. These factors will differ by product and geography. In addition, the pandemic has created global supply chain challenges, including supplier factory shutdowns, shipping and freight delays and a shortage of semiconductor chips, all of which could have an adverse impact on NFI's remaining 2021 production schedule and parts sales.

The Company's vehicle product lines (New Flyer, ARBOC, MCI public motor coach, and ADL) are primarily used for public transit, which remains a critical method of transportation for millions of users in the Company's markets and is an economic enabler in cities. Within the North American heavy-duty transit and public coach businesses, near- and longer-term demand is expected to return, although the duration of the recovery from COVID-19 may affect vehicle awards and delivery timing in the near-term. Management's recovery expectations are supported by continued support for transit operations by all levels of government (see "Government Support for Recovery" section below) and the Company's North American bid universe, which includes 4,585 EUs in active procurements, an improvement of 13.7% from the end of 2020. Management also believes that advancements in COVID-19 vaccines and the continuation of vaccine rollouts are positive signs for continued market recovery.

NFI is Leading the *ZE*volution™

NFI is leading the ***ZE***volution™ to a battery-electric, zero-emission future and the Company envisions a consistent adoption of zero-emission vehicles over the next 10 to 15 years as operators in North America, the UK, Europe and Asia Pacific markets transition their fleets to electric vehicles. NFI has been building electric vehicles since 1969 and offers the broadest offering of ZEBs, including battery-electric buses and coaches, hydrogen fuel-cell buses and electric trolleys.

NFI is the leader in North America and the UK for ZEBs and is expected to be a significant beneficiary from the increased adoption to ZEBs. Currently, ZEBs make up 18.2% of NFI's backlog (up significantly from 5.8% at the end of 2020 Q4), and make up 27.5% of the Company's total North American bid universe.

A critical component of NFI's strategy is to provide complete mobility solutions. NFI meets urban mobility demands through a unique four pillar approach, including:

1. vehicles (buses and coaches);
2. infrastructure;
3. smart, connected technology; and
4. workforce development.

NFI has the largest transit vehicle and motor coach production capacity in North America and the UK, and can manufacture ZEBs at all of its vehicle facilities. NFI has electric vehicles in service with 15 of the top 25 transit agencies in North America, and the Company's battery-electric and fuel-cell electric vehicles have completed over five million miles of zero-emission service in North America, and more than 36 million zero-emission miles in the UK, for a total of over 40 million electric miles. The Company also continues to grow its Infrastructure Solutions™ business, and, in April 2021, NFI announced a milestone of over 200 EV chargers installed to date. The Company has delivered more ZEBs than any competitor in the UK, and is also now selling its innovative battery-electric coach in the U.S. and Canada, with the first public order for 25 coaches to be delivered in 2021. ARBOC's zero-emission battery-electric bus, the Equess CHARGE™, will begin production in the second half of 2021, following completion of Altoona testing. On May 4, 2021, NFI launched the new MCI J4500 CHARGE, a battery-electric luxury coach, with additional product launches planned for 2021. Management anticipates that, based on the Company's leadership position, product offering, experience and customer relationships, NFI is well positioned to capitalize on the long-term transition to ZEBs in both core and new markets.

Government Support for Recovery and Zero-Emission Transition

During the global pandemic, government support for transit operations has remained strong, recognizing the critical role transit plays in re-mobilizing cities and supporting economic recovery. In addition to billions of dollars in COVID-19 operations relief funds, governments have also committed billions for long-term fleet investments and the transition to zero-emission, battery-electric vehicles.

Over the past few months, we have seen long-term, milestone, multi-year funding commitments from both the U.S. and Canada who recognize the importance of equitable, accessible, and sustainable transit – namely zero-emission mobility.

In the United States, the Fixing America's Surface Transportation Act ("FAST Act"), which is the primary federal funding mechanism, was extended for one year on October 1, 2020. The FAST Act extension includes funds to maintain the Highway Trust Fund's solvency at current funding levels, which equates to $12.3 billion for transit programs through fiscal year 2021, with dedicated funding of $1.2 billion for bus appropriations in 2021. The proposed successor to the FAST Act is the $494 billion Investing in a New Vision for the Environment and Surface Transportation in America Act ("INVEST in America Act") drafted early in 2020 and passed by the House of Representatives. While the bill has yet to be reintroduced in Congress, the INVEST in America Act, as previously drafted, includes $105 billion for transit capital purchases, including a five-fold increase in funding for zero-emission buses from the FAST Act.

In March 2021, U.S. President Biden announced the American Jobs Plan, a proposed $2.3 trillion 8-year investment package that includes $85 billion to modernize existing transit and help agencies expand their systems to meet rider demand, fund the replacement of 50,000 diesel transit vehicles and $174 billion to "win the EV market". These proposed investments are in addition to annual appropriations.

In addition, the Coronavirus Economic Relief for Transportation Services ("CERTS") program, established by the Consolidated Appropriations Act 2021, was created to support transportation service providers affected by the COVID-19 pandemic, including motor coach operators. Under the program, the U.S. Treasury will provide up to $2 billion in grants to eligible companies that certify they have experienced an annual revenue loss of 25 percent or more as a direct or indirect result of COVID-19. On April 30, 2021, Congress submitted a request to the House Appropriations Financial Services Subcommittee for an additional $8 billion to the CERTS program, which would make the program funding level equal to the original ask of $10 billion.

In October 2020, the Canadian federal government announced C$1.5 billion in financing through the Canada Infrastructure Bank to support the adoption of ZEBs and charging infrastructure; the financing is expected to be delivered over a 24- to 36-month period. The Canadian government followed this with a landmark announcement in February 2021 that will result in C$14.9 billion being invested in Canadian public transit, C$2.75 billion of which is to be dedicated to zero-emission transit. The program includes $5.9 billion in dedicated project funds starting in 2021, and ongoing permanent funding of C$3 billion per year beginning in 2026-2027.

The proposed Canadian "Budget 2021", announced April 20, 2021, includes C$17.6 billion of an overall C$101.4 billion in new spending that will go towards a "green recovery," as well as aggressive emission reduction targets, supporting Canada's goal to be net-zero by 2050. Under the proposed "Budget 2021", the CEWS program will be extended to September 2021, with gradual reductions beginning July 4, 2021, and with certain restrictions.

The UK, despite numerous headwinds faced in 2020, saw an increase in government support and more subsidies available to bus operators than ever before. The UK government's Ten Point Plan for a Green Industrial Revolution, announced November 18, 2020, is a follow-up to the government's original plan to invest £5 billion for buses, cycling and walking, and continued to highlight the government's commitment to introduce 4,000 more British-built zero-emission buses into service.

In March 2021, the Scottish Government awarded £40.5 million in funding to bus operators through a second round of the Scottish Ultra-Low Emission Bus Scheme ("SULEB"). SULEB helps bus companies invest in electric vehicles and associated infrastructure, supporting a green recovery out of the coronavirus pandemic, improving air quality and advancing Scotland's ambitions for a net-zero-emissions economy. Successful proposals for 172 zero-emission buses were made with ADL as the intended supplier.

In Asia-Pacific markets, the New Zealand government provided an election pledge that only zero-emission buses will be purchased by 2025, and that they will target decarbonizing their entire public transit fleet by 2035. ADL's partnership with BYD has a solid position in the New Zealand market and management expects it will be a beneficiary of this transition. The Hong Kong government continues to advance trials and applications for electric commercial vehicles which may provide opportunities for ADL given its strong relationships with the largest commercial operators in the market.

On April 22, 2021, Earth Day, each of Canada, the U.S. and the UK announced new greenhouse gas emission reduction targets, including the following: Canada: 40% to 45% reduction from 2005 levels by 2030; U.S.: 50% to 52% reduction from 2005 levels by 2030; and UK 78% reduction from 1990 levels by 2035. Overall sentiment from these governments is strongly supportive of the transition to zero-emission. As the market leader in North American transit and coach operations and the UK's leading provider of zero-emission buses through the ADL BYD partnership, management believes NFI is extremely well positioned for both the near- and long-term based on the multi-year commitments being made by governments in all of the Company's core markets.

Although the proposed legislation, government plans and announcements are encouraging for the future of public transit, management does not yet know how or when the proposals and funds will materialize and the expected impact on financial performance. NFI will continue to monitor and provide updates as appropriate through its quarterly and regular disclosures. Management anticipates significant opportunities for NFI to grow revenue from increased market demand for its products with strong underlying financial support from government bodies.

Financial Guidance

Management reaffirms its 2021 financial guidance expectations for Revenue, Adjusted EBITDA, and Cash Capital Expenditures. The Company is providing an update on its tax guidance and the expected quarterly seasonality based on year-to-date results and expectations for the remainder of 2021.

NFI's North American tax structure includes minimum tax components that are more fixed in nature, plus variable components based on profitability and the impact of non-recurring, discrete or one-time items. NFI normalizes its tax rate to exclude these one-time items to determine its Adjusted ETR and Adjusted Net Earnings. Based on NFI's 2021 guidance, management expects NFI's minimum tax expense will be between $18 to $22 million, while its variable taxes will be based on a range of 21% to 23% of adjusted pre-tax earnings. This range is an annual estimate based on current tax legislation and does not contemplate the impact of potential future tax changes proposed by governments in the UK, US and Canada.

In April 2021, the Canadian government announced that companies that build electric vehicles may be eligible for a tax reduction under the proposed Canadian "Budget 2021", based on the limited information available at this time, however, NFI anticipates only a small benefit on its Adjusted ETR in 2022 based on propulsion mix. A detailed list of zero-emission technology that may qualify for this proposed reduced tax rate will be provided by the Canadian government at a later date and the Company will continue to monitor and provide updates as appropriate through its quarterly and regular disclosures.

Management cautions readers that NFI's quarterly and annual results have 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 acquisition of ADL, this has become even more pronounced, with the third and fourth quarters now generally being periods with higher delivery volumes. However, as a result of the ongoing COVID-19 pandemic, management anticipates changes to seasonality in 2021. Management expects the following revenue and Adjusted EBITDA seasonality on a year-over-year basis as compared to the same period in 2020: 2021 Q2 is expected to be significantly higher, 2021 Q3 will be flat to slightly down, and 2021 Q4 will be higher. Management also reminds readers that, for 2021, NFI's first quarter, second and third quarters are 13-week periods, while the fourth quarter is a 14-week period for a 53-week fiscal year.

NFI Forward Update

On July 27, 2020, NFI responded to the impacts of COVID-19 by launching its transformative cost reduction initiative, "NFI Forward", intended to significantly reduce manufacturing overhead and selling, general and administration ("SG&A") compared to 2019 levels. NFI Forward initiatives are on track to meet management's previously announced expectations.

Management continues to expect that the aggregate programs of NFI Forward will generate at least $67.0 million in annual Adjusted EBITDA savings, plus an additional $10.0 million in annualized Free Cash Flow generation, driven by interest savings and lower lease payments. NFI Forward is expected to deliver an 8% to 10% reduction in both manufacturing overhead and SG&A expenses, based on 2019 production rates, with investments of approximately $15 million to $20 million required to deliver these savings. In 2021 Q1, NFI Forward realized Adjusted EBITDA savings of $11.6 million, and a further $0.75 million of Free Cash Flow savings. These savings appear in NFI's gross margins and Adjusted EBITDA, as a reduction to direct material costs, manufacturing overhead, and SG&A.

In addition to the focus on cost savings and additional Free Cash Flow generation, management is also prioritizing working capital improvements through the NFI Forward initiative and other strategic projects aimed at improving supplier payment terms, accounts payable turns and inventory turnover, with specific focus on private vehicle inventory.

SELECTED QUARTERLY AND ANNUAL FINANCIAL AND OPERATING INFORMATION

The following selected unaudited interim condensed consolidated financial and operating information of the Company has been derived from and should be read in conjunction with the historical and current Financial Statements of the Company.

(U.S. dollars in thousands, except per Share figures)

Fiscal Period	Quarter		Revenue		Earnings (loss) from operations		Net earnings (loss)		Adjusted EBITDA[1]		Earnings (loss) per Share
2021											
	Q1	$	574,119	$	26,916	$	7,033	$	54,840	$	0.11
	Total	**$**	**574,119**	**$**	**26,916**	**$**	**7,033**	**$**	**54,840**	**$**	**0.11**
2020											
	Q4	$	711,523	$	32,531	$	8,465	$	64,956	$	0.14
	Q3		663,934		(16,453)		(24,912)		60,885		(0.40)
	Q2		333,334		(72,001)		(74,050)		(24,229)		(1.18)
	Q1		710,384		(25,406)		(67,239)		56,071		(1.08)
	Total	**$**	**2,419,175**	**$**	**(81,329)**	**$**	**(157,736)**	**$**	**157,683**	**$**	**(2.52)**
2019											
	Q4	$	917,741	$	69,958	$	34,127	$	103,875	$	0.55
	Q3		725,347		25,200		(1,085)		76,868		(0.02)
	Q2		683,353		37,000		8,507		81,122		0.14
	Q1		566,995		40,906		16,149		60,302		0.26
	Total	**$**	**2,893,436**	**$**	**173,064**	**$**	**57,698**	**$**	**322,167**	**$**	**0.93**

COMPARISON OF FIRST QUARTER 2021 RESULTS

(U.S. dollars in thousands)		2021 Q1		2020 Q1		52-Weeks Ended March 28, 2021		52-Weeks Ended March 29, 2020
Statement of Earnings Data								
Revenue								
North America	$	387,934	$	513,788	$	1,525,290	$	2,180,315
United Kingdom and Europe		64,305		81,005		252,216		358,674
Asia Pacific		6,957		262		104,364		55,718
Other		—		—		—		—
Manufacturing operations		459,196		595,055		1,881,870		2,594,707
North America		83,806		92,885		308,696		368,980
United Kingdom and Europe		19,818		18,313		65,101		60,760
Asia Pacific		11,299		4,131		27,243		12,378
Other		—		—		—		—
Aftermarket operations		114,923		115,329		401,040		442,118
Total revenue	$	574,119	$	710,384	$	2,282,910	$	3,036,825
Earnings (loss) from operations	$	26,916	$	(25,406)	$	(29,007)	$	106,752
Earnings (loss) before interest and income taxes	$	24,742	$	(25,526)	$	(21,955)	$	105,663
Net earnings (loss)	$	7,033	$	(67,239)	$	(83,464)	$	(25,690)
Adjusted EBITDA[1]	$	54,840	$	56,071	$	156,452	$	317,936
Cash capital expenditures	$	5,699	$	7,573	$	23,829	$	41,148

[1]Non-IFRS Measure - See Appendix A for details.

RECONCILIATION OF NET EARNINGS (LOSS) TO ADJUSTED EBITDA

Management believes that Adjusted EBITDA is an important measure in evaluating the historical operating performance of the Company. However, Adjusted EBITDA is not a recognized earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS. Accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with IFRS as indicators of the Company's performance, or cash flows from operating activities determined in accordance with IFRS as a measure of liquidity and cash flow. The Company defines and has computed Adjusted EBITDA as described under "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings, Adjusted Earnings per Share and Working Capital Days" in Appendix A. The following tables reconcile net earnings or losses to Adjusted EBITDA based on the historical Financial Statements of the Company for the periods indicated.

(U.S. dollars in thousands)

	2021 Q1	2020 Q1	52-Weeks Ended March 28, 2021	52-Weeks Ended March 29, 2020
Net earnings (loss)	$ 7,033	$ (67,239)	$ (83,464)	$ (25,688)
Addback[1]				
Income taxes	7,586	4,578	4,652	38,920
Interest expense[18]	10,123	37,135	56,857	92,432
Amortization	24,564	30,140	105,208	115,728
(Gain) loss on disposition of property, plant and equipment	(355)	163	(574)	137
Fair value adjustment for total return swap[11]	(438)	1,970	(2,290)	2,875
Unrealized foreign exchange loss (gain) on non-current monetary items and forward foreign exchange contracts	2,529	(43)	(6,478)	952
Costs associated with assessing strategic and corporate initiatives[8]	—	—	1,396	13,064
Past service costs[13] and other pension costs (recovery)	—	(463)	55	(2,064)
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue[10]	—	—	—	31,004
Proportion of the total return swap realized[12]	447	(940)	862	(1,513)
Equity settled stock-based compensation	650	14	2,406	1,161
Recovery on currency transactions[14]	—	—	—	(4,287)
Prior year sales tax provision [15]	40	(56)	280	4,038
Extraordinary COVID-19 costs[16]	289	—	47,651	—
Impairment loss on goodwill[17]	—	50,790	—	50,790
Non-recurring restructuring costs[9]	2,372	22	29,891	387
Adjusted EBITDA[1]	$ 54,840	$ 56,071	$ 156,452	$ 317,936
Adjusted EBITDA is comprised of:				
Manufacturing	$ 35,870	$ 35,442	$ 102,392	$ 244,527
Aftermarket	$ 22,481	$ 20,937	$ 68,292	$ 77,597
Corporate	$ (3,511)	$ (308)	$ (14,232)	$ (4,188)

(Footnotes on page 21 and 22)

SUMMARY OF FREE CASH FLOW

Management uses Free Cash Flow as a non-IFRS measure to evaluate the Company's operating performance and liquidity and to assess the Company's ability to pay dividends on the Shares, service debt, and meet other payment obligations.

The Company generates its Free Cash Flow from operations and management expects this will continue to be the case for the foreseeable future. Net cash flows generated from operating activities are significantly impacted by changes in non-cash working capital. The Company uses its credit facilities to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow.

The following is a reconciliation of net cash generated by operating activities (an IFRS measure) to Free Cash Flow (a non-IFRS measure) based on the Company's historical Financial Statements. See "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings, Adjusted Earnings per Share and Working Capital Days" in Appendix A.

(U.S. dollars in thousands, except per Share figures)	2021 Q1	2020 Q1	52-Weeks Ended March 28, 2021	52-Weeks Ended March 29, 2020
Net cash generated by operating activities	$ (87,665)	$ (16,383)	$ (5,221)	$ 89,376
Changes in non-cash working capital items(4)	114,223	46,209	(748)	82,676
Interest paid(4)	18,654	15,706	66,255	55,035
Interest expense(4)	(16,678)	(14,431)	(64,082)	(56,488)
Income taxes paid(4)	9,131	11,901	23,923	47,746
Current income tax expense(4)	(12,280)	(16,941)	(21,919)	(68,701)
Principal portion of finance lease payments	(7,045)	(3,074)	(22,858)	(12,631)
Cash capital expenditures	(5,699)	(7,573)	(23,829)	(38,138)
Proceeds from disposition of property, plant and equipment	2,314	100	4,979	246
Costs associated with assessing strategic and corporate initiatives(8)	—	—	1,396	13,064
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue (10)	—	—	—	31,004
Defined benefit funding(5)	1,049	1,520	5,036	8,255
Defined benefit expense(5)	(1,875)	(1,491)	(5,691)	(5,868)
Past service costs(13) and other pension costs (recovery)	—	(463)	55	(2,064)
Proportion of the total return swap(12)	447	(940)	862	(1,513)
Recovery on currency transactions(14)	—	—	—	(4,287)
Prior year sales tax provision (15)	40	(56)	281	4,038
Non-recurring restructuring costs(9)	580	22	22,774	386
Extraordinary COVID-19 costs(16)	289	—	$ 47,651	—
Foreign exchange gain (loss) on cash held in foreign currency(6)	(33)	47	(91)	88
Free Cash Flow(2)	$ 15,452	$ 14,153	$ 28,773	$ 142,224
U.S. exchange rate(3)	1.2576	1.3977	1.1953	1.3214
Free Cash Flow (C$)(2)	19,432	19,782	34,392	187,935
Free Cash Flow per Share (C$)(7)	0.2988	0.3165	0.5447	3.0225
Declared dividends on Shares (C$)	15,084	13,283	54,941	92,879
Declared dividends per Share (C$)(7)	$ 0.2125	$ 0.2125	$ 0.8500	$ 1.4875

(1) Adjusted EBITDA is not a recognized earnings measure and does not have standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss) and Adjusted Net Earnings (Loss) per Share" in Appendix A. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating performance of the Company.

(2) Free Cash Flow is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, Free Cash Flow may not be comparable to similar measures presented by other issuers. See Appendix A for "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings and Adjusted Earnings per Share".

(3) U.S. exchange rate (C$ per US$) is the weighted average exchange rate applicable to dividends declared for the period.

(4) 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 incomes taxes paid.

(5) 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.

(6) Foreign exchange 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.

(7) Per Share calculations for Free Cash Flow (C$) are determined by dividing Free Cash Flow by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2021 Q1 was 65,036,019 and 62,499,060 for 2020 Q1. The weighted average number of Shares outstanding for the 52-weeks ended March 28, 2021 and March 29, 2020 are 63,144,784 and 62,178,644, respectively. Per Share calculations for declared dividends (C$) are determined by dividing the amount of declared dividends by the number of outstanding Shares at the respective period end date.

(8) Normalized to exclude non-recurring expenses and recoveries related to the costs of assessing strategic and corporate initiatives.

(9) Normalized to exclude non-recurring restructuring costs. The 2021 Q1 costs primarily relate to severance costs and asset impairments associated with the NFI Forward restructuring initiative. The 2021 Q1 LTM costs are also related to NFI Forward and include severance costs of $22.2 million, right-of-use asset impairments of $3.6 million, inventory impairments of $1.8 million, property, plant and equipment impairments of $1.7 million and other miscellaneous costs of $0.6 million. Free Cash Flow reconciling item is net of right-of-use asset and property, plant and equipment impairments.

(10) The revaluation of ADL's inventory included an adjustment of $31.0 million in Fiscal 2019. These revaluation adjustments relate to purchase accounting as a result of the related acquisition.

(11) The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted EBITDA.

(12) 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.

(13) Costs and recoveries associated with amendments to, and closures of, the Company's pension plans.

(14) Recovery of prior period banking fees related to foreign exchange transactions.

(15) Provision for sales taxes as a result of an ongoing state sales tax review.

(16) Normalized to exclude non-recurring COVID-19 related costs. COVID-19 costs in 2021 Q1 primarily relate to the purchase of personal protective equipment and plant sanitation activities. The 2021 Q1 LTM costs include asset impairments of $43.6 million and operating expenses of $4.1 million. The asset impairments were primarily attributable to pre-owned coach inventory. Management will continue to assess the costs for COVID-19 and will make an assessment of whether they are deemed in fact to be one time and non-recurring. As more information becomes available, management may change its assessment.

(17) Impairment charge with respect to MCI's goodwill.

(18) Includes fair market value adjustments to interest rate swaps. 2021 Q1 includes a gain of $7.7 million and 2020 Q1 includes a loss of $22.5 million.

RECONCILIATION OF NET EARNINGS (LOSS) TO ADJUSTED NET EARNINGS (LOSS)

Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Accordingly, Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share should not be construed as an alternative to Net Earnings, or Net Earnings per Share, determined in accordance with IFRS as indicators of the Company's performance. The Company defines and has computed Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share under “Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share and Working Capital Days” in Appendix A. The following tables reconcile net earnings (loss) to Adjusted Net Earnings (Loss) based on the historical Financial Statements of the Company for the periods indicated.

(U.S. dollars in thousands, except per Share figures)	2021 Q1	2020 Q1	52-Weeks Ended March 28, 2021	52-Weeks Ended March 29, 2020
Net earnings (loss)	7,033	(67,239)	(83,464)	(25,690)
Adjustments, net of tax [1] [8]				
Fair value adjustments of total return swap[5]	(199)	1,359	(1,477)	1,878
Unrealized foreign exchange (gain) loss	1,151	(30)	(5,064)	640
Unrealized (gain) loss on interest rate swap	(3,491)	15,510	(6,802)	21,816
Impairment loss on goodwill[11]	—	50,790	—	50,790
Portion of the total return swap realized[6]	203	(649)	490	(975)
Costs associated with assessing strategic and corporate initiatives[2]	—	—	1,396	13,066
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue[4]	—	—	—	17,943
Equity settled stock-based compensation	296	10	1,507	632
(Gain) loss on disposition of property, plant and equipment	(162)	112	(313)	99
Past service costs[7] and other pension costs (recovery)	—	(319)	37	(1,246)
Recovery on currency transactions[9]	—	—	—	(2,481)
Prior year sales tax provision [10]	18	(39)	184	2,330
Extraordinary COVID-19 costs [12]	131	—	32,811	—
Non-recurring restructuring costs [3]	1,079	15	20,067	226
Adjusted Net Earnings (Loss)	$ 6,059	(480)	$ (40,628)	79,028
Earnings (Loss) per Share (basic)	$ 0.11	$ (1.08)	$ (1.32)	$ (0.41)
Earnings (Loss) per Share (fully diluted)	$ 0.11	$ (1.08)	$ (1.32)	$ (0.41)
Adjusted Earnings (Loss) per Share (basic)	$ 0.09	$ (0.01)	$ (0.64)	$ 1.15
Adjusted Earnings (Loss) per Share (fully diluted)	$ 0.09	$ (0.01)	$ (0.64)	$ 1.14

1. Addback items are derived from the historical Financial Statements of the Company.
2. Normalized to exclude non-recurring expenses related to the costs of assessing strategic and corporate initiatives.
3. Normalized to exclude non-recurring restructuring costs. The 2021 Q1 costs primarily relate to severance costs and asset impairments associated with the NFI Forward restructuring initiative.
4. The revaluation of ADL's inventory included an adjustment of $31.0 million in Fiscal 2019. The after-tax value of the adjustment was $17.9 million. These revaluation adjustments relate to purchase accounting as a result of the related acquisition.
5. The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted Net Earnings (Loss).
6. A portion of the fair value adjustment of the total return swap is excluded from Adjusted Net Earnings (Loss) to match the equivalent portion of the related deferred compensation expense recognized.
7. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans.

8. For 2021 Q1, the Company has utilized a rate of 54.5% to tax effect the adjustments. A rate of 31.0% has been used to tax effect the adjustments for all other periods.
9. Recovery of prior period banking fees related to foreign exchange transactions.
10. Provision for sales taxes as a result of an ongoing state tax review.
11. Impairment charge with respect to MCI's goodwill.
12. Normalized to exclude non-recurring COVID-19 related costs. COVID-19 costs in 2021 Q1 primarily relate to the purchase of personal protective equipment and plant sanitation activities. Management will continue to assess the costs for COVID-19 and will make an assessment of whether they are deemed in fact to be one time and non-recurring. As more information becomes available, management may change its assessment.

Results of Operations

The discussion below with respect to revenue, operating costs and expenses and earnings from operations has been divided between the Manufacturing and Aftermarket operations segments.

Revenue

(U.S. dollars in thousands)	2021 Q1	2020 Q1
Manufacturing Revenue	459,196	595,055
Aftermarket Revenue	114,923	115,329
Total Revenue	$ 574,119	$ 710,384
Earnings (loss) from Operations	$ 26,916	$ (25,406)
Earnings (loss) before interest and income taxes	24,742	(25,526)
Earnings (loss) before income tax expense	14,619	(62,661)
Net earnings (loss)	7,033	(67,239)

Manufacturing revenue for 2021 Q1 decreased by $135.9 million, or 22.8%, compared to 2020 Q1. First quarter figures were lower in 2021 primarily as a result of the Company reducing production volumes in response to public customer order delays and private customer order deferrals, which were both attributable to the COVID-19 pandemic.

Revenue from aftermarket operations recovered to pre-pandmeic levels in 2021 Q1, as quarterly revenue of $114.9 million was relatively consistent with 2020 Q1. Lower volumes in North American markets were offset by higher volumes in the Asia Pacific region. The Company's new Clean and Protect™ product line also helped offset the volume decline in North America.

Cost of sales

(U.S. dollars in thousands)	2021 Q1	2020 Q1
Manufacturing		
Direct cost of sales	$ 358,138	$ 457,944
Depreciation and amortization	21,938	27,550
Other overhead	27,736	60,892
Manufacturing cost of sales	$ 407,812	$ 546,386
As percent of Manufacturing Sales	88.8 %	91.8 %
Aftermarket		
Direct cost of sales	$ 77,847	$ 77,724
Depreciation and amortization	2,626	2,589
Aftermarket cost of sales	$ 80,473	$ 80,313
As percent of Aftermarket Sales	70.0 %	69.6 %
Total Cost of Sales	$ 488,285	$ 626,699
As percent of Sales	85.0 %	88.2 %

The consolidated cost of sales for 2021 Q1 decreased by $138.4 million, or 22.1%, compared to 2020 Q1.

Cost of sales from Manufacturing operations in 2021 Q1 was $407.8 million (88.8% of Manufacturing operations revenue) compared to $546.4 million (91.8% of Manufacturing operations revenue) in 2020 Q1, a decrease of $138.6 million, or 25.4%. Cost of sales decreased as a percentage of revenue mainly due to NFI Forward savings of $5.7 million and government grants of $19.4 million, which have been netted against wages in the presentation of cost of sales. The impacts of NFI Forward and government grants were partially offset by lower production volumes to cover fixed costs.

Cost of sales from Aftermarket operations in 2021 Q1 was $80.5 million (70.0% of Aftermarket revenue) compared to $80.3 million (69.6% of Aftermarket revenue) in 2020 Q1, an increase of $0.2 million, or 0.2%. Cost of sales as a percentage of revenue was relatively unchanged from 2020 Q1.

Gross Margins

(U.S. dollars in thousands)

	2021 Q1	2020 Q1
Manufacturing	$ 51,384	$ 48,669
Aftermarket	34,450	35,016
Total Gross Margins	$ 85,834	$ 83,685
As a percentage of sales		
Manufacturing	11.2 %	8.2 %
Aftermarket	30.0 %	30.4 %
	15.0 %	11.8 %

Manufacturing gross margins for 2021 Q1 of $51.4 million (11.2% of revenue), increased by $2.7 million, or 5.6%, compared to $48.7 million (8.2% of revenue) for 2020 Q1.

The increase in gross margins as a percentage of revenue is mainly due to NFI Forward savings of $5.7 million and government grants of $19.4 million, which have been netted against wages in the presentation of cost of sales. The gross margin improvement was also partly attributable to improvements at KMG. Gross margin improvements were partially offset by lower production volumes to cover fixed costs.

Gross margins from Aftermarket operations in 2021 Q1 of $34.5 million (30.0% of revenue) decreased by $0.6 million, or 1.6%, compared to 2020 Q1 gross margins of $35.0 million (30.4% of revenue). Gross margins were lower due to lower sales volumes, gross margin as a percentage of sales was relatively unchanged.

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

(U.S. dollars in thousands)

	2021 Q1	2020 Q1
Selling expenses	$ 6,083	$ 6,527
General and administrative expenses	50,931	53,330
Other costs	254	(400)
Total SG&A	$ 57,268	$ 59,457

The consolidated SG&A for 2021 Q1 of $57.3 million (10.0% of consolidated revenue) decreased by $2.2 million, or 3.7%, compared to $59.5 million (8.4% of consolidated revenue) in 2020 Q1.

The decrease is related to NFI Forward savings of $5.9 million and government grants of $2.4 million, which were netted against expenses in the presentation of SG&A. The quarterly decline was partially offset by $2.2 million of one-time, non-recurring restructuring costs related to NFI Forward.

Realized foreign exchange loss/gain

During 2021 Q1, the Company recorded a realized foreign exchange loss of $1.7 million compared to a gain of $1.2 million in 2020 Q1.

The Company uses foreign exchange forward contracts to buy various currencies in which it operates with U.S. dollars, Canadian dollars and GBP. The purchase of these currencies using foreign exchange forward contracts at unfavorable forward rates compared to the spot rates at settlement were the primary reason for the losses.

Earnings (loss) from operations

Consolidated earnings from operations in 2021 Q1 were $26.9 million (4.7% of consolidated revenue) compared to losses of $25.4 million (-3.6% of consolidated revenue) in 2020 Q1, an increase of $52.3 million or 205.9%.

2021 Q1 Earnings from operations related to Manufacturing operations were $15.6 million (3.4% of Manufacturing revenue) compared to losses of $44.0 million (-7.4% of Manufacturing revenue) in 2020 Q1, an increase of $59.6 million or 135.5%. The increase as a percentage of revenue in 2021 Q1 is primarily due to a $50.8 million impairment charge incurred on MCI's goodwill in 2020 Q1, as well as NFI Forward savings of $10.9

million and government grants of $21.8 million recognized in 2021 Q1. The increase was offset by lower production volumes and restructuring charges of $1.8 million.

Earnings from operations related to Aftermarket operations in 2021 Q1 were $18.3 million (16.0% of Aftermarket revenue) compared to $18.3 million (15.9% of Aftermarket revenue) in 2020 Q1. Earnings from Aftermarket operations in 2021 Q1 were consistent with 2020 Q1, as sales recovered to pre-pandemic levels.

Unrealized foreign exchange gain/loss

The Company has recognized a net unrealized foreign exchange loss (gain) consisting of the following:

(U.S. dollars in thousands)		2021 Q1		2020 Q1
Unrealized (gain) loss on forward foreign exchanges contracts	$	3,324	$	(1,797)
Unrealized (gain) loss on other long-term monetary assets/liabilities		(795)		1,754
	$	2,529	$	(43)

At March 28, 2021, the Company had $107.2 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). The related asset of $2.1 million (December 27, 2020: $4.5 million) is recorded on the unaudited interim condensed consolidated statement of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive income (loss).

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

In 2021 Q1, the Company recorded EBIT of $24.7 million compared to EBIT loss of $25.5 million in 2020 Q1. EBIT has been impacted by non-cash and non-recurring items as follows:

(U.S. dollars in thousands)		2021 Q1		2020 Q1
Non-cash and non-recurring charges:				
Unrealized foreign exchange (gain) loss		2,529		(43)
Equity settled stock-based compensation		650		14
Gain (loss) on disposition of property, plant and equipment		(355)		163
Fair value adjustment of total return swap		(438)		1,970
Past service costs recovery		—		(463)
Extraordinary COVID-19		289		—
Prior year sales tax provision		40		(56)
Impairment loss on goodwill		—		50,790
Portion of the total return swap realized		447		(940)
Non-recurring restructuring costs		2,372		22
Amortization		24,564		30,140
Total non-cash and non-recurring charges:	$	30,098	$	81,597

Interest and finance costs

The interest and finance costs for 2021 Q1 of $10.1 million decreased by $27.0 million when compared 2020 Q1. The decrease is primarily due to a fair market value gain on the Company's interest rate swaps of $7.7 million in 2021 Q1 compared to a loss of $22.5 million in 2020 Q1. The decrease was partially offset by higher interest on long-term debt due to higher average Credit Facility draws and interest on the UK Facility. The UK Facility was entered in May 2020 to support ADL's operations in the UK. The Company used proceeds from the Offering to reduce leverage and lower future interest costs.

The fair market value adjustments on the interest rate swaps relate to risk management activities management has undertaken to reduce the uncertainty related to the Company's cost of borrowing. The Company's first interest rate swap fixes the interest rate which the Company will pay on $560.0 million of its long-term debt at 2.27% plus an applicable margin. The fixed portion amortizes $20 million annually and matures in October 2023. The Company has a second interest rate swap on $200 million of its long-term debt on which the Company will pay 0.243% plus an applicable margin and matures in July 2025. The Company's accounting policy is to not designate these types of instruments as accounting hedges. As a result, interest rate increases will result in mark-to-market gains, while interest rate decreases will result in mark-to-market losses.

Earnings (loss) before income taxes ("EBT")

EBT for 2021 Q1 of $14.6 million improved by $77.3 million compared to EBT loss of $62.7 million in 2020 Q1. The primary drivers of the changes to EBT are addressed in the Earnings from Operations, EBIT, and Interest and finance costs sections above.

Income tax expense

The income tax expense for 2021 Q1 was $7.6 million, compared to $4.6 million expense in 2020 Q1. The increase in the overall income tax expense is primarily due to higher earnings before taxes.

The ETR for 2021 Q1 was 51.9% and the ETR for 2020 Q1 was -7.3%. The ETR continues to be negatively impacted by the U.S. base erosion and anti-abuse tax ("BEAT") which is effectively a minimum tax not directly linked to earnings and a write-off of unapplied foreign tax credits.

Net earnings (loss)

The Company reported net earnings of $7.0 million in 2021 Q1, an increase of 110.4% compared to net losses of $67.2 million in 2020 Q1. The increase in net earnings is primarily due to cost savings associated with NFI Forward, government grants and a 2020 Q1 goodwill impairment charge of $50.8 million, offset by lower production volumes and non-recurring restructuring charges.

Net earnings (loss) (U.S. dollars in millions, except per Share figures)		**2021 Q1**		**2020 Q1**
Earnings (loss) from operations	$	26.9	$	(25.4)
Non-cash (loss)		(2.2)		(0.1)
Interest expense		(10.1)		(37.1)
Income tax expense		(7.6)		(4.6)
Net earnings (loss)	$	7.0	$	(67.2)
Net earnings (loss) per Share (basic)	$	0.11	$	(1.08)
Net earnings (loss) per Share (fully diluted)	$	0.11	$	(1.08)

The Company's net earnings per Share in 2021 Q1 of $0.11 increased from net losses per Share of $1.08 in 2020 Q1. Net earnings per Share were higher in 2021 Q1 due to NFI Forward savings and a 2020 Q1 goodwill impairment charge of $50.8 million. The increase was offset by lower production volumes, non-recurring restructuring costs and dilution from the Offering.

Cash Flow

The cash flows of the Company are summarized as follows:

(U.S. dollars in thousands)		**2021 Q1**		**2020 Q1**
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	$	54,343	$	57,432
Interest paid		(18,654)		(15,706)
Income taxes paid		(9,131)		(11,901)
Net cash earnings		26,558		29,825
Cash flow used in changes in working capital		(114,223)		(46,208)
Cash flow used by operating activities		(87,665)		(16,383)
Cash flow from financing activities		58,840		33,515
Cash flow used in investing activities		(3,848)		(22,983)

Cash flows from operating activities

The 2021 Q1 net operating cash outflow of $87.7 million is comprised of $26.6 million of net cash earnings and $114.2 million of cash used by changes in working capital. The 2020 Q1 net operating cash outflow of $16.4 million is comprised of $29.8 million of net cash earnings and $46.2 million of cash invested in working capital.

Cash flow from financing activities

The cash inflow of $58.8 million during 2021 Q1 is comprised mainly of proceeds from NFI's bought-deal equity offering pursuant to which NFI issued 8,446,000 common shares at a price of C$29.60 per share, generating net proceeds of $198.9 million, partially offset by long-term debt repayments of $114.4 million, dividend payments of $10.3 million, and $8.2 million of costs associated with the Offering.

Cash flow from investing activities

(U.S. dollars in thousands)			
		2021 Q1	2020 Q1
Proceeds from disposition of property, plant and equipment		2,314	100
Long-term restricted deposits		(463)	(15,510)
Acquisition of property, plant and equipment		(5,699)	(7,573)
Cash used in investing activities	$	(3,848) $	(22,983)

Investing activities were lower in 2021 Q1, primarily due to decreased investments in long-term restricted deposits and increased disposition of property, plant and equipment.

On February 13, 2019, the Company entered into a $600 million amortizing notional interest rate swap designed to hedge floating rate exposure on the Credit Facility. The interest rate swap fixes the interest rate at 2.27% plus applicable margin until October 2023 and amortizes at a rate of $20 million per annum.

On July 9, 2020 the Company entered into $200 million amortizing notional interest rate swap designed to hedge floating rate exposure on its Credit Facility. The interest rate swap fixes the interest rate at 0.243% plus applicable margin until July 2025. The swap begins amortizing on December 9, 2022 at a rate of $20 million per annum.

The fair value of the interest rate swap liability of $25.4 million at March 28, 2021 (December 27, 2020: $33.1 million liability) was recorded on the unaudited interim condensed consolidated statements of financial position as a derivative financial instruments liability and the change in fair value has been recorded as finance costs for the reported period. The unrealized losses recorded on the instrument are a result of interest rate reductions subsequent to entering into the transaction.

Credit risk

Financial instruments which potentially subject the Company to credit risk and concentrations of credit risk consist principally of cash, accounts receivable and derivatives. Management believes that the credit risk associated with accounts receivable is mitigated by the significant proportion of counterparties that are well established public transit authorities. Additionally, the U.S. federal government funds a substantial portion of U.S. public sector customer payments - up to 80% of the capital cost of new transit buses, coaches or cutaways, while the remaining 20% comes from state and municipal sources. There are a few U.S. public sector customers that obtain 100% of their funding from state and municipal sources. The maximum exposure to the risk of credit for accounts receivables corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the customer base being principally comprised of municipal and other local transit authorities. Management has not observed, and does not anticipate, significant changes to credit risk as a result of the COVID-19 pandemic.

The purchase of new coaches, transit buses or cutaways by private fleet operators is paid from the operators' own capital budgets and funded by their own cash flow. A significant portion of private fleet operators choose to finance new coach purchases with lending organizations. In some cases, MCI assists in arranging this financing, and in some cases, it provides financing through its ultimate net loss program. The Company has experienced a nominal amount of bad debts with its private sales customers as most transactions require payment on delivery. Management has not observed, and does not anticipate, significant changes to credit risk as a result of the COVID-19 pandemic.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within SG&A. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against SG&A in the consolidated statements of net earnings (loss) and total comprehensive income (loss).

The following table details the aging of the Company’s receivables and related allowance for doubtful accounts:

U.S. dollars in thousands	**March 28, 2021**	December 27, 2020
Current, including holdbacks	$ 383,158	$ 380,328
<u>Past due amounts but not impaired</u>		
1 – 60 days	33,982	39,988
Greater than 60 days	9,651	7,081
Less: allowance for doubtful accounts	(867)	(989)
Total accounts receivables, net	$ 425,924	$ 426,408

The counterparties to the Company's derivatives are chartered Canadian banks and international financial institutions. The Company could be exposed to loss in the event of non-performance by the counterparty. However, credit ratings and concentration of risk of the financial institutions are monitored on a regular basis.

Commitments and Contractual Obligations

The following table describes the Company’s maturity analysis of the undiscounted cash flows of leases and accrued benefit liabilities as at March 28, 2021:

U.S. dollars in thousands	**Total**	**2021**	**2022**	**2023**	**2024**	**2025**	**Post 2025**
Leases	193,519	19,248	22,652	19,162	14,377	10,356	107,724
Accrued benefit liability	2,777	2,777	—	—	—	—	—
	$ 196,296	$ 22,025	$ 22,652	$ 19,162	$ 14,377	$ 10,356	$ 107,724

As at March 28, 2021, outstanding surety bonds guaranteed by the Company amounted to $357.6 million, representing a increase compared to $357.2 million at December 27, 2020. The estimated maturity dates of the surety bonds outstanding at March 28, 2021 range from April 2021 to December 2026. Management believes that adequate facilities exist to meet projected surety requirements.

The Company has not recorded a liability under these guarantees as management believes that no material events of default exist under any applicable contracts with customers.

Under the Credit Facility, the Company had established a letter of credit sub-facility of $100.0 million. As at March 28, 2021, letters of credit amounting to $11.8 million (December 27, 2020: $11.8 million) remained outstanding as security for the contractual obligations of the Company under the Credit Facility.

The Company has an additional bi-lateral credit facility of £50.0 million ($68.9 million). As at March 28, 2021, letters of credit totaling $29.2 million were outstanding under the bi-lateral credit facility. Additionally, there are $25.3 million of letters of credit outstanding outside of the Credit Facility and the bi-lateral credit facility.

The Company does not have any off-balance sheet arrangement or any material capital asset commitments at March 28, 2021.

Share Option Plan

The Board adopted a Share Option Plan (the “2013 Option Plan”) for NFI on March 21, 2013, under which employees of NFI and certain of its affiliates may receive grants of options for Shares. The 2013 Option Plan was amended and restated on December 8, 2015, December 31, 2018 and August 5, 2020. Directors who are not employed with NFI are not eligible to participate in the 2013 Option Plan. A maximum of 3,600,000 Shares are reserved for issuance under the 2013 Option Plan. The options become vested as to one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

Option Grant dates	Number	Exercised	Expired	Vested	Unvested	Expiry date	Exercise price	Fair Value at grant date
March 26, 2013	490,356	(490,356)	—	—	—	March 26 2021	C$10.20	$1.55
December 30, 2013	612,050	(573,668)	(9,631)	(28,751)	—	December 30, 2021	C$10.57	$1.44
December 28, 2014	499,984	(252,233)	(11,368)	(236,383)	—	December 28, 2022	C$13.45	$1.83
December 28, 2015	221,888	(19,532)	—	(202,356)	—	December 28, 2023	C$26.75	$4.21
September 8, 2016	2,171	—	(2,171)	—	—	September 8, 2024	C$42.83	$8.06
January 3, 2017	151,419	(1,610)	(11,888)	(137,921)	0	January 3, 2025	C$40.84	$7.74
January 2, 2018	152,883	—	(14,331)	(103,919)	34,633	January 2, 2026	C$54.00	$9.53
January 2, 2019	284,674	—	(31,404)	(126,640)	126,630	January 2, 2027	C$33.43	$5.01
July 15, 2019	2,835	—	—	(709)	2,126	July 15, 2027	C$35.98	$4.90
December 31, 2019	519,916	—	(36,603)	(120,834)	362,479	December 31, 2027	C$26.81	$3.36
December 28, 2020	260,833	—	—	—	260,833	December 28, 2028	C$24.70	$6.28
	3,199,009	(1,337,399)	(117,396)	(957,513)	786,701		C$28.65	

The Board adopted a new share option plan on March 12, 2020 (the "2020 Option Plan"), which was approved by shareholders on May 7, 2020, and amended on August 5, 2020, under which employees of NFI and certain of its affiliates may receive grants of options for Shares. Directors who are not employed with NFI are not eligible to participate in the 2020 Option Plan. A maximum of 3,200,000 Shares are reserved for issuance under the 2020 Option Plan. The options become vested as to one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

The following reconciles the Share options outstanding:

	2021 Q1		2020 Q1	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,503,117	C$29.32	1,068,906	C$30.77
Granted during the period	260,833	C$24.70	519,916	C$26.81
Expired during the period	(12,410)	C$37.17	—	C$0.00
Exercised during the period	(7,326)	C$10.20	(8,646)	C$13.45
Balance at end of period	1,744,214	C$28.65	1,580,176	C$29.56

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company’s Restricted Share Unit Plan for Non-Employee Directors, a maximum of 500,000 Shares are reserved for issuance to non-employee directors. The Company issued 9,626 director restricted Share units (“Director RSUs”), with a total value of $191 thousand, in 2021 Q1. Approximately $70 thousand of the issued Director RSUs were exercised and exchanged for 3,692 shares.

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2 to the 2020 Annual Financial Statements.

New and amended standards adopted by the Company

No new or amended standards were adopted by the Company during the period.

Capital Allocation Policy

The Company has established a capital allocation policy based on an operating model intended to provide consistent and predictable cash flow and maintain a strong balance sheet. This policy has established guidelines that are reviewed by the Board on a quarterly basis and provides targets for maintaining financial flexibility, business investment, and return of capital to shareholders.

<u>Maintaining Financial Flexibility</u>

The Company plans to prudently use leverage to manage liquidity risk. Liquidity risk arises from the Company’s financial obligations and from the management of its assets, liabilities and capital structure. This risk is managed by regularly evaluating the liquid financial resources to fund current and long-term obligations, and to meet the Company’s capital commitments in a cost-effective manner.

The main factors that affect liquidity include sales mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of long-term debt obligations, funding requirements of the Company’s pension plans, income taxes, credit capacity, expected future debt and equity capital market conditions.

The Company's liquidity requirements are met through a variety of sources, including cash on hand, cash generated from operations, the credit facilities, leases, and debt and equity capital markets.

On December 23, 2020, the Company amended the Credit Facility and the UK Facility (together the "amended facilities"). The amended facilities provide the Company with relaxed covenants as it recovers from the impacts of the COVID-19 pandemic. Through the amendments, NFI has provided the lenders security on certain of its assets, including a general security agreement on NFI's personal property, but excluding security on real property, until April 3, 2023. The general security agreement is in place until the later of April 3, 2023 or the date on which NFI has delivered two consecutive fiscal quarters with a total leverage ratio at less than 3.75 to 1.

Under the terms of the amended facilities, the total leverage and interest coverage ratios for 2021 and 2022 have been relaxed. During 2021, the Company received a waiver from its lenders regarding the total net leverage covenant and will instead need to comply with a total net leverage ratio that is based on a conservative financial projection for the Company's 2021 fiscal year.

Beginning in 2022, the Company will be required to maintain a total net leverage ratio at follows:

January 3, 2022 - April 3, 2022	<5.00
April 4, 2022 - July 3, 2022	<4.50
July 4, 2022 - October 2, 2022	<4.25
October 3, 2022 and thereafter	<3.75

The Company will also have to comply with a $50 million minimum liquidity covenant at all times until the total net leverage covenant is less than 3.75x, a total net debt to capitalization ratio of less than 0.70:1.00 during 2021, and an interest coverage ratio of at least 2.25x during 2021 and 3.00x beginning in the first quarter 2022. The amended facilities require the dividend payment not exceed the current level.

Adjusted EBITDA is calculated on a rolling last twelve-month basis, provided that for those calculations required on March 28, 2021, the rolling period is calculated as Adjusted EBITDA for the three Fiscal Quarters ending March 28, 2021, December 27, 2020 and September 27, 2020 multiplied by 4/3.

Management believes the Company's cash position, anticipated future revenues, liquidity from credit facilities together with access to equity markets and other borrowings capacity are sufficient to support current operations, dividends and strategic initiatives.

On March 1, 2021, NFI closed a bought-deal equity offering ("Offering") with a syndicate of underwriters pursuant to which NFI issued 8,446,000 common shares at a price of C$29.60 per share for gross proceeds to the Company of C$250 million. The Company immediately used the proceeds of the Offering to reduce the outstanding balances under its credit facilities.

NFI believes that its existing liquidity combined with the additional financial flexibility provided from the Offering will allow it to pursue its operational and strategic goals, such as investments in NFI's zero-emission products and electric propulsion technology, investments required under the previously disclosed NFI Forward cost-reduction initiative and other potential growth opportunities, in addition to continuing to return capital to shareholders through dividends.

The calculation of the financial covenants are provided for information purposes below:

	March 28, 2021	December 27, 2020
Total Leverage Ratio (must be less than 6.65 [2020: 6.25])	4.52	4.90
Interest Coverage Ratio (must be greater than 2.25 [2020: 3.00])	3.90	4.11
Total Net Debt to Capitalization Ratio (must be less than 0.70:1.00 [2020: N/A])	0.54	N/A

US dollars in thousands	**March 28, 2021**	December 27, 2020
Liquidity Position (must be greater than $50 million)	$ 319,029	$ 233,459

The Company remains focused on deleveraging its balance sheet and returning to its target leverage of 2.0x to 2.5x total debt to Adjusted EBITDA. Management had originally expected the Company to return to those levels 18 to 24 months following the acquisition of ADL in May 2019, but the impact of COVID-19 has extended the expected timing of deleveraging. Management now expects to reduce the Company's total leverage to its target leverage of 2.0x to 2.5x total debt to Adjusted EBITDA by the end of 2023 as the recovery from COVID-19 continues, the Company achieves the benefits of the NFI Forward strategic cost reduction initiatives and a Company wide focus on reducing working capital.

Compliance with financial covenants is reviewed monthly by the executive team and reported quarterly to the Board. Other than the requirements imposed by borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise.

Business Investment

The Company plans to invest in the current business for future growth and will continue to invest in common systems and lean manufacturing operations to improve quality and cost effectiveness, while also investing to expand the Company's expertise in ZEB, Infrastructure Solutions™ and Advanced Driver Assistance Systems ("ADAS") and automated vehicles. The Company has made significant investments in its ZEB production capabilities to be prepared for the expected longer-term transition to a more electrified fleet. New Flyer now has the capability to manufacture ZEBs at all of its North American facilities. ADL is the market leader in ZEBs with production capabilities at all of its UK facilities, MCI has invested in model upgrades to generate its first electric coach offering, which has been well received by the market and ARBOC is commencing production of its medium-duty Equess CHARGE™ electric bus in the second half of 2021, subject to completion of Altoona testing. To support customers making the transition to zero-emission fleets, NFI launched its Infrastructure Solutions™ business in 2018. Infrastructure Solutions™ has helped numerous agencies develop and launch infrastructure installation projects.

The Company has a number of autonomous bus projects in development with specialized partners who have a deep understanding of artificial intelligence and ADAS. As part of this program to advance automated and ADAS, on January 29, 2021, NFI announced the launch of the New Flyer Xcelsior AV, North America's first automated Level 4 transit bus. The Company has also made numerous investments into telematics solutions to ensure customers can track detailed performance and maintenance metrics associated with their vehicles.

In addition to internal investments, business acquisitions and partnerships will be considered to further grow and diversify the business and to contribute to the long-term competitiveness and stability of the Company. Investment decisions are based on several criteria, including but not limited to: investment required to maintain or enhance operations; enhancement of cost effectiveness through vertical integration of critical supply and sub-assembly in-sourcing; and acquisitions in current or adjacent markets that are considered accretive to the business.

Return of Capital to Shareholders

The Company intends to have a Share dividend policy that is consistent with the Company`s financial performance and the desire to retain certain cash flows to support the ongoing requirements of the business and to provide the financial flexibility to pursue revenue diversification and growth opportunities.

The Company's 2021 Q1 Free Cash Flow was C$19.4 million compared to declared dividends of C$15.1 million during this period. For 2020 Q1 Free Cash Flow was C$19.8 million compared to declared dividends of C$13.3 million. This resulted in a payout ratio of 77.8% in 2021 Q1 compared to 67.2% in 2020 Q1.

To support cash management efforts while the Company's operations are impacted by COVID-19, in 2020 Q1 the Board reduced the Company's quarterly dividend to C$0.2125 per Share. While the dividend payment was reduced, the continued payment reflects the Board's confidence in the Company's business while maintaining the financial flexibility required to operate during a period of significant economic uncertainty.

On June 12, 2019 the Company announced that the TSX had accepted a notice filed by the Company of its intention to implement a Normal Course Issuer Bid to repurchase its Shares (the "NCIB"). The Company was permitted to repurchase for cancellation up to 5,357,914 Shares, which represented approximately 10% of the outstanding public float as of June 4, 2019. The Company was permitted to repurchase Shares commencing on June 17, 2019 up to June 16, 2020, or earlier should the Company complete its repurchases prior to such date.

There were no shares purchased or canceled under the NCIB. The NCIB expired on June 16, 2020. The Company did not file for another normal course issuer bid to replace the expired NCIB.

Total Capital Distributions to Shareholders (U.S. dollars in millions)		**2021 Q1**		**2020 Q1**
Dividends paid		10.3		20.3
Total	$	10.3	$	20.3

Controls and Procedures

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined under rules adopted by the Canadian Securities Administrators. ICFR were designed under the supervision of, and with the participation of, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). The Company's ICFR are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

On December 15, 2014, management adopted the "Internal Control – Integrated Framework 2013" ("COSO 2013") from the Committee of Sponsoring Organizations of the Treadway Commission, which replaces the previously issued COSO framework, COSO 1992. This new framework necessitated a re-evaluation of the controls that management relies upon to support its conclusions, as well as changes to the Company's testing programs.

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company's ICFR as of December 27, 2020 in accordance with the criteria established in COSO 2013, and concluded that the Company's ICFR are effective.

ICFR, no matter how well designed, have inherent limitations. Therefore, ICFR can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

There have been no changes in our internal control over financial reporting during the quarter ended March 28, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The Company's CEO and CFO have concluded that disclosure controls and procedures as at March 28, 2021 were effective.

Appendix A - Meaning of Certain References

References in this MD&A to the "Company" are to NFI and all of its direct or indirect subsidiaries, including New Flyer Industries Canada ULC ("NFI ULC"), New Flyer of America Inc. ("NFAI"), The Aftermarket Parts Company, LLC ("TAPC"), TCB Enterprises, LLC ("TCB"), KMG Fabrication, Inc. ("KMG"), Carfair Composites Inc. ("CCI") and Carfair Composites USA, Inc. ("CCUI", and together with "CCI", "Carfair"), The Reliable Insurance Company Limited, ARBOC Specialty Vehicles, LLC ("ARBOC"), New MCI Holdings, Inc. and its affiliated entities (collectively, "MCI"), NFI Holdings Luxembourg s.a.r.l., and Alexander Dennis Limited and its affiliated entities (collectively, "ADL") References to "New Flyer" generally refer to NFI ULC, NFAI, TAPC, KMG, CCI, CCUI and TCB. References in this MD&A to "management" are to senior management of NFI and the Company.

The common shares of NFI ("Shares") are traded on the Toronto Stock Exchange ("TSX") under the symbol "NFI". As at March 28, 2021, 70,981,860 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI's annual information form, is available on SEDAR at www.sedar.com.

Buses manufactured by New Flyer and ADL's single and double deck buses are classified as "transit buses". ARBOC manufactures body-on-chassis or "cutaway" and "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, transit buses, medium-duty buses and cutaways, are referred to as "buses".

A "motor coach" or "coach" is a 35-foot to 45-foot over-the-highway bus typically used for intercity transportation and travel over longer distances than heavy-duty transit buses, and is typically characterized by (i) one or two axles in the rear (related to the weight of the vehicle), (ii) high deck floor, (iii) baggage compartment under the floor, (iv) high-backed seats with a coach-style interior (often including a lavatory and underfloor baggage compartments), and (v) no room for standing passengers.

All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motor coaches in service and delivered, is measured in, or based on, "equivalent units". One equivalent unit (or "EU") represents one production slot, being one 30-foot, 35-foot, 40-foot, 45-foot heavy-duty transit bus, one double deck bus, one medium-duty bus, one cutaway bus or one motor coach, whereas one articulated transit bus represents two equivalent units. An articulated transit bus is an extra-long transit bus (approximately 60-feet in length), composed of two passenger compartments connected by a joint mechanism. The joint mechanism allows the vehicle to bend when the bus turns a corner, yet have a continuous interior.

References to "Adjusted ETR" are to the effective tax rate, which is based on current tax rates in the jurisdictions in which NFI operates, anticipated financial results, the Company's corporate structure and the assumption that there will not be significant changes in applicable tax rates in 2021, adjusted for non-recurring and discrete items.

Forward-Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements", within the meaning of applicable Canadian securities laws, which reflect the expectations of management regarding the Company's future growth, financial performance and objectives and the Company's strategic initiatives, plans, business prospects and opportunities, including the duration, impact of and recovery from the COVID-19 pandemic. The words "believes", "views", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates", "guidance", "goals", "objectives" and "targets" and similar expressions of future or conditional verbs such "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 recovery of the Company's markets and the expected benefits to be obtained through its "NFI Forward" initiative) and the Company's financial and operating performance and speak only as of the date of this MD&A. By their very nature, forward-looking statements require management to make assumptions and involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and which 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 performance 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, will not occur or be achieved.

A number of factors that may cause actual results to differ materially from the results discussed in the forward-looking statements include: the Company's business, operating results, financial condition and liquidity may be materially adversely impacted by the ongoing COVID-19 pandemic; funding may not continue to be available to the Company's customers at current levels or at all; the Company's business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for the Company's products and the results of its operations; currency fluctuations could adversely affect the Company's financial results or competitive position; interest rates could change substantially, materially impacting the Company's revenue and profitability; an active, liquid trading market for the Shares may cease to exist, which may limit the ability of shareholders to trade Shares; the market price for the Shares may be volatile; if securities or industry analysts do not publish research or reports about the Company and its business, if they adversely change their recommendations regarding the Shares or if the Company's results of operations do not meet their expectations, the Share price and trading volume could decline; in addition, if securities or industry analysts publish inaccurate or unfavorable research about the Company or its business, the Share price and trading volume of the Shares could decline; competition in the industry and entrance of new competitors; current requirements under “Buy America” regulations may change and/or become more onerous or suppliers’ “Buy America” content may change; failure of the Company to comply with the U.S. Disadvantaged Business Enterprise (“DBE”) program requirements or the failure to have its DBE goals approved by the U.S. Federal Transit Administration; absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience; local content bidding preferences in the United States may create a competitive disadvantage; uncertainty resulting from the exit of the UK from the European Union; requirements under Canadian content policies may change and/or become more onerous; operational risk resulting from inadequate or failed internal processes, people and/or systems or from external events, including fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, floods, technology failures, processing errors, business integration, damage to physical assets, employee safety and insurance coverage; international operations subject the Company to additional risks and costs and may cause profitability to decline; compliance with international trade regulations, tariffs and duties; dependence on limited sources or unique sources of supply; a disruption of the supply of components containing microprocessors and other computer chips could materially adversely affect the production and sale of the Company’s vehicles and certain other products; dependence on supply of engines that comply with emission regulations; a disruption, termination or alteration of the supply of vehicle chassis or other critical components from third-party suppliers could materially adversely affect the sales of certain of the Company’s products; the Company’s profitability can be adversely affected by increases in raw material and component costs; the Company may incur material losses and costs as a result of product warranty costs, recalls and remediation of transit buses and motor coaches; production delays may result in liquidated damages under the Company’s contracts with its customers; catastrophic events may lead to production curtailments or shutdowns; the Company may not be able to successfully renegotiate collective bargaining agreements when they expire and may be adversely affected by labour disruptions and shortages of labour; the Company’s operations are subject to risks and hazards that may result in monetary losses and liabilities not covered by insurance or which exceed its insurance coverage; the Company may be adversely affected by rising insurance costs; the Company may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds and letters of credit required for new contracts; the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability claims; the Company may have difficulty selling pre-owned coaches and realizing expected resale values; the Company may incur costs in connection with regulations relating to axle weight restrictions and vehicle lengths; the Company may be subject to claims and liabilities under environmental, health and safety laws; dependence on management information systems and cyber security risks; the Company’s ability to execute its strategy and conduct operations is dependent upon its ability to attract, train and retain qualified personnel, including its ability to retain and attract executives, senior management and key employees; the Company may be exposed to liabilities under applicable anti-corruption laws and any determination that it violated these laws could have a material adverse effect on its business; the Company’s risk management policies and procedures may not be fully effective in achieving their intended purposes; internal controls over financial reporting, no matter how well designed, have inherent limitations; there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures; ability to successfully execute strategic plans and maintain profitability; development of competitive or disruptive products, services or technology; development and testing of new products or model variants; acquisition risk; reliance on third-party manufacturers; third-party distribution/dealer agreements; availability to the Company of future financing; the Company may not be able to generate the necessary amount of cash to service its existing debt, which may require the Company to refinance its debt; the restrictive covenants in the 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 resulting from the Company's operations being complex and income tax interpretations, regulations and legislation that pertain to its activities are subject to continual change; investment eligibility and Canadian federal income tax risks; certain U.S. tax rules may limit the ability of NF Holdings and its U.S. subsidiaries (the “NF Group”) to deduct interest expense for U.S. federal income tax purposes and may increase the NF Group’s tax liability.

Factors relating to the global COVID-19 pandemic include: the magnitude and duration of the global, national and regional economic and social disruption being caused as a result of the pandemic; the impact of national, regional and local governmental laws, regulations and “shelter in place” or similar orders relating to the pandemic which may materially adversely impact the Company’s ability to continue operations; partial or complete closures of one, more or all of the Company’s facilities and work locations or the reduction of production rates (including due to government mandates and to protect the health and safety of the Company’s employees or as a result of employees being unable to come to work due to COVID-19 infections with respect to them or their family members); production rates may be further decreased as a result of the pandemic; supply delays and shortages of parts and components, and shipping and freight delays, and disruption to labour supply as a result of the pandemic; the pandemic will likely adversely affect operations of customers and reduce and delay, for an unknown period, customers’ purchases of the Company’s products; the anticipated recovery of the Company’s markets in the future may be delayed or increase in demand may be lower than expected as a result of the continuing effects of the pandemic; the Company’s ability to obtain access to additional capital if required; and the Company's financial performance and condition, obligations, cash flow and liquidity and its ability to maintain compliance with the covenants under its credit facilities, which may also negatively impact the ability of the Company to pay dividends. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period, obtain future satisfactory covenant relief under its credit facilities, if required, or access to additional capital or access to government financial support or as to when production operations will return to previous production rates. There is also no assurance that governments will provide continued or adequate stimulus funding during or after the pandemic 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 in the anticipated period of time. The Company cautions that due to the dynamic, fluid and highly unpredictable nature of the pandemic and its impact on global and local economies, businesses and individuals, it is impossible to predict the severity of the impact on the Company's business, operating performance, financial condition and ability to generate sufficient cash flow and maintain adequate liquidity and any material adverse effects could very well be rapid, unexpected and may continue for an extended and unknown period of time.

Factors relating to the Company's "NFI Forward" initiative 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. 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 January 11, 2021 financial guidance (the "Guidance") include the degree to which actual future events accord with, or vary from, the expectations of, and assumptions used by, NFI's management in preparing the Guidance and the Company's ability to successfully execute the "NFI Forward" initiative 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 Annual Information Form for a discussion of the factors that may affect forward-looking statements and information. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements and information. The forward-looking statements and information contained herein are made as of the date of this MD&A (or as otherwise indicated) and, except as required by law, the Company does not undertake to update any forward-looking statement or information, whether written or oral, that may be made from time to time by the Company or on its behalf. The Company provides no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers and investors should not place undue reliance on forward-looking statements and information.

DEFINITIONS OF ADJUSTED EBITDA, ROIC, FREE CASH FLOW, ADJUSTED NET EARNINGS (LOSS), ADJUSTED EARNINGS (LOSS) PER SHARE, WORKING CAPITAL DAYS, REGIONS INCLUDING: NORTH AMERICA, UK AND EUROPE, ASIA PACIFIC, AND OTHER

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

References to "ROIC" are to net operating profit after taxes (calculated as Adjusted EBITDA less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%) divided by average invested capital for the last 12-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).

"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, principal portion of finance lease payments, cash capital expenditures, proceeds from disposition of property, plant and equipment, costs associated with assessing strategic and corporate initiatives, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, defined benefit funding, defined benefit expense, past service costs and other pension costs or recovery, proportion of total return swap, recovery on currency transactions, prior year sales tax provision, non-recurring restructuring costs, extraordinary COVID-19 costs, foreign exchange gain or loss on cash held in foreign currency.

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, prior year sales tax provision, extraordinary COVID-19 costs and non-recurring restructuring costs.

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

References to "Working Capital Days" are to the calculated number of days to covert working capital to cash, calculated by the number of days in a year divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

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

NFI's method of calculating Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share, and Working Capital Days 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.

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.

2021 Appendix B - 2021 First Quarter Order Activity

Demand for Transit Buses and Motor Coaches

The Company's "Bid Universe" metric estimates 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.

As anticipated, NFI's end markets continued to be impacted by COVID-19 in the first quarter of 2021 but showed early signs of recovery. After reaching record highs in the first half of 2020, followed by consecutive quarter-over-quarter declines in the second half 2020, the Company's Active Bids increased by 13.7% from 2020 Q4 to 2021 Q1. Compared to the same period in 2020, Active Bids are down by 16.1%, or 881 EUs, primarily driven by record highs in 2020 Q1. Management expects Active Bids will continue to grow and improve throughout 2021 as markets recover from COVID-19 and new government funding begins to reach transit agencies.

The forecasted five-year industry procurement was down 7.6%, or 1,544 EUs, quarter-over-quarter, and down 20.9%, or 4,968 EUs, from the same period in 2020. The decrease in longer-term forecasts is primarily a result of an increase in active bids, plus transit agencies and operators revisiting their capital plans as they evaluate the impact of COVID-19, new government funding announcements and their zero-emission vehicle strategy. As customers evaluate their electric vehicle transition plans, some procurements for traditional propulsion have slowed. Management anticipates that forecasted five-year industry procurement will increase as transit agencies and operators learn more about and are able to access the multi-billion funding programs announced and being launched by governments in Canada and the U.S. As at 2021 Q1, 6,424 units, or 27.5%, of the Total Bid Universe is ZEBs.

The Bid Universe EUs fluctuate significantly from quarter-to-quarter based on public tender activity procurement and award processes.

	Bids in Process (EUs)	Bids Submitted (EUs)	Active EUs	Forecasted Industry Procurement over 5 Years (EUs)(1)	Total Bid Universe (EUs)
2020 Q1	2,005	3,461	5,466	23,770	29,236
2020 Q2	2,975	4,374	7,349	22,089	29,438
2020 Q3	1,927	4,294	6,221	19,280	25,501
2020 Q4	297	3,735	4,032	20,346	24,378
2021 Q1	**1,532**	**3,053**	**4,585**	**18,802**	**23,387**

(1) Management's estimate of anticipated future industry procurement over the next five years is based on direct discussions with select U.S. and Canadian transit authorities. This estimate includes potential public customers activity for New Flyer and MCI vehicles, but excludes potential ARBOC and ADL U.S. and Canadian sales.

Procurement of heavy-duty transit buses and motor coaches by the U.S. and Canadian public sector is typically accomplished through formal multi-year contracts and purchasing schedules (state and national contracts, agency purchasing contracts), while procurement by the private sector, in North America, the UK and Europe and Asia Pacific is typically made on a transactional basis. As a result, the Company does not maintain a Bid Universe for private sector buses and coaches.

The sale of cutaway and medium-duty buses manufactured by ARBOC is accomplished on a transactional purchase order basis through non-exclusive third-party dealers who hold contracts directly with the customers. Bids are submitted by and agreements are held with a network of dealers. Cutaway and medium-duty bus activity therefore is not included in the Bid Universe metric.

ADL does not currently have a Bid Universe metric for the UK and European or Asia Pacific markets similar to New Flyer and MCI's North American Bid Universe. Management does not believe a similar Bid Universe metric for those markets is suitable given that the majority of customers in those regions are private operators who make annual purchase decisions. The overall UK market declined from 2015 to 2019, and was expected to remain relatively flat in 2020 prior to the occurrence of the pandemic. The UK market was hit disproportionately hard by the COVID-19 pandemic, with bus patronage down by nearly 80% at its worst point in 2020, and overall deliveries down by 24%. We expect to see a slow recovery in 2021 due to customers' fleet recovery plans, a government focus on the green recovery, and an aging vehicle fleet. In the UK and Ireland, overall market volume for transit buses was 46% lower in 2021 Q1 than in 2020 Q1. Year-over-year performance is expected to improve in the coming months as the effect of the pandemic is reflected in the 2020 numbers; however, management expects that the numbers will continue to fall short of pre-pandemic levels throughout 2021. In Asia Pacific, the Hong Kong market is highly cyclical, and, following busier periods in 2015 through 2018, the market has declined as expected. As in other regions, Hong Kong was also impacted by the COVID-19 pandemic, but ADL remains the leader in double-deck buses and retains deep customer relationships in Hong Kong. Management expects the market to see stable annual deliveries and a slow recovery through 2021. New Zealand and Singapore remain cyclical markets; both markets saw increased activity in 2017, 2018 and 2019, but were also impacted by the COVID-19 pandemic, with expectations for recovery in 2021.

Order activity

New orders (firm and options) during 2021 Q1 totaled 1,212 EUs, a decrease of 10.0% from 2020 Q1 and an increase of 21.4% from 2020 Q4. The new firm and option orders awarded to the Company for LTM 2021 Q1 were 3,385 EUs, a decrease of 15.7% from LTM 2020 Q1. The Company was successful at converting 277 EUs of options to firm orders during 2021 Q1, an increase of 99.3% from 2020 Q1 and an increase of 62.0% from 2020 Q4. These conversions contributed to the 1,091 EUs of options converted to firm orders during LTM 2021 Q1, a decline of 28.7% from LTM 2020 Q1. These LTM declines were primarily related to the impact of COVID-19 on order activity.

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2020 Q1	1,346	4,014	139	1,531
2020 Q2	491	4,031	401	1,582
2020 Q3	684	3,680	242	1,595
2020 Q4	998	3,519	171	953
2021 Q1	**1,212**	**3,385**	**277**	**1,091**

Options

In 2021 Q1, 108 option EUs expired, compared to 120 option EUs that expired during 2020 Q4 and 163 EUs that expired in 2020 Q1.

A significant number of public transit contracts in the U.S. and Canada have a term of three to five years. In addition, some contracts in the UK and APAC also have multi-year terms. The table below shows the number of option EUs that have either expired or have been exercised annually over the past five years, as well as the current backlog of options that will expire each year if not exercised.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
A) Options Expired (EUs)	550	331	741	512	1,202	108						3,444
B) Options Exercised (EUs)	2,064	1,404	1,795	1,518	953	277						8,011
C) Current Options by year of expiry (EUs)						1,235	2,126	665	115	582	556	5,279
D) Conversion rate % = B / (A+B)	**79 %**	**81 %**	**71 %**	**75 %**	**44 %**							

The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis.

In addition to contracts for identified public customers, the Company has increased focus on purchasing schedules (state and national contracts, cooperative agency purchasing agreements) with the objective of having multiple available schedules from which customers within a prescribed region or defined list can purchase. The Company is currently named on over 20 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer purchases a bus under one of these agreements, the purchase is recorded as a firm order. The Company has received more than 600 vehicle awards from these schedules since 2018 showing their growing use by transit agencies as a procurement avenue in North America.

The Company's LTM 2021 Q1 Book-to-Bill ratio (defined as new firm orders and exercised options divided by new deliveries) was 85.4%, a decrease of just 0.6% from 86.0% for LTM 2020 Q1.

In addition, 474 EUs of new firm and option orders were pending from customers at the end of 2021 Q1, where approval of the award to the Company had been made by the customer’s board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog.

Backlog

The Company's total backlog consists of buses sold primarily to U.S. and Canadian public customers and private operators in the UK and Europe. The majority of the backlog relates to New Flyer transit buses for public clients with some of the backlog consisting of units from MCI, ADL and ARBOC. Options for ARBOC vehicles are held by dealers, rather than the operator, and are not included as options in the NFI backlog, but are converted to firm backlog when vehicles are ordered by the dealer.

Transit buses and motor coaches incorporating clean propulsion systems, including compressed natural gas, diesel-electric hybrid, and ZEBs, which consist of trolley-electric, fuel cell-electric, and battery-electric buses represent approximately 36.1% of the total backlog as of the end of 2021 Q1, slightly up from 34.5% as of the end of 2020 Q4.

There were 1,568 ZEBs in the backlog as at the end of 2021 Q1, representing approximately 18.2% of the total backlog, up from 5.8% as of the end of 2020 Q4.

	2021 Q1			2020 Q4			2020 Q1		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	3,240	5,264	8,504	3,662	5,220	8,882	4,224	6,518	10,742
New orders	812	400	1,212	663	335	998	1,065	281	1,346
Options exercised	277	(277)	0	171	-171	0	139	-139	0
Shipments[(1)]	(955)	—	(955)	(1,230)	—	(1,230)	(1,279)	—	(1,279)
Cancelled/expired	(67)	(108)	(175)	(26)	(120)	(146)	(67)	(163)	(230)
End of period	**3,307**	**5,279**	**8,586**	**3,240**	**5,264**	**8,504**	**4,082**	**6,497**	**10,579**
Consisting of:									
Heavy-duty transit buses	2,471	4,767	7,238	2,271	4,730	7,001	3,150	5,683	8,833
Motor coaches	503	512	1,015	621	534	1,155	564	814	1,378
Cutaway and medium-duty buses	333	—	333	348	—	348	368	—	368
Total Backlog	**3,307**	**5,279**	**8,586**	**3,240**	**5,264**	**8,504**	**4,082**	**6,497**	**10,579**

(1) Shipments do not include delivery of pre-owned coaches as these coaches are not included in the backlog.

At the end of 2021 Q1, the Company's total backlog (firm and options) of 8,586 EUs (valued at $4.4 billion) has increased compared to 8,504 EUs (valued at $4.3 billion) at the end of 2020 Q4. The increase was driven by new awards within North American and UK transit operations offset by cancellations and shipments. The summary of the values is provided below.

	2021 Q1		2020 Q4		2020 Q1	
		Equivalent Units		Equivalent Units		Equivalent Units
Total firm orders	$ 1,714.4	3,307	$ 1,631.5	3,240	$ 1,833.9	4,082
Total options	2,640.4	5,279	2,706.3	5,264	3,278.1	6,497
Total backlog	**$ 4,354.8**	**8,586**	**$ 4,337.8**	**8,504**	**$ 5,112.0**	**10,579**

Unaudited Interim Condensed Consolidated Financial Statements of

NFI GROUP INC.

March 28, 2021

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13-Weeks ended March 28, 2021 ("2021 Q1") and 13-Weeks ended March 29, 2020 ("2020 Q1")
(in thousands of U.S. dollars except per share figures)

	2021 Q1	2020 Q1
Revenue (note 14)	$ 574,119	$ 710,384
Cost of sales (note 4)	488,285	626,699
Gross profit	85,834	83,685
Sales, general and administration costs and other operating expenses	57,268	59,457
Foreign exchange loss (gain)	1,650	(1,156)
Impairment loss on goodwill	—	50,790
Earnings (loss) from operations	26,916	(25,406)
Gain (loss) on disposition of property, plant and equipment	355	(163)
Unrealized foreign exchange (loss) gain on non-current monetary items	(2,529)	43
Earnings (loss) before interest and income taxes	24,742	(25,526)
Interest and finance costs		
Interest on long-term debt	12,823	11,081
Accretion in carrying value of long-term debt (note 9)	1,117	226
Interest expense on lease liability	1,680	1,894
Other interest and bank charges	2,175	1,456
Fair market value (gain) loss on interest rate swap	(7,672)	22,478
	10,123	37,135
Earnings (loss) before income tax expense	14,619	(62,661)
Income tax expense (note 8)	7,586	4,578
Net earnings (loss) for the period	$ 7,033	$ (67,239)
Other comprehensive income (loss)		
Actuarial gain on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	12,983	2,258
Unrealized foreign exchange gain (loss) on translation of foreign operations	5,150	(21,307)
Total comprehensive income (loss) for the period	$ 25,166	(86,288)
Net earnings (loss) per share (basic) (note 11)	$ 0.11	$ (1.08)
Net earnings (loss) per share (diluted) (note 11)	$ 0.11	$ (1.08)

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

NFI GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 28, 2021
(in thousands of U.S. dollars)

	March 28, 2021	December 27, 2020
Assets		
Current		
Cash	$ 23,063	$ 55,769
Accounts receivable (note 3, 13d)	425,924	426,408
Inventories (note 4)	640,197	657,036
Income tax receivable	15,610	18,759
Derivative financial instruments (note 13 b,c)	2,051	4,490
Prepaid expenses and deposits	15,497	13,308
	1,122,342	1,175,770
Property, plant and equipment	233,089	232,150
Right-of-use asset	128,117	133,373
Goodwill and intangible assets	1,173,257	1,177,381
Accrued benefit asset	4,941	319
Other long-term assets (note 5)	37,904	36,922
	$ 2,699,650	$ 2,755,915
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 417,021	$ 523,461
Derivative financial instruments (note 13 b,c)	650	1,078
Current portion of long-term liabilities (note 6)	126,136	148,610
	543,807	673,149
Accrued benefit liability	8,870	21,061
Obligations under leases	129,476	130,674
Deferred compensation obligation	4,893	3,234
Deferred revenue	15,102	15,608
Provisions (note 7)	62,118	56,605
Deferred tax liabilities	76,612	76,689
Derivative financial instruments (note 13 b,c)	25,396	33,069
Long-term debt (note 9)	1,008,733	1,125,685
	$ 1,875,007	$ 2,135,774
Commitments and contingencies (note 15)		
Shareholders' equity		
Share capital (note 10)	872,099	681,405
Stock option and restricted share unit reserve	9,035	8,400
Accumulated other comprehensive income (loss)	17,021	(1,113)
Deficit	(73,512)	(68,551)
	$ 824,643	$ 620,141
	$ 2,699,650	$ 2,755,915

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended March 28, 2021

(in thousands of U.S. dollars)

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive (Loss) Income	Retained (Deficit) Earnings	Total Shareholders' Equity
Balance, December 29, 2019	**$ 680,962**	**$ 6,828**	**$ 769**	**$ 128,639**	**$ 817,198**
Net loss	—	—	—	(67,239)	(67,239)
Other comprehensive loss	—	—	(19,050)	—	(19,050)
Dividends declared on common shares	—	—	—	(9,504)	(9,504)
Share-based compensation, net of deferred income taxes	—	82	—	—	82
Shares issued	185	(89)	—	—	96
Balance, March 29, 2020	**$ 681,147**	**$ 6,821**	**$ (18,281)**	**$ 51,896**	**$ 721,583**
Net loss	—	—	—	(90,497)	(90,497)
Other comprehensive income	—	—	17,168	—	17,168
Dividends declared on common shares	—	—	—	(29,950)	(29,950)
Share-based compensation, net of deferred income taxes	—	1,849	—	—	1,849
Shares issued	258	(270)	—	—	(12)
Balance, December 27, 2020	**$ 681,405**	**$ 8,400**	**$ (1,113)**	**$ (68,551)**	**$ 620,141**
Net earnings	—	—	—	7,033	7,033
Other comprehensive income	—	—	18,134	—	18,134
Dividends declared on common shares	—	—	—	(11,994)	(11,994)
Equity transaction cost	(8,228)	—	—	—	(8,228)
Share-based compensation, net of deferred income taxes	—	707	—	—	707
Shares issued	198,922	(72)	—	—	198,850
Balance, March 28, 2021	**$ 872,099**	**$ 9,035**	**$ 17,021**	**$ (73,512)**	**$ 824,643**

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the 13-Weeks ended March 28, 2021 ("2021 Q1") and 13-Weeks ended March 29, 2020 ("2020 Q1")

(in thousands of U.S. dollars)

	2021 Q1	2020 Q1
Operating activities		
Net earnings (loss) for the period	$ 7,033	$ (67,239)
Income tax expense	7,586	4,578
Depreciation of plant and equipment	16,364	17,587
Amortization of intangible assets	8,200	12,553
Share-based compensation	650	14
Interest and finance costs recognized in profit or loss	10,123	37,135
Fair value adjustment for total return swap	(438)	1,970
Unrealized foreign exchange loss (gain) on non-current monetary items	2,529	(43)
Foreign exchange loss (gain) on cash held in foreign currency	33	(47)
Impairment loss on goodwill	—	50,790
(Gain) loss on disposition of property, plant and equipment	(355)	163
Impairment loss on right-of-use asset	1,792	—
Defined benefit expense	1,875	1,491
Defined benefit funding	(1,049)	(1,520)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	54,343	57,432
Changes in non-cash working capital items (note 12)	(114,223)	(46,208)
Cash generated from operating activities before interest and income taxes paid	(59,880)	11,224
Interest paid	(18,654)	(15,706)
Income taxes paid	(9,131)	(11,901)
Net cash used in operating activities	(87,665)	(16,383)
Financing activities		
Repayment of obligations under lease	(7,045)	(3,074)
(Repayment of) proceeds from long-term debt	(114,412)	56,805
Share issuance	198,850	96
Equity transaction cost	(8,228)	—
Dividends paid	(10,325)	(20,312)
Net cash generated from financing activities	58,840	33,515
Investing activities		
Proceeds from disposition of property, plant and equipment	2,314	100
Investment in long-term restricted deposits	(463)	(15,510)
Acquisition of property, plant and equipment	(5,699)	(7,573)
Net cash used in investing activities	(3,848)	(22,983)
Effect of foreign exchange rate on cash	(33)	47
Decrease in cash	(32,706)	(5,804)
Cash — beginning of period	55,769	28,233
Cash — end of period	$ 23,063	$ 22,429

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

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

1. CORPORATE INFORMATION

NFI Group Inc. (“NFI” or the “Company”) was incorporated on June 16, 2005 as New Flyer Industries Inc. under the laws of the Province of Ontario. The name of the Company was changed to "NFI Group Inc." on May 14, 2018 to better reflect the multi-platform nature of the Company's business. 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™ (aftermarket parts sales). The Company’s common shares (the “Shares”) are listed on the Toronto Stock Exchange (“TSX”) under the symbol “NFI”.

These unaudited interim condensed consolidated financial statements (the "Statements") were approved by the Company's board of directors (the "Board") on May 5, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Statement of Compliance

The Statements are unaudited and have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all the information required for annual financial statements.

2.2 Basis of preparation

The Statements were prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) which require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

2.3 Principles of consolidation

The Statements include the accounts of the Company's subsidiaries.

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company holds 100% of the voting rights in, and therefore controls, its subsidiaries.

Inter-company transactions between subsidiaries are eliminated on consolidation.

2.4 Fiscal Periods

	Period from December 28, 2020 to January 2, 2022 (“Fiscal 2021”)			Period from December 30, 2019 to December 27, 2020 (“Fiscal 2020”)		
	Period End Date		# of Calendar Weeks	Period End Date		# of Calendar Weeks
Quarter 1	March 28, 2021	("2021 Q1")	13	March 29, 2020	("2020 Q1")	13
Quarter 2	June 27, 2021	("2021 Q2")	13	June 28, 2020	("2020 Q2")	13
Quarter 3	September 26, 2021	("2021 Q3")	13	September 27, 2020	("2020 Q3")	13
Quarter 4	January 2, 2022	("2021 Q4")	14	December 27, 2020	("2020 Q4")	13
Fiscal year	January 2, 2022		53	December 27, 2020		52

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Translation of unrealized foreign exchange gains on translation of foreign operations

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in U.S. dollars as this presentation is most meaningful to financial statement users. References to "$" are to U.S. dollars, references to "C$" are to Canadian dollars and references to "£" are to British pounds sterling ("GBP"). For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange gains (losses) on translation of foreign operations in other comprehensive income (loss).

3. ACCOUNTS RECEIVABLE

		March 28, 2021		December 27, 2020
Trade, net of allowance for doubtful accounts	$	373,857	$	383,086
Other		52,067		43,322
	$	425,924	$	426,408

4. INVENTORIES

		March 28, 2021		December 27, 2020
Raw materials	$	265,286	$	299,476
Work in process		211,780		216,311
Finished goods		163,131		141,249
	$	640,197	$	657,036

		2021 Q1		2020 Q1
Cost of inventories recognized as expense and included in cost of sales	$	463,324	$	618,795
Write-down of inventory to net realizable value in cost of sales		942		1,591
Reversals of a previous write-down in inventory		—		403

5. OTHER LONG-TERM ASSETS

		March 28, 2021		December 27, 2020
Long-term restricted deposit (note 15c)	$	30,463	$	30,000
Long-term accounts receivable		7,441		5,113
Non-current asset held for sale		—		1,809
	$	37,904	$	36,922

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

6. CURRENT PORTION OF LONG TERM LIABILITIES

		March 28, 2021		December 27, 2020
Deferred revenue	$	83,784	$	99,454
Provisions (note 7)		19,890		28,208
Deferred compensation obligation		1,385		1,045
Obligations under leases		21,077		19,903
	$	126,136	$	148,610

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

7. PROVISIONS

The Company's insurance risk retention meets the IFRS definition of provisions, a liability with uncertain timing or amount.

The restructuring provision consists of employee termination benefits associated with the "NFI Forward" restructuring initiative that was announced on July 27, 2020 (note 17).

The Company generally provides its customers with a base warranty on the entire transit bus or motor coach and a corrosion warranty on the related structure. The movements in the provisions are as follows:

	Insurance Risk Retention	Restructuring	Warranty	Total
December 29, 2019	$ 27,497	—	63,997	91,494
Additions	6,352	20,102	39,889	66,343
Amounts used/realized	(8,137)	(15,184)	(41,045)	(64,366)
Unused provision	(2,533)	(1,401)	(5,163)	(9,097)
Unwinding of discount and effect of changes in the discount rate	—	—	60	60
Exchange rate differences	—	189	190	379
December 27, 2020	$ 23,179	3,706	$ 57,928	$ 84,813
Additions	2,191	—	7,964	10,155
Amounts used/realized	(1,108)	(2,051)	(9,578)	(12,737)
Unused provision	—	(654)	—	(654)
Unwinding of discount and effect of changes in the discount rate	—	—	(3)	(3)
Exchange rate differences	(2)	38	398	434
	24,260	1,039	56,709	82,008
Less current portion	3,000	1,039	15,851	19,890
March 28, 2021	$ 21,260	$ —	$ 40,858	$ 62,118

8. INCOME TAX EXPENSE

The income tax expense for 2021 Q1 was $7.6 million compared to $4.6 million in 2020 Q1. The increase in the overall income tax expense is primarily due to increased earnings before taxes.

The Effective Tax Rate ("ETR") for 2021 Q1 was 51.9% and the ETR for 2020 Q1 was (7.3)%. The ETR is negatively impacted by the U.S. base erosion and anti-abuse tax (BEAT) and a write-off of unapplied foreign tax credits.

9. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value March 28, 2021**	Net Book Value December 27, 2020
Revolving Credit Facility, Secured (“Credit Facility”)	941,852	2,166	939,686	1,060,847
Revolving Credit Facility, Secured ("UK Facility")	69,285	238	69,047	64,838
	1,011,137	2,404	1,008,733	1,125,685

The Credit Facility has a total borrowing limit of $1.250 billion, which includes a $100 million letter-of-credit facility and a $250 million accordion feature. $11.8 million of outstanding letters-of-credit were drawn against the Credit Facility at March 28, 2021. The Credit Facility bears interest at a rate equal to LIBOR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates and matures on August 2, 2024.

On May 4, 2020 NFI entered into the £50 million secured, revolving UK Facility to support ADL's operations in the UK. The facility has a two year term with options to extend. Amounts drawn under the UK Facility bear interest at a rate equal to LIBOR plus an applicable margin. The UK Facility matures on May 4, 2022.

10. SHARE CAPITAL

	March 28, 2021	December 27, 2020
Authorized - Unlimited		
Issued - 70,981,860 Common Shares (December 27, 2020: 62,524,842)	$ 872,099	$ 681,405

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

Shares	Number (000s)	Net Book Value
Balance – December 27, 2020	62,525	$ 681,405
Stock options exercised	7	59
Restricted share units exercised	4	72
Issuance of shares	8,446	190,563
Balance – March 28, 2021	70,982	$ 872,099

On March 1, 2021, NFI closed a bought-deal equity offering with a syndicate of underwriters pursuant to which NFI issued 8,446,000 common shares at a price of C$29.60 per share for gross proceeds to the Company of C$250 million. Net proceeds of the offering were $190.6 million.

11. EARNINGS PER SHARE

	2021 Q1	2020 Q1
Net earnings (loss) attributable to equity holders	$ 7,033	$ (67,239)
Weighted average number of Shares in issue	65,036,019	62,499,060
Add: net incremental Shares from assumed conversion of stock options, exercise of restricted share units and share issuance	253,681	—
Weighted average number of Shares for diluted earnings per Share	65,289,700	62,499,060
Net earnings (loss) per Share (basic)	$ 0.1081	$ (1.0758)
Net earnings (loss) per Share (diluted)	$ 0.1077	$ (1.0758)

Basic earnings per Share is calculated by dividing the net earnings (loss) attributable to equity holders of the Company by the weighted average number of Shares outstanding during the period.

Diluted earnings per Share is calculated using the same method as basic earnings per Share except that the average number of Shares outstanding includes the potential dilutive effect of outstanding stock options and restricted share units granted by the Company, as determined by the treasury stock method.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash outflow	2021 Q1	2020 Q1
Accounts receivable	$ 484	$ 84,893
Income tax receivable	—	2,112
Inventories	12,469	(78,857)
Prepaid expenses and deposits	(2,189)	(1,604)
Accounts payable and accrued liabilities	(106,440)	(43,766)
Deferred revenue	(16,175)	2,080
Provisions	(2,814)	(606)
Other	442	(10,460)
	$ (114,223)	$ (46,208)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial Instruments

The Company has made the following classifications:

Cash	Fair value through profit or loss
Long-term deposit	Fair value through profit or loss
Receivables	Amortized cost
Deposits	Amortized cost
Accounts payables and accrued liabilities	Amortized cost
Other long-term liabilities	Amortized cost
Long-term debt	Amortized cost
Derivative financial instruments	Fair value through profit or loss

(b) Fair value measurement of financial instruments

The Company categorizes its fair value measurements of financial instruments recorded at fair value according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 - fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 - fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable market data.

Level 3 - fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable data, including assumptions about risk.

The following table presents the carrying amounts and fair values of financial liabilities and financial assets, including their levels in the fair value hierarchy. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	March 28, 2021				
	Fair value level		Carrying amount		Fair value
Financial assets recorded at fair value					
Cash	Level 1	$	23,063	$	23,063
Long-term restricted deposit	Level 1	$	30,463	$	30,463
Foreign exchange forward contracts	Level 2	$	2,051	$	2,051
Derivative financial instrument assets - current		$	2,051	$	2,051
Financial liabilities recorded at fair value					
Total return swap contracts	Level 2	$	650	$	650
Derivative financial instrument liabilities - current		$	650	$	650
Interest rate swap	Level 2	$	25,396	$	25,396
Derivative financial instrument liabilities - long term		$	25,396	$	25,396

	December 27, 2020				
	Fair value level		Carrying amount		Fair value
Financial assets recorded at fair value					
Cash	Level 1	$	55,769	$	55,769
Long-term restricted deposit	Level 1	$	30,000	$	30,000
Foreign exchange forward contracts	Level 2	$	4,490	$	4,490
Derivative financial instrument assets - current		$	4,490	$	4,490
Financial liabilities recorded at fair value					
Total return swap contracts	Level 2	$	1,078	$	1,078
Derivative financial instrument liabilities - current		$	1,078	$	1,078
Interest rate swap	Level 2	$	33,069	$	33,069
Derivative financial instrument liabilities - long term		$	33,069	$	33,069

(c) Risk Management

The Company uses derivative financial instruments including interest rate swaps, total return swaps and forward foreign exchange contracts. These instruments are financial contracts whose value depends on interest rates, share price and foreign currency prices.

The use of derivatives allows the transfer, modification and reduction of current and expected risks, including interest rate, share price, foreign exchange and other market risks. The Company uses derivative financial instruments to manage interest rate, share price and foreign exchange risks in accordance with its risk management policies. Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of any derivatives that are not designated as hedges for accounting purposes are recognized within “interest and finance costs” or “unrealized foreign exchange loss (gain) on non-current monetary items” in the unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive income (loss) consistent with the underlying nature and purpose of the derivative instruments.

On February 13, 2019, the Company entered into a $600 million amortizing notional interest rate swap designed to hedge floating rate exposure on the Credit Facility. The interest rate swap fixes the interest rate at 2.27% plus applicable margin until October 2023 and amortizes at a rate of $20 million per annum. This interest rate swap currently covers $560 million of the Company's Credit Facility exposure.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

On July 9, 2020, the Company entered into a $200 million amortizing notional interest rate swap designed to hedge floating rate exposure on its Credit Facility. The interest rate swap fixes the interest rate at 0.243% plus applicable margin until July 2025. The swap begins amortizing on December 9, 2022 at a rate of $20 million per annum.

The Company entered into a total return swap transaction to hedge the exposure associated with increases in its share value on a portion of the outstanding performance share units, restricted share units, and deferred share units. The total return swap has a re-investment feature which increases the number of Shares in the swap when dividends are paid by the Company. As at March 28, 2021 the Company held a position of 247,803 Shares at a weighted average price of C$30.08. The Company does not apply hedge accounting to these derivative instruments and as such, gains and losses arising from marking these derivatives to market are recognized in net earnings in the period in which they arise.

At March 28, 2021, the Company had $107.2 million of foreign exchange forward contracts to buy currencies in which the Company operates with U.S. dollars, Canadian dollars, or GBP. These foreign exchange contracts range in expiry dates from April 2021 to December 2021. The related asset of $2.1 million (December 27, 2020: $4.5 million) is recorded on the unaudited interim condensed consolidated statements of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive income (loss).

(d) Liquidity Management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At March 28, 2021, the Company had a cash balance of $23.1 million (December 27, 2020: $55.8 million), $942 million under the Credit Facility due in 2024 (December 27, 2020: $1.063 billion), $69.3 million under the UK Facility due in 2022 (December 27, 2020: $65.1 million), and $11.8 million of outstanding letters of credit (December 27, 2020: $11.8 million). In addition, there are $54.5 million of the letters of credit outstanding outside of the Credit Facility. The Credit Facility has a total borrowing limit of $1.250 billion, which includes a $100 million letter-of-credit facility and a $250 million accordion feature. The UK Facility has a total borrowing limit of £50.0 million. The liquidity position as at March 28, 2021 is $319.0 million.

The Company's principal sources of funds are cash generated from its operating activities, share issuances and borrowing capacity remaining under the credit facilities. Management believes these sources of funds together with access to equity markets and other borrowings will provide NFI with sufficient liquidity and capital resources to meet its current and future financial obligations as they come due, as well as to provide funds for its financing requirements, capital expenditures and other needs for the foreseeable future.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at March 28, 2021:

US dollars in thousands	Total	2021	2022	2023	2024	2025	Post 2025
Leases	193,519	19,248	22,652	19,162	14,377	10,356	107,724
Accrued benefit liability	2,777	2,777	—	—	—	—	—
	$ 196,296	$ 22,025	$ 22,652	$ 19,162	$ 14,377	$ 10,356	$ 107,724

Credit risk

Financial instruments which potentially subject the Company to credit risk and concentrations of credit risk consist principally of cash, accounts receivable and derivative financial instruments. Management has assessed that the credit risk associated with accounts receivable is mitigated by the significant proportion for which the counterparties are well-established transit authorities.

Additionally, up to 80% of the capital cost of new transit buses and coaches sold to public transit authorities and municipalities in the United States typically come from the U.S. Federal Transit Administration, while the remaining 20% comes from state and municipal sources. The maximum exposure to the risk of credit for accounts receivable corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the customer base being principally comprised of municipal and other local transit authorities. During Q1 2021, the Company recorded a bad debt expense of $85 as compared to $69 bad debt expense in Q1 2020.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive income (loss) within "sales, general and administration costs and other operating expenses". When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against "sales, general and administration costs and other operating expenses":

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

		March 28, 2021		December 27, 2020
Current, including holdbacks	$	383,158	$	380,328
Past due amounts but not impaired				
1 – 60 days		33,982		39,988
Greater than 60 days		9,651		7,081
Less: Allowance for doubtful accounts		(867)		(989)
Total accounts receivables, net	$	425,924	$	426,408

As at March 28, 2021, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

The counterparties to the Company's derivatives are significant financial institutions. The Company could be exposed to loss in the event of non-performance by the counterparty; however, credit ratings and concentration of risk of the financial institutions are monitored on a regular basis.

On December 23, 2020, the Company amended the Credit Facility and the UK Facility (together the "amended facilities"). The amended facilities provide the Company with relaxed covenants as it recovers from the impacts of the COVID-19 pandemic. Through the amendments, NFI has provided the lenders security on certain of its assets, including a general security agreement on NFI's personal property, but excluding security on real property, until April 3, 2023. The general security agreement is in place until the later of April 3, 2023 or the date on which NFI has delivered two consecutive fiscal quarters with a total leverage ratio at less than 3.75 to 1.

Under the terms of the amended facilities, the total leverage and interest coverage ratios for 2021 and 2022 have been relaxed. During 2021, the Company received a waiver from its lenders regarding the total net leverage covenant and will instead need to comply with a total net leverage ratio that is based on a financial projection for the Company’s 2021 fiscal period.

Beginning in 2022, the Company will be required to maintain a total net leverage ratio as follows:

January 3, 2022 - April 3, 2022	<5.00
April 4, 2022 - July 3, 2022	<4.50
July 4, 2022 - October 2, 2022	<4.25
October 3, 2022 and thereafter	<3.75

The total leverage ratio uses Adjusted EBITDA, as defined in the associated management discussion and analysis, which is calculated on a rolling last twelve-month basis, provided that for those calculations required on March 28, 2021, the rolling period is calculated as Adjusted EBITDA for the three Fiscal Quarters ending March 28, 2021, December 27, 2020 and September 27, 2020 multiplied by 4/3.

The Company will also have to comply with a $50 million minimum liquidity covenant at all times until the total net leverage covenant is less than 3.75x, a total net debt to capitalization ratio of less than 0.70:1.00 during 2021, and an interest coverage ratio of at least 2.25x during 2021 and 3.00x beginning in the first quarter 2022. The amended facilities require the dividend payment not exceed the current level.

Through the amendments, NFI has provided the lenders security on certain of its assets, including a general security agreement on NFI's personal property, but excluding security on real property, until April 3, 2023. The general security agreement is in place until the later of April 3, 2023 or the date on which NFI has delivered two consecutive fiscal quarters with a total leverage ratio at less than 3.75 to 1.

Management believes the Company’s cash position, anticipated future revenues, liquidity from credit facilities, together with access to equity markets and other borrowings are sufficient to support current operations, dividends and strategic initiatives.

The calculation of the financial covenants at March 28, 2021 are provided below. As at March 28, 2021, the Company was in compliance with the requirements.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	March 28, 2021	December 27, 2020
Total Leverage Ratio (must be less than 6.65 [2020: 6.25])	4.52	4.90
Interest Coverage Ratio (must be greater than 2.25 [2020: 3.00])	3.90	4.11
Total Net Debt to Capitalization Ratio (must be less than 0.70:1.00 [2020: N/A])	0.54	N/A

US dollars in thousands	**March 28, 2021**	December 27, 2020
Liquidity Position (must be greater than $50 million)	$ 319,029	$ 233,459

Compliance with financial covenants is reported quarterly to the Board. Other than the requirements imposed by borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise.

(e) Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate return to shareholders and to maintain a capital structure that provides the flexibility to take advantage of growth and development opportunities, maintain existing assets, meet financial obligations and enhance the value of the Shares. The capital structure of the Company consists of cash, long-term debt, other long-term liabilities and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Company may issue additional Shares, repurchase Shares, borrow additional funds or refinance debt at different terms and conditions.

14. SEGMENT INFORMATION

The Company has two reportable segments which are the Company's strategic business units: Manufacturing Operations and Aftermarket Operations. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Company's President and CEO reviews internal management reports on a monthly basis.

The Manufacturing Operations segment derives its revenue from the manufacture, service and support of new transit buses, coaches, medium-duty and cutaway buses. Based on management's judgment and applying the aggregation criteria in IFRS 8.12, the Company's bus/coach manufacturing operations and medium-duty/cutaway manufacturing operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution, geographic market and regulatory environment.

The Manufacturing Operations segment has recorded vendor rebates of $777 (2020 Q1: $1,488), which have been recognized into earnings during 2021, but for which the full requirements for entitlement to these rebates have not yet been met.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses, coaches and medium-duty/cutaway buses.

There is no inter-segment revenue. Unallocated items in the consolidated earnings before income taxes primarily include unrealized foreign exchange gains or losses, interest and finance costs and corporate overhead costs.

The unallocated total assets of the Company primarily include cash, certain goodwill and intangible assets, and derivative financial instruments. Corporate assets that are shared by both operating segments are allocated fully to the Manufacturing Operations segment.

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

14. SEGMENT INFORMATION (Continued)

Segment information about profits and assets is as follows:

	2021 Q1			
	Manufacturing Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 459,196	$ 114,923	—	$ 574,119
Operating costs and expenses	443,199	96,584	19,717	559,500
Earnings (loss) before income tax expense	15,997	18,339	(19,717)	14,619
Total assets	1,934,448	500,411	264,791	2,699,650
Addition of capital expenditures	5,518	181	—	5,699
Indefinite-life intangible assets	248,934	19,080	—	268,014
Goodwill	341,738	189,391	—	531,129

	2020 Q1			
	Manufacturing Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 595,055	$ 115,329	—	710,384
Operating costs and expenses	635,136	97,334	40,575	773,045
Earnings (loss) before income tax expense	(40,081)	17,995	(40,575)	(62,661)
Total assets	2,114,319	494,153	269,200	2,877,672
Addition of capital expenditures	7,310	263	—	7,573
Addition of goodwill and intangibles assets	6,095	—	—	6,095
Impairment loss on goodwill	(50,790)	—	—	(50,790)
Indefinite-life intangible assets	245,021	18,454	—	263,475
Goodwill	331,091	186,105	—	517,196

The Company's revenue by geography is summarized below:

	2021 Q1	2020 Q1
North America	$ 471,740	$ 606,673
UK and Europe	84,123	99,318
Asia Pacific	18,256	4,393
Other	—	—
Total	$ 574,119	$ 710,384

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

	2021 Q1	2020 Q1
Transit buses	$ 358,749	$ 471,843
Motor coaches	73,888	90,055
Medium-duty and cutaway buses	11,202	15,547
Pre-owned coach	10,036	6,006
Infrastructure solutions	3,897	10,348
Fiberglass reinforced polymer components	1,424	1,257
Manufacturing revenue	$ 459,196	$ 595,056

15. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings, including those that may be related to product liability, wrongful dismissal or personal injury. Many claims are covered by the Company's insurance policies and management does not expect any of the current claims to have a material adverse effect on the Company's financial position, results of operations or cash flows.

(b) Through the normal course of operations, the Company has indemnified the surety companies providing surety bonds required under various contracts with customers. In the event that the Company fails to perform under a contract and the surety companies incur a cost on a surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond.

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at March 28, 2021 range from April 2021 to December 2026.

At March 28, 2021, outstanding surety bonds guaranteed by the Company totaled $357.6 million (December 27, 2020: $357.2 million). The Company has not recorded any liability under these guarantees, as management believes that no material events of default exist under any contracts with customers.

(c) The Company has a letter of credit sub-facility of $100.0 million as part of the Credit Facility (December 27, 2020: $100.0 million). As at March 28, 2021, letters of credit totaling $11.8 million (December 27, 2020: $11.8 million) remain outstanding as security for contractual obligations of the Company under the Credit Facility.

The Company has an additional bi-lateral credit facility of £50.0 million as part of the UK Facility. As at March 28, 2021, letters of credit totaling $29.2 million were outstanding under the bi-lateral credit facility (December 27, 2020: $22.1 million). Additionally, there are $25.3 million of letters of credit outstanding outside of the Credit Facility and the bi-lateral credit facility.

As at March 28, 2021, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

16. GOVERNMENT GRANTS

On March 27, 2020, the Canada Emergency Wage Subsidy ("CEWS") program was introduced by the Government of Canada, reimbursing eligible employers who have experienced the required reduction in revenue for a portion of wages paid to employees during the COVID-19 pandemic.

The claims submitted or expected to be submitted under the CEWS program are $18.7 million for the period. Claims totaling $21.1 million are included in 'Accounts Receivable' on the Company's unaudited interim condensed consolidated statement of financial position at March 28, 2021. In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the CEWS has been recognized as an offset to wage expense ($16.4 million against 'Cost of Sales' and $2.3 million against 'Selling, General and Administration Costs and Other Operating Expenses') on the Company's unaudited interim condensed consolidated statement of net earnings (loss) and total comprehensive income (loss). The Company will continue to evaluate its eligibility under the CEWS program in subsequent periods.

On March 26, 2020, the Coronavirus Job Retention Scheme ("CJRS") program was introduced by the Government of the United Kingdom, reimbursing employers who have been unable to maintain their workforce as a result of COVID-19's impact on operations for a portion of wages paid to furloughed employees.

The claims submitted under the CJRS program are $3.1 million for the fiscal period, $0.8 million of which is included in 'Accounts Receivable' on the Company's unaudited interim condensed consolidated statement of financial position at March 28, 2021. In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the CJRS has been recognized as an offset to wage expense ($3.0 million against 'Cost of Sales' and $0.1 million against 'Selling, General and Administration Costs and Other Operating Expenses') on the Company's unaudited interim condensed consolidated statement of net earnings (loss) and total comprehensive income (loss). The Company will continue to evaluate its eligibility under the CJRS program in subsequent periods.

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

17. RESTRUCTURING

On July 27, 2020, the Company announced the "NFI Forward" restructuring initiative. NFI Forward is a transformational initiative expected to generate cost savings by the end of fiscal 2022. These cost reduction initiatives are expected to come from a reduced number of business units, facility rationalization, reduced overhead and a more efficient and integrated company. The items included in net income (loss) for NFI Forward are as follows:

	Q1 2021	Fiscal 2020
Employee termination benefits (note 14)	$ 389	$ 18,701
Right-of-use asset impairments (note 6)	1,661	3,597
Write-down of inventory to net realizable value (note 4)	208	1,849
Write-down of property, plant and equipment (note 5)	—	1,728
Other	114	568
Total restructuring costs	$ 2,372	$ 26,443

18. COMPARATIVE FIGURES

Certain comparative figures have been restated where necessary to conform with current period presentation.