



NFI Group Announces Third Quarter 2018 Deliveries, Orders and Backlog

Winnipeg, Manitoba, Canada – October 15, 2018: (TSX: NFI) NFI Group Inc. (“NFI”), the largest bus and motor coach manufacturer and parts distributor in North America, today announced its deliveries, order activity and backlog update for the 13-week period ended September 30, 2018 (“Q3 2018”). Year-over-year comparisons reported in this release compare Q3 2018 to the 13-week period ended October 1, 2017 (“Q3 2017”) and previous quarter comparisons compare Q3 2018 to the 13-week period ended July 1, 2018 (“Q2 2018”).

Deliveries, Order Activity, and Option Expiry

NFI delivered 1,035 equivalent units (“EUs”) in Q3 2018, an increase of 158 EUs compared to Q3 2017 and a decrease of 124 EUs from Q2 2018. NFI’s last twelve months (“LTM”) deliveries as at the end of Q3 2018 were 4,255 EUs, up 502 EUs from LTM Q3 2017. The third quarter of each fiscal year is typically a seasonally slower period, particularly in the motor coach business, and planned summer shutdowns at the facilities of New Flyer and Motor Coach Industries (“MCI”) further reduce deliveries in the third quarter of each year. Total inventory at September 30, 2018 decreased 19 EUs from the previous quarter to 571 EUs.

NFI Deliveries (EUs)				
	Heavy-Duty Transit (New Flyer)	Motor Coaches (MCI)	Cutaway and Medium-Duty (ARBOC Specialty Vehicles “ARBOC”)	Total
Q3 2017	664	213	-	877
Q3 2018	692	215	128	1,035
LTM Q3 2017	2,687*	1,066	-	3,753
LTM Q3 2018	2,797	1,035	423	4,255

* Heavy-Duty Transit LTM Q3 2017 deliveries include 64 EUs from MiDi bus sales of the discontinued joint venture with Alexander Dennis

NFI’s new orders in Q3 2018 totaled 757 EUs, which included firm orders of 409 EUs (valued at \$194.2 million) and option orders of 348 EUs (valued at \$143.2 million). In addition, 274 option EUs were converted to firm orders (valued at \$144.4 million).

Total reported orders do not include 249 EUs of new firm and option orders that were pending at the end of the quarter, where approval of the award to NFI had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by NFI and are therefore not yet included in the backlog.

NFI's LTM Q3 2018 Book-to-Bill ratio (defined as new firm and option orders divided by deliveries) was 128%, the same ratio as LTM Q3 2017. The LTM Book-to-Bill ratio has been greater than 100% for 18 consecutive quarters.

	New Orders in Quarter (Firm and Option EUs)	New Orders LTM (Firm and Option EUs)	Option EUs Converted in Quarter to Firm	Option EUs Converted LTM to Firm
Q3 2017	1,634	4,822	559	1,763
Q4 2017	2,520	5,820	238	1,404
Q1 2018	736	5,848	441	1,627
Q2 2018	1,413	6,303	505	1,743
Q3 2018	757	5,426	274	1,458

The majority of public transit contracts, bid by both New Flyer and MCI, have a term of five years and include both firm orders and options. The following table shows the number of option EUs that have been exercised or expired annually over the past five years, as well as the current backlog of options that will expire each year, if not exercised.

In EUs	2013	2014	2015	2016	2017	2018 YTD	2019	2020	2021	2022	2023
A. Options Expired	1,094	965	504	550	331	740					
B. Options Exercised	601	1,149	1,339	2,064	1,404	1,220					
C. Remaining Options by year of expiry						11	1,301	1,243	1,824	2,396	912
D. Conversion Rate % = B / (A+B)	35%	54%	73%	79%	81%	62%					

NFI's option conversion rate is lower in 2018, primarily driven by expired five-year contracts with three customers who no longer required the contracted specific size/propulsion configurations, where options were not assignable to other transit agencies due to revised Federal Transit Administration guidelines post award.

Total Backlog and 2018 Production

At the end of Q3 2018, NFI's total backlog was 11,110 EUs (valued at \$5.51 billion) compared to 11,685 EUs (valued at \$5.80 billion) at the end of Q2 2018, and 10,537 EUs (valued at \$5.39 billion) at the end of Q3 2017.

Total Backlog (EUs)	Firm Orders	Options	Total
Ending backlog at Q2 2018	3,779	7,906	11,685
New orders in Q3 2018	409	348	757
Options exercised in Q3 2018	274	(274)	-
Deliveries in Q3 2018	(1,035)	-	(1,035)
Cancelled/expired options in Q3 2018	(4)	(293)	(297)
Ending Backlog at Q3 2018	3,423	7,687	11,110

Total Backlog (EUs)	Firm Orders	Options	Total	\$B US
Heavy-Duty Transit Buses	2,806	6,678	9,484	4.740
Motor Coaches	444	1,009	1,453	0.748
Cutaway and Medium-Duty Buses	173	-	173	0.021
Ending Backlog at Q3 2018	3,423	7,687	11,110	5.509

NFI's total backlog consists of buses sold primarily to public customers. The majority of the backlog relates to New Flyer transit buses for public clients with some contribution from MCI and ARBOC. Options for ARBOC vehicles are held by dealers, rather than the operator, and are not included as an option in the NFI backlog.

Transit buses and motor coaches incorporating clean propulsion systems, including compressed natural gas ("CNG"), diesel-electric hybrid, and zero-emission buses and motor coaches ("ZEBs", which consist of trolley-electric, fuel cell-electric and battery-electric buses), represent approximately 43.0% of the total backlog. ZEBs represent approximately 4.3% of total backlog.

Parts Activity

Total shipments by NFI Parts for Q3 2018 increased by 7.2% compared to Q3 2017 and decreased by 4.1% compared to the previous quarter. Gross orders received by NFI Parts in Q3 2018 decreased by 8.3% over Q3 2017 and decreased by 10.3% compared to Q2 2018.

The lower order intake in the third quarter was largely due to less bid activity in the period. NFI Parts win rates during the third quarter were within historical ranges.

ARBOC aftermarket parts orders and shipments are not included in these figures as they are not material.

Market Demand and Outlook

NFI's Bid Universe metric reports active public-sector competitions in Canada and the United States ("U.S.") and provides an overall indicator of active bid activity and expected heavy-duty transit bus and motor coach market demand. It is a point-in-time snapshot of: (i) EUs in active competitions, defined as all requests for proposals received and in process of review plus bids submitted and awaiting customer action, and (ii) management's forecast based on public customer projections of expected EUs to be placed out for competition over the next five years.

At the end of Q3 2018, active EUs were 3,278 and the total Bid Universe was 21,362 EUs. The Bid Universe EUs may fluctuate significantly from quarter-to-quarter based on public client tender, procurement and award processes.

In EUs	Bids in Process	Bids Submitted	Total Active	Forecast New Procurements over next 5 Years	Total Bid Universe
Q3 2017	1,541	5,072	6,613	14,303	20,916
Q4 2017	3,091	1,687	4,778	16,406	21,184
Q1 2018	2,974	3,479	6,453	17,186	23,639
Q2 2018	1,319	2,391	3,710	18,440	22,150
Q3 2018	955	2,323	3,278	18,084	21,362

Procurement of heavy-duty transit buses and motor coaches by the public sector is typically accomplished through formal multi-year contracts, while procurement by the private sector is typically made on a transactional basis. As a result, NFI does not publish a Bid Universe metric for private sector buses or motor coaches.

Cutaway and medium-duty buses manufactured by ARBOC are typically sold on a transactional basis through third party dealers who hold contracts directly with the operators. Bids are submitted by and contracts are held with non-exclusive dealers and therefore cutaway and medium-duty bus activity is also not included in the NFI Bid Universe metric.

Management continues to expect bus procurement activity by public agencies throughout the U.S. and Canada to remain robust based on an aging fleet, healthy overall economic conditions, defined federal funding, expected customer fleet replacement plans, and active or anticipated procurements. Management continues to anticipate stable private sector demand for motor coaches through 2018. Management also believes the demand for low-floor cutaway and medium-duty buses with greater accessibility will grow from current levels and that ARBOC will be a beneficiary of this increased demand.

Based on NFI's master production schedule combined with current backlog and orders anticipated to be awarded by customers under new procurements, management now expects to deliver 4,390 EUs in fiscal 2018, an increase of 562 EUs over fiscal 2017 and an increase of 40 EUs from previously reported expected deliveries. With year-to-date 2018 deliveries of 3,187 EUs, management expects to deliver the remaining EUs in the fourth quarter of 2018. This represents approximately 27% of full year deliveries and is an increase of 135 EUs over the fourth quarter of 2017.

NFI's 2018 deliveries are expected to comprise of the following vehicle types:

Heavy-Duty Transit	Motor Coach	Cutaway and Medium-Duty	Total
2,810 EU	1,070 EU	510 EU	4,390 EU

Due to the nature of the parts business, parts sales remain difficult to forecast with typical quarter-to-quarter volatility for this segment of the business being a factor.

USMCA, Commodity Price Increases, Tariffs and Surtaxes

On September 30, 2018 the federal governments of the United States, Mexico and Canada announced that the trilateral free trade agreement entitled The United States – Mexico – Canada Agreement (“USMCA”) had been reached in principle to replace the previous North American Free Trade Agreement (“NAFTA”). Management does not anticipate any material impact arising from any of the changes in the USMCA from NAFTA to NFI's business. NFI manufactured products exceed the regional value content requirements under USMCA, which will allow them to move across the Canada – U.S. border duty-free, if the USMCA is ratified as proposed. NFI considers the new agreement to be a positive outcome that will continue to support the NFI integrated production operations for many years.

The previously announced Section 232 U.S. federal tariffs on Canadian steel and aluminum imported into the U.S. and the Government of Canada's surtaxes on certain U.S. steel and aluminum imported into Canada remain in effect. The majority of the aluminum and steel used at NFI's manufacturing facilities are from U.S. sources, largely to meet Buy America requirements of U.S. public customers. Canadian surtaxes on the importation of U.S. aluminum and steel used in manufacturing products at NFI's Canadian plants that are then re-exported to the U.S., are eligible for full recovery under the current Canadian federal Duty Relief and Duty Drawback Programs (“DRP”).

NFI uses aluminum, carbon steel and stainless steel in the manufacture of bus and coach frames. However, these raw materials, before processing, comprise less than 3% of total material costs. Management continues to anticipate an immaterial impact for the remainder of 2018 from current market increases in aluminum and steel pricing in major components, because such components are purchased under fixed price or contract specific quotations. Management anticipates that any future component cost increases should be substantially recoverable through new contract pricing or through the producer price index (PPI) mechanisms in public customer multiyear contracts.

NOTE: All dollar amounts in this release are stated in U.S. currency. Canadian dollar amounts have been converted based on an exchange rate of U.S. \$1.00 = CAD \$1.2945 to calculate the value of the Canadian contracts in this release. One equivalent unit (“EU”) represents one 30-foot, 35-foot or 40-foot heavy-duty transit bus, one medium-duty bus, one low-floor cutaway bus or one motor coach. An articulated transit bus, which is an extra long transit bus (approximately 60-feet in length), composed of two passenger compartments connected by a joint mechanism represents two EUs.

About NFI Group Inc.

With nearly 6,000 team members, operating from 31 facilities across Canada and the United States, NFI is North America's largest bus manufacturer providing a comprehensive suite of mass transportation solutions under several brands: New Flyer® (heavy-duty transit buses), ARBOC® (low-floor cutaway and medium-duty buses), MCI® (motor coaches), and NFI Parts™ (parts, support, and service). NFI buses incorporate the widest range of drive systems available including: clean diesel, natural gas, diesel-electric hybrid, and zero-emission electric (trolley, battery, and fuel cell). For the fiscal year ended December 31, 2017, NFI posted revenues of U.S. \$2.4 billion.

Further information is available at www.nfigroup.com, www.newflyer.com, www.mcicoach.com and www.arbocsv.com. The common shares of NFI are traded on the Toronto Stock Exchange under the symbol NFI.

Forward-Looking Statements

This press release contains forward-looking statements relating to expected future events and financial and operating results of NFI that involve risks and uncertainties. Such forward-looking statements include statements with respect to market demand for buses and motor coaches, outlook of the bus, motor coach and parts businesses, NFI's expected deliveries in 2018 and the impact of the USMCA, commodity price increases, tariffs and surtaxes.

Although the forward-looking statements contained in this press release are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. Actual results may differ materially from management expectations as reflected in such forward-looking statements for a variety of reasons, including order activity levels from customers, ability of NFI to fulfill its production schedule, changes to the cost of materials, impact of trade agreements and developments relating to cross-border tariffs and surtaxes, including the continued availability of the DRP, market and general economic conditions and economic conditions of and funding availability for customers to purchase buses and to purchase parts or services, customers may not exercise options to purchase additional buses, the ability of customers to suspend or terminate contracts for convenience and those other risks and uncertainties discussed in the materials filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. NFI disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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