



NFI Group Announces Fourth Quarter 2018 Deliveries, Orders and Backlog and 2019 Outlook

Winnipeg, Manitoba, Canada – January 15, 2019: (TSX: NFI) NFI Group Inc. (“NFI” or “the Company”), 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 December 30, 2018 (“Q4 2018”). Year-over-year comparisons reported in this release compare Q4 2018 to the 13-week period ended December 31, 2017 (“Q4 2017”) and previous quarter comparisons compare Q4 2018 to the 13-week period ended September 30, 2018 (“Q3 2018”). References to Fiscal 2019 are to the 52-week period of December 31, 2018 to December 29, 2019 and references to Q1 2019 are to the 13-week period ended March 31, 2019.

Deliveries, Order Activity, and Option Expiry

NFI delivered 1,126 equivalent units (“EUs”) in Q4 2018, an increase of 58 EUs compared to Q4 2017 and an increase of 91 EUs from Q3 2018. For the 52-week period from January 1, 2018 to December 30, 2018 (“Fiscal 2018”) NFI delivered 4,313 EUs, up 485 EUs from the 52-week period January 1, 2017 to December 31, 2017 (“Fiscal 2017”). Total inventory at December 30, 2018 decreased 48 EUs from the previous quarter to 523 EUs.

NFI Deliveries (EUs)				
	Heavy-Duty Transit (New Flyer)	Motor Coaches (MCI)	Cutaway and Medium-Duty (ARBOC)	Total
Q4 2017	695	346	27	1,068
Q4 2018	679	341	106	1,126
Fiscal 2017*	2,730	1,071	27	3,828
Fiscal 2018	2,781	1,030	502	4,313

* Heavy-Duty Transit Fiscal 2017 deliveries include 38 EUs from MiDi bus sales under the terminated joint venture with Alexander Dennis Limited.

Fiscal 2018 Heavy-Duty Transit deliveries were 29 EUs lower than the previously announced annual delivery guidance primarily as a result of timing related to delivery issues. Management expects the majority of units impacted by the delay will be delivered in Q1 2019. Motor coach annual deliveries were 40 EUs lower than guidance primarily from private motor coach sales activity. Private motor coach sales were negatively impacted by a pre-owned coach auction that was held in Q4 2018 by a customer who ceased operations to liquidate 100 vehicles. ARBOC

deliveries were eight EUs lower than guidance as a result of timing delays. Management expects these units will be delivered in 2019.

NFI's new orders in Q4 2018 totaled 857 EUs, which included firm orders of 784 EUs (valued at \$356.9 million) and option orders of 73 EUs (valued at \$33.6 million). In addition, 575 option EUs were converted to firm orders (valued at \$361.6 million).

Total reported orders do not include 589 EUs of new firm and option orders that were pending at the end of Q4 2018, 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 Fiscal 2018 Book-to-Bill ratio (defined as new firm and option orders divided by deliveries) was 87%, down from 152% in Fiscal 2017. The Book-to-Bill ratio in the second half of Fiscal 2018 was impacted by a higher number of smaller individual transactions and by delayed bid activity for multi-year contracts. Management believes transit agencies' assessment of future battery-electric vehicle adoption as a component of their overall fleet renewal strategies contributed to the delays in releasing multi-year procurements.

	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
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
Q4 2018	857	3,763	575	1,795

Note: LTM refers to the last twelve months ended at the end of the quarterly period indicated

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
A. Options Expired	965	504	550	331	741					
B. Options Exercised	1,149	1,339	2,064	1,404	1,795					
C. Remaining Options by year of expiry						1,243	1,031	1,633	2,335	942

In EUs	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
D. Conversion Rate % = B / (A+B)	54%	73%	79%	81%	71%					

While NFI's option conversion rate improved from Q3 2018 to Q4 2018, it was lower in Fiscal 2018 when compared to Fiscal 2017. The decrease was primarily driven by expired five-year contracts with three customers who no longer required the contracted specific size/propulsion configurations, and who were not permitted to assign the options to other transit agencies due to the amendment to U.S. Federal Transit Administration guidelines which went into effect after the contracts were awarded.

Total Backlog and 2018 Production

At the end of Fiscal 2018, NFI's total backlog was 10,833 EUs (valued at \$5.35 billion) compared to 11,110 EUs (valued at \$5.51 billion) at the end of Q3 2018, and 12,157 EUs (valued at \$6.02 billion) at the end of Fiscal 2017.

Total Backlog (EUs)	Firm Orders	Options	Total
Ending backlog at Q3 2018	3,423	7,687	11,110
New orders in Q4 2018	784	73	857
Options exercised in Q4 2018	575	(575)	-
Deliveries in Q4 2018	(1,126)	-	(1,126)
Cancelled/expired options in Q4 2018	(7)	(1)	(8)
Ending Backlog at Q4 2018	3,649	7,184	10,833

Total Backlog (EUs)	Firm Orders	Options	Total	\$B US
Heavy-Duty Transit Buses	3,024	6,177	9,201	\$4.547
Motor Coaches	468	1,007	1,475	\$0.776
Cutaway and Medium-Duty Buses	157	-	157	\$0.028
Ending Backlog at Q4 2018	3,649	7,184	10,833	\$5.351

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 of the backlog consisting of units from MCI 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 ("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 42% of the total backlog. ZEBs alone represent approximately 5% of total backlog.

Parts Activity

Total shipments by NFI Parts for Q4 2018 decreased by 8.2% compared to the previous quarter, and decreased by 6.9% compared to Q4 2017. The lower shipments in Q4 2018 compared to Q3 2018 was largely due to lower bid activity during the period. The win rate for NFI Parts during Q4 2018 was 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 attempts to forecast active public-sector competitions in Canada and the United States ("U.S.") and to provide an overall indicator of active bid activity and anticipated 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 Q4 2018, the total Bid Universe was 23,425 EUs, an increase of 2,063 EUs from Q3 2018. The Bid Universe EUs may fluctuate significantly from quarter-to-quarter based on public tender activity procurement and award processes.

In EUs	Bids in Process	Bids Submitted	Total Active	Forecast New Procurements over next 5 Years	Total Bid Universe
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
Q4 2018	670	2,061	2,731	20,694	23,425

The size of active procurements in the second half of Fiscal 2018 was impacted by smaller individual bids and delayed bid activity for multi-year contracts. Management's ongoing discussions with several public transit customers throughout the U.S. and Canada suggest there may be an increase in the number of requests for proposals and public tenders issued in Fiscal 2019 and 2020 to account for this delayed or decreased activity. This anticipated increase in bid activity has been reflected in the chart above describing the growth in forecasted procurements.

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 is unable to create a Bid Universe metric for private sector buses or motor coaches.

Cutaway and medium-duty buses manufactured by ARBOC are also 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 there is no NFI Bid Universe metric for cutaways and medium-duty buses.

Management expects heavy-duty transit bus and motor coach procurement activity by public agencies throughout the U.S. and Canada to be healthy in 2019 based on an aging fleet, economic conditions, defined federal funding and expected customer fleet replacement plans. Management expects Fiscal 2019 will be a more active period for new public customer vehicle procurements. In addition, management expects industry demand for ZEBs to increase slightly in Fiscal 2019 and represent approximately 10% to 15% of the industry's active heavy-duty transit procurements. Management believes the Company has a strong offering to meet this increased demand for ZEBs given NFI has over 50 years of experience in manufacturing zero-emission buses and has more electric buses on the road in North America than any other manufacturer. In order to further strengthen its ZEB product offering, the Company recently launched New Flyer Infrastructure Solutions™ a service aimed at providing safe, reliable, smart, and sustainable charging and mobility solutions to public transit customers.

Management continues to anticipate relatively stable private sector demand for motor coaches through 2019. During Fiscal 2019 management anticipates gaining market share in the motor coach market through the sales of new vehicle models, including the D45 Commuter Rapid Transit Low Entry vehicle ("D45 CRT LE"), which features revolutionary improvements to support individuals with disabilities, and the new J3500, the 35-foot version of MCI's best-selling 45-foot coach, the J4500. During Q4 2018 MCI was awarded a contract for 77 D45 CRT LE motor coaches from a significant employee shuttle customer in the San Francisco Bay area and delivered its first J3500 vehicles.

Management believes the demand for low-floor cutaway and medium-duty buses with greater accessibility will continue to grow from current levels and that ARBOC will be a beneficiary of this increased demand. ARBOC's medium-duty Spirit of Equest ("Equest") product launched in late Q4 2018 and management is focused on quality, production efficiencies and increasing deliveries of the Equest in Fiscal 2019. The Equest has a higher average selling price and higher gross profit per unit than ARBOC's low-floor cutaway vehicles and is expected to represent 10% to 15% of ARBOC's total Fiscal 2019 deliveries.

Based on NFI's current master production schedule, combined with the current firm backlog, the anticipated option conversion rate and new orders anticipated to be awarded by public customers from procurements, management expects to deliver 4,455 EUs in Fiscal 2019, an increase of 142 EUs, or 3.3%, over Fiscal 2018.

NFI's Fiscal 2019 deliveries are expected to comprise the following vehicle types:

Heavy-Duty Transit	Motor Coach	Cutaway and Medium-Duty	Total
2,845 EU	1,065 EU	545 EU	4,455 EU

Due to the nature of the aftermarket parts business, parts sales remain difficult to forecast as a result of typical quarter-to-quarter volatility which at times can be material. Management expects

that the vendor managed inventory (“VMI”) programs NFI Parts secured in Fiscal 2018 will have a positive impact on parts sales volumes in Fiscal 2019 and beyond, but at potentially slightly lower margins than historical periods.

NFI’s Q4 2018 earnings are expected to be impacted by several factors including: ongoing start-up expenses of NFI’s new Shepherdsville, KY parts fabrication facility, costs and lost revenue from the termination of MCI’s Distribution Rights Agreement (“DRA”) for Daimler’s Setra motor coaches and spare parts in North America, lower than anticipated vehicle deliveries, and margin pressure in the private motor coach segment as a result of sales mix, higher trade-in subsidies and fair market value adjustments on pre-owned coaches in MCI’s inventory.

In the Company’s Q3 2018 financial results NFI disclosed that start-up costs of \$1.6 million related to the Shepherdsville facility and price reductions of \$2.2 million on the sale of new and pre-owned Setra coaches had a negative impact on Q3 2018 Adjusted EBITDA. For Fiscal 2019, management expects the Shepherdsville facility start-up expenses to continue to impact Adjusted EBITDA for the first two quarters, before the facility achieves break-even operating status in the second half of the year. Management does not expect the termination of the DRA to have a material impact on Fiscal 2019 results.

Having completed several significant capital expenditure projects in Fiscal 2018, management expects that its property, plant and equipment (“PPE”) expenditures will decrease in Fiscal 2019 and will be in the range of approximately \$50 to \$60 million. This is a decrease from the Fiscal 2018 expected range of \$63 to \$73 million. This estimated expenditure includes investments for several capital projects that were started in Fiscal 2018, including the Shepherdsville facility and IT harmonization projects at MCI, and are expected to be completed in Fiscal 2019.

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 \$1.3638 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 over 6,100 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 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) on proven bus platforms. It also supports infrastructure development through New Flyer Infrastructure Solutions™, a service dedicated to providing safe and reliable charging and mobility solutions. In total, NFI supports over 74,000 buses and coaches currently in service across North America. For the fiscal year ended December 31, 2017, NFI posted revenues of US \$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

Certain statements in this press release are “forward looking statements”, which reflect the expectations of management regarding the Company’s future growth, results of operations, performance and business prospects and opportunities and the market outlook for the Company’s products and services. The words “believes”, “anticipates”, “plans”, “expects”, “intends”, “projects”, “forecasts”, “estimates” and similar expressions are intended to identify forward looking statements. These forward-looking statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this release. Such forward-looking statements include statements with respect to customer demand for buses, motor coaches and parts; management’s forecasted outlook for the bus, motor coach and parts businesses; management’s expectations regarding future heavy-duty bus and motor coach procurement and bid activity; management’s expectations regarding unit deliveries and PPE expenditures in 2019 and continuing expenditures in 2019 relating to the operation of the Shepherdsville, KY facility and the termination of the DRA.

Forward-looking statements involve significant risks and uncertainties, and are not to be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Such differences may be caused by factors which include, but are not limited to, customer demand and availability of funding to the Company’s customers to purchase transit buses and coaches and to exercise options and to purchase parts or services at current levels or at all; the Company may have difficulty selling preowned coaches and realizing expected resale values; aggressive competition and reduced pricing in the industry; the absence of fixed term customer contracts and the suspension or the termination of contracts by customers for convenience; production delays may result in liquidated damages under the Company’s contracts with its customers; inability of the Company to execute its planned production targets as required for current business and operational needs; currency fluctuations could adversely affect the Company’s financial results or competitive position in the industry; inability of the Company to successfully execute strategic plans on time and on budget and maintain profitability, development of competitive products or technologies; risks related to acquisitions and other strategic relationships with third parties; inability to successfully integrate acquired businesses and assets into the Company’s existing business and to generate accretive effects to income and cash flow as a result of integrating these acquired businesses and assets. NFI cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in NFI’s press releases and materials filed with the Canadian securities regulatory authorities which are available on SEDAR at www.sedar.com.

Although the forward looking statements contained in this 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. These forward-looking statements are made as of the date of this press release and NFI assumes no obligation to update or revise them to reflect new events or circumstances, except as required by applicable securities laws.

For further information, please contact:

Stephen King
Group Director, Corporate Development and Investor Relations
NFI Group Inc.
Ph: 204-224-6382
Stephen_King@NewFlyer.com