

FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

NFI Group Inc. (“NFI” or the “Company”)
711 Kernaghan Avenue
Winnipeg, Manitoba
R2C 3T4

Item 2 Date of Material Change

May 23, 2020

Item 3 News Release

A news release was issued through CNW Group on March 23, 2020 and is attached to this report.

Item 4 Summary of Material Change

On March 23, 2020, NFI provided an update relating to the impact of the global COVID-19 (or “Coronavirus”) pandemic.

The Company, its customers and supplier partners have all experienced significant disruptions resulting in operating and financial performance impacts from the dynamic, fluid and highly unpredictable nature of the COVID-19 pandemic and its effect on global economies. Local, regional and federal governments around the world have increased restrictions and issued various orders to slow the spread of the virus, including, lockdowns, travel restrictions and border closures. As a result of these factors, NFI is withdrawing the fiscal 2020 financial guidance issued on March 12, 2020.

Supply delays, while escalating daily, have not yet had a material impact on production lines across the Company’s global facilities. However, all NFI tier one and two suppliers each pose risk to NFI production continuity as many are in regions placed under various levels of government restrictions for non-essential activities in North America, Europe and the UK. To date, NFI and its suppliers have been exempted under many of these restrictions as an essential service business that supports critical transportation infrastructure. Many suppliers are assessing business continuation as government restrictions and public health concerns escalate. The Company considers its supply continuity to be at high risk in the near term.

NFI continues to execute on its detailed COVID-19 action plan. To date, the Company has taken the following key steps:

- Created an Emergency Response Task Force to oversee NFI’s global COVID-19 action plan and established a daily executive oversight protocol.

- Increased deep cleaning and sanitization of production facilities and offices, including the implementation of social distancing and self-isolation measures.
- Continue compliance with government directives and working with government partners to prioritize the health and safety of its employees and preparing to assist them with accessing government support programs.
- Increased remote network access and creation of dedicated work-from-home programs for critical employees.
- Limited access to all NFI facilities to essential visitors only.
- Implementation of hiring freezes, suspension of salary increases and 2019 earned executive incentives.
- Suspension or reduction of bus and coach production and part fabrication (determined on a business-by-business and site-by-site basis).
- Decreased operating and capital expenditures, including delays of certain projects.
- Increased focus on working capital management, including enhanced accounts receivable processing efforts.
- Working with bank partners to obtain covenant relief and seek expansion of NFI's existing credit facility and/or entry into new credit facilities, and
- Ongoing discussions with all levels of government regarding available support and stimulus programs.

In aggregate, NFI's mitigation efforts are expected to result in approximately 6,500 employees being impacted by idling a majority of its facilities for a two-week period beginning March 30, 2020, if not sooner. During that period, NFI will assess whether the idling period will need to be extended. NFI has identified certain positions required to continue providing essential services, some of which will work from NFI facilities and some from home. Employees impacted by idled facilities will have the option to use accrued vacation time or take unpaid leave with the Company assisting them to access government support.

With the significant drop in private motor coach operations in North America due to the pandemic, the Company expects the cancellation or deferral of many private customer orders for new and pre-owned coaches in 2020. As a result, the Company will also implement approximately 300 layoffs, impacting both production and salaried positions. Management cautions however, that additional actions may be required across the Company in response to future market conditions, government-imposed restrictions and other impacts from the COVID-19 pandemic.

Given the ongoing economic uncertainty and the impact that COVID-19 has had on NFI's operating businesses, the Board of Directors ("Board") has determined to temporarily reduce the Company's quarterly dividend, for the period January 1 to March 31, 2020, to C\$0.2125 per common share. Holders of record at the close of business on March 31, 2020 will receive the dividend to be paid on April 15, 2020. Due to the unpredictable impact of the COVID-19 pandemic on the global economy it is nearly impossible to forecast the ultimate effects on NFI's operations, financial performance and cash flow. Therefore, future dividends will depend on prevailing circumstances and are not assured. In support of cash preservation

efforts, the Board has directed the Company to temporarily suspend Board fees that are due April 1, 2020.

As of March 23, 2020, the Company's liquidity position, which includes cash on hand and current borrowing capacity, was approximately \$120 million. The Company does not have any material debt maturities in 2020, with most of its debt drawn under a revolving credit facility that expires in August 2024. The Company is actively exploring numerous options with its banking partners to ensure adequate capital, liquidity and financial flexibility during this period. These options include covenant relief, expansion of the Company's existing revolving credit facility, and access to additional credit facilities. The Company is also investigating available government financial support and relief programs. During plant idling, essential staff will also be maintained for critical maintenance and operations.

Certain statements in this report are "forward-looking statements", which reflect the expectations of management of the Company. Actual results may differ materially and adversely from management expectations as projected in such forward-looking statements for a variety of reasons. See "Forward-Looking Statements" in the attached news release.

Item 5 Full Description of Material Change

See the attached news release dated March 23, 2020 for a full description of the material change.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

No significant facts remain confidential, and no information has been omitted from this report.

Item 8 Executive Officer

For further information please contact Pipasu Soni, Chief Financial Officer, at (204) 224-1251.

Item 9 Date of Report

March 25, 2020

NFI Group Update on Impact of COVID-19 Pandemic

All monetary amounts in this press release are in US dollars unless otherwise noted.

WINNIPEG, March 23, 2020 /CNW/ - **(TSX: NFI) NFI Group Inc.** ("NFI" or the "Company") provides this update relating to the impact of the global COVID-19 (or "Coronavirus") pandemic. Management has been developing and implementing mitigation plans to manage the adverse impacts of the pandemic on the Company's business, operations and financial condition. The Company is taking this pandemic with the utmost seriousness, focusing on the health and safety of our team members and their families, in addition to that of our customers and supplier partners.

The Company, its customers and supplier partners have all experienced significant disruptions resulting in operating and financial performance impacts from the dynamic, fluid and highly unpredictable nature of the COVID-19 pandemic and its effect on global economies. Local, regional and federal governments around the world have increased restrictions and issued various orders to slow the spread of the virus, including, lockdowns, travel restrictions and border closures.

"The COVID-19 pandemic has resulted in an unprecedented global crisis impacting economies around the world, including all of our markets and nearly every supplier partner. Our leadership team has managed through several economic cycles in the past and we remain confident we will weather this storm and are committed to ensure that NFI maintains production capacity, long-term backlog and financial liquidity. We are focused on balancing the needs of all key stakeholders including employees, customers, shareholders and supplier partners. We intend to continue delivering parts, providing technical support and delivering vehicles where possible to support customers in providing essential transportation services. We continue assessing, developing and executing on risk mitigation plans to navigate through this crisis, but as a result of these factors, NFI is withdrawing the fiscal 2020 financial guidance we issued on March 12, 2020," said Paul Soubry, President and Chief Executive Officer of NFI.

Supply delays, while escalating daily, have not yet had a material impact on production lines across the Company's global facilities. However, all NFI tier one and two suppliers each pose risk to NFI production continuity as many are in regions placed under various levels of government restrictions for non-essential activities in North America, Europe and the UK. To date, NFI and its suppliers have been exempted under many of these restrictions as an essential service business that supports critical transportation infrastructure. Many suppliers are assessing business continuation as government restrictions and public health concerns escalate. The Company considers its supply continuity to be at high risk in the near term.

NFI continues to execute on its detailed COVID-19 action plan. To date, the Company has taken the following key steps:

- Created an Emergency Response Task Force to oversee NFI's global COVID-19 action plan and established a daily executive oversight protocol.
- Increased deep cleaning and sanitization of production facilities and offices, including the implementation of social distancing and self-isolation measures.
- Continue compliance with government directives and working with government partners to prioritize the health and safety of our employees and preparing to assist them with accessing government support programs.

- Increased remote network access and creation of dedicated work-from-home programs for critical employees.
- Limited access to all NFI facilities to essential visitors only.
- Implementation of hiring freezes, suspension of salary increases and 2019 earned executive incentives.
- Suspension or reduction of bus and coach production and part fabrication (determined on a business-by-business and site-by-site basis).
- Decreased operating and capital expenditures, including delays of certain projects.
- Increased focus on working capital management, including enhanced accounts receivable processing efforts.
- Working with bank partners to obtain covenant relief and seek expansion of NFI's existing credit facility and/or entry into new credit facilities, and
- Ongoing discussions with all levels of government regarding available support and stimulus programs.

Mr. Soubry continued, "The continuing spread of the virus has required us to take immediate measures, including idling a majority of our facilities and some layoffs of employees. It is extremely painful to impact people's lives and livelihood and I assure you that we have not taken any decision lightly and that they have all been made in the context of balancing the interests of our stakeholders. We have built this Company with great people, and I am confident we can and will successfully navigate through this crisis."

"Millions of people continue to rely on NFI products and services through our customers who provide essential transportation services around the world," said Chairperson of the Board, the Honourable Brian Tobin, P.C. O.C. "The Board has worked closely with management as it executes its COVID-19 mitigation plans and actions to ensure the Company's financial stability. The Board is confident in management's ability to weather the storm of this global pandemic through leveraging existing credit facilities, availing itself of new borrowings and by constraining spending."

Mr. Tobin continued, "We are confident that governments around the world will play a key role in ensuring the economic recovery is swift by supporting businesses in numerous industries who are directly impacted by this extraordinary event. We applaud the aggressive response made to combat COVID-19 and to help stimulate economies. We believe that our industry, as well as our customers within public transit, commuter transportation and private vehicle markets, will all require access to government support during and after the end of this pandemic to ensure safe and reliable service continues and to assist in reinvigorating the economy."

In aggregate, NFI's mitigation efforts are expected to result in approximately 6,500 employees being impacted by idling a majority of our facilities for a two-week period beginning March 30, 2020, if not sooner. During that period, NFI will assess whether the idling period will need to be extended. NFI has identified certain positions required to continue providing essential services, some of which will work from NFI facilities and some from home. Employees impacted by idled facilities will have the option to use accrued vacation time or take unpaid leave with the Company assisting them to access government support.

The majority of New Flyer, ADL, and ARBOC's customers, and approximately 40% of MCI customers, are public transit agencies or commercial operators providing public services, which results in a significant percentage of annual production slots being firm contractual orders. With the significant drop in private motor coach operations in North America due to the pandemic, the Company expects the cancellation or deferral of many private customer orders for new and pre-owned coaches in 2020. As a result, the Company will also implement approximately 300 layoffs, impacting both production and salaried positions. Management cautions however, that additional actions may be required across the Company in response to future market conditions, government-imposed restrictions and other impacts from the COVID-19 pandemic.

Given the ongoing economic uncertainty and the impact that COVID-19 has had on NFI's operating businesses, the Board of Directors ("Board") has determined to temporarily reduce the Company's quarterly dividend, for the period January 1 to March 31, 2020, to C\$0.2125 per common share. Holders of record at the close of business on March 31, 2020 will receive the dividend to be paid on April 15, 2020. The quarterly dividend reflects the Board's confidence in the Company's business while maintaining the financial flexibility required to operate during a period of significant uncertainty. Due to the unpredictable impact of the COVID-19 pandemic on the global economy it is nearly impossible to forecast the ultimate effects on NFI's operations, financial performance and cash flow. Therefore, future dividends will depend on prevailing circumstances and are not assured. In support of cash preservation efforts, the Board has directed the Company to temporarily suspend Board fees that are due April 1, 2020.

As of today, the Company's liquidity position, which includes cash on hand and current borrowing capacity, is approximately \$120 million. The Company does not have any material debt maturities in 2020, with most of its debt drawn under a revolving credit facility that expires in August 2024. The Company is actively exploring numerous options with its banking partners to ensure adequate capital, liquidity and financial flexibility during this period. These options include covenant relief, expansion of the Company's existing revolving credit facility, and access to additional credit facilities. The Company is also investigating available government financial support and relief programs. Upon completion of the plant idling, layoffs and decreased operating and capital expenditures, management anticipates the Company will be able to significantly lower its monthly cash use as it navigates through the impacts of the COVID-19 pandemic. During plant idling, essential staff will also be maintained for critical maintenance and operations.

The Company notes that approximately 70% of its 2019 revenue was derived from public customers, which include transit agencies and other government entities. A significant portion of this historic revenue, and NFI's expected 2020 revenue, comes from contracts principally funded by the U.S. Federal Transit Administration ("FTA"). Management expects the FTA will continue operating throughout the COVID-19 pandemic to ensure funds for public procurements will continue to flow.

In addition to the stability provided by public funding, NFI also had a firm backlog at the beginning of 2020 of 4,224 equivalent units, with a value of \$1.9 billion, providing significant visibility for the fiscal year, although the impact of COVID-19 may affect the timing of and ability to complete deliveries.

Management expects that when the COVID-19 pandemic recedes, there will likely be additional funding and stimulus provided by governments in various jurisdictions which may support or increase demand for NFI's products, similar to the Company's experience following the 2008 global financial crisis.

"From our initial conversations with our credit syndicate, we fully expect to obtain the required liquidity to operate in a scenario of extended impact due to the COVID-19 disruption," said Pipasu Soni, Chief Financial Officer. "The entire organization is focused on ensuring all levers for liquidity and cash generation are being maximized during these challenging times. All of us at NFI remain committed to supporting our team members and those that rely on us, and in protecting and preserving the capital and liquidity of the Company. With an orderly idling of certain facilities, and active management of our supply chain we are proactively preparing NFI for a quick and efficient restart to full production at the appropriate time. We are working hard to ensure that NFI will navigate through this crisis and emerge intact as a strong, healthy and vibrant market leading global bus and coach manufacturer."

About NFI Group

With more than 9,000 team members operating from 50 facilities across ten countries, NFI is a leading independent global bus manufacturer providing a comprehensive suite of mass transportation solutions under brands: New Flyer® (heavy-duty transit buses), Alexander Dennis Limited (single and double-deck buses), Plaxton (motor coaches), MCI® (motor coaches), ARBOC® (low-floor cutaway

and medium-duty buses), and NFI Parts™. NFI vehicles incorporate the widest range of drive systems available including: clean diesel, natural gas, diesel-electric hybrid, and zero-emission electric (trolley, battery, and fuel cell). In total, NFI now supports over 105,000 buses and coaches currently in service around the world.

NFI common shares are traded on the Toronto Stock Exchange under the symbol NFI. Further information is available at www.nfigroup.com, www.newflyer.com, www.mcicoach.com, www.arbocsv.com, www.nfi.parts, www.alexander-dennis.com, and www.carfaircomposites.com.

The dividends on the shares are designated as "eligible dividends" for purposes of the enhanced dividend tax credit rules contained in *the Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation.

Forward-Looking Statements

Certain statements in this press release are "forward looking statements", which reflect the expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. The words "believes", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates", "will" and similar expressions are intended to identify forward looking statements. These forward-looking statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this press release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved.

Actual results may differ materially and adversely from management expectations as projected in such forward-looking statements for a variety of reasons, including, but not limited to, the magnitude and length of the global, national and regional economic and social disruption being caused as a result of the global COVID-19 pandemic; national, regional and local governmental laws, regulations and orders relating to the COVID-19 pandemic may materially adversely impact the Company's ability to continue operations; additional partial or complete closures of one, more or all of the Company's facilities and work locations (including to protect the health and safety of the Company's employees) as a result of the COVID-19 pandemic; continuing and worsening supply delays and shortages of parts and components and disruption to labour supply as a result of the COVID-19 pandemic; the COVID-19 pandemic will likely adversely affect operations of customers as a result of shutdowns and/or disruptions to their operations and the services provided to their customers and end users; the Company's financial performance and condition, obligations, cash flow and liquidity and its ability to maintain compliance with the covenants under its credit facility which may negatively impact the ability of the Company to fund dividends; and the other risks and uncertainties detailed in the disclosure documents filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. These above risks relating to the impact of the COVID-19 pandemic may materially adversely impact the Company's business, operating performance and financial condition, including as a result of reduction to the Company's cashflow, liquidity and its ability to maintain compliance with covenants under its credit facility.

The Company cautions that due to the dynamic, fluid and highly unpredictable nature of the COVID-19 pandemic and its impact on global and local economies and businesses, it is nearly impossible to predict the severity of the impact on the Company's business, operating performance and financial condition and any material adverse effects could very well be rapid, unexpected and may continue for an extended and unknown period of time. The extent of such impact will depend on future developments, which are unpredictable, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken by governments and health organizations around the world to address its impact, among others.

Due to the potential impact of these and other factors, the Company 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.

SOURCE NFI Group Inc.

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