Financial Results
Fiscal 2023

February 29, 2024

Dear shareholders and stakeholders,

Throughout 2023, we displayed our resiliency and drive towards business recovery to deliver for our employees, customers, shareholders, and communities, truly living up to NFI's purpose: To Move People, the world's most precious cargo.

With our focus on the long-term, we completed our comprehensive refinancing plan in August 2023, raising total gross proceeds of approximately $444 million, allowing us to improve our liquidity, strengthen our balance sheet, increase our financial flexibility, and establish a covenant profile matched to our projected financial trajectory. We took this support as a strong signal that NFI investors believe in our business and our future.

Supply disruption has plagued our industry since 2021, and, when combined with heightened inflation, led to a number of our competitors exiting the U.S. market. Through the dedicated actions of our team, we have navigated through these challenges and, in 2023 versus 2022, saw a 19% increase in year-over-year vehicle deliveries, improvements to weekly vehicle line entry rates, and a reduction in work-in-process inventory. We ended the year with only a handful of high-risk/high-impact suppliers and have seen significant improvement in on-time supply performance and parts availability. While labour markets have also been challenging, we managed to significantly reduce employee turnover in 2023, and added required labour to NFI's global team to support production ramp up.

The Aftermarket business, which supports over 100,000 vehicles in service, continued its extremely strong performance, delivering a record $500 million of revenue, $120 million of Adjusted EBITDA[NG] and $102 million of net earnings in 2023. The Aftermarket team was critical in keeping our customers operating as our customers' businesses and ridership also recovered.

NFI ended 2023 with a total backlog[NG] of over 10,500 equivalent units ("EUs") valued at nearly $8 billion, our highest level ever, with zero-emission buses ("ZEB") representing 36% of our total backlog[NG]. In 2023, we secured new ZEB orders in Toronto, Ottawa, Baltimore, Boston, Miami, Philadelphia, Phoenix, Washington, London (UK), Ireland, Scotland, Hong Kong, and from many others. At year end, we were also advised by customers that over 3,800 EUs were to be awarded to NFI with contractual documents not yet received and therefore not yet added to backlog[NG]. The demand environment remains healthy, and we expect the first quarter of 2024 to be even busier, with potential to record our highest number of quarterly awards ever, further enhancing our market-leading position.

Our teams continue to be relentless in their pursuit of deploying leading technology, seeking operational excellence, ensuring safety, and delivering the best for our customers, no matter the circumstances. During 2023, we launched several new models, including the game changing Alexander Dennis Enviro 400EV double deck, and the "big small bus" Enviro100EV, and relaunched double deck production for North America. We also met a critical milestone in 2023, surpassing over 150 million zero-emission miles driven by NFI buses and motor coaches, with nearly 450 chargers delivered since the inception of NFI Infrastructure Solutions™. We are extremely proud of our teams' efforts, and we thank you, our fellow stakeholders, for your ongoing support.

We remain committed to delivering a better product, a better workplace, and a better world through our environmental, social and governance ("ESG") initiatives. This included continuing to innovate and grow our broad portfolio of comprehensive mobility solutions to support our customers at various stages in their zero-emission journeys; maintaining our focus on safety; completing our third submission to CDP (formerly the Carbon Disclosure Project) and second submission to the S&P *(continued on next page ->)*

NG. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

(-> continued) Global Corporate Sustainability Assessment; continued focus on talent acquisition and workforce developments efforts to meet higher production levels; a company-wide Employee Pulse Check survey; successful negotiation of two new collective bargaining agreements; an expanded supplier base and instating a Conflict and Critical Minerals Policy; and establishing a Sustainability Council, to give strategic leadership to NFI's ESG and sustainability programs. NFI was also proud to have ranked among Corporate Knights' Best 50 Corporate Citizens in Canada for the second year in a row.

As part of our ESG program, we are focused on driving and delivering long-term sustainable value for all our stakeholders. To ensure alignment, we evolved the executive performance share unit ("PSU") element of the long-term incentive plan ("LTIP") from being based solely on a return on invested capital ("ROIC") to now include a combination of ROIC, ESG, and Strategic performance targets.

There are still headwinds in the market, including labour availability and overall supply chain health, two critical areas of management focus and attention, but, as we look to Fiscal 2024, we expect to see continued improvement in our financial results with significant growth in Adjusted EBITDA[NG], a return to net profit, and a reduction in debt leverage ratios.

Our guidance range for Fiscal 2024 Adjusted EBITDA[NG] of $240 million to $280 million reflects our expectations for bus and coach manufacturing recovery and continued strong performance from the Aftermarket segment. These positives will somewhat offset by the delivery of remaining legacy inflation-impacted contracts which are planned for the first half 2024, and operational labour inefficiencies experienced as we ramp manufacturing production to meet heightened demand and execute on our secured backlog[NG].

After 9 years as a director on NFI's Board of Directors ("Board") and Chair of the Audit Committee, Phyllis Cochran will be retiring from the Board in May 2024 at the Annual General Meeting of Shareholders (the "Shareholders' Meeting"). On behalf of the Board and management, we extend a sincere thank you to Phyllis for her contributions, dedication, and leadership as a Director, Audit Chair, and partner to NFI. Ms. Anne Marie O'Donovan, FCPA, FCA, ICD, will be nominated as a new independent Director on NFI's Board. If Ms. O'Donovan is elected to the Board, she will also become the Chairperson of the Audit Committee of NFI. The materials for the Shareholders' Meeting and voting instructions will be sent to shareholders in advance of the meeting and will also be available on NFI's website.

As always, we remain proud of our history, excited about our future, and inspired by the positive impact of NFI on the communities in which it operates. NFI is the leader in this industry, and we plan to keep it that way. Thank you for your continued support.

Wendy Kei,
Chair, Board of Directors,
NFI Group Inc.

Paul Soubry
President & Chief
Executive Officer
NFI Group Inc.

NG. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

NFI continued to innovate in 2023.

We had a few big firsts.

MCI delivered its first battery-electric J4500 CHARGE™ coach to a Canadian customer

Universal COACH LINE

Alexander Dennis formally launched the Enviro100EV and Enviro400EV

KMB celebrated its 90th birthday with the launch of its 1st next-generation Alexander Dennis Enviro500EV

KMB

And we continued to strengthen relationships with our stakeholders.

There is high demand for our vehicles, infrastructure, and services.

Buses & Coaches

New Flyer
MCI
Alexander Dennis
ARBOC Specialty Vehicles
Plaxton

Infrastructure Solutions

NFI Infrastructure Solutions™

Workforce Development & Training

VIC Vehicle Innovation Center
AD24 Training Academy
New Flyer Institute
NFI Learning Institute
MCI | MCI Academy Training for Advancing Technology

NFI

Parts, Publications & Service

NFI Service
AD24
nfi.parts

Financing

NFI Financial Solutions™

Connected Vehicles & Diagnostics

NFI Connect™
CONNECT360

In 2023, we concentrated on these ESG priorities :

A better product.
A better workplace.
A better world.

- Focused on the shared vision of a zero-emissions future to accelerate EV adoption and support employment in underserved and socially vulnerable communities through partnership and collaboration with thought leaders and industry groups across our value chains;
- Established a Sustainability Council to give strategic leadership to NFI's ESG and sustainability programs, expanding our sustainability governance approach with an emphasis on risk management and strategic alignment to advance sustainable growth and climate action;
- Successfully negotiated new collective bargaining agreements with Unifor and GMB/Unite;
- In accordance with our Freedom of Association commitments, reached three first agreements with the Communications Workers of America and United Steelworkers Unions at our Jamestown, Shepherdsville, and Anniston facilities;
- Completed a company wide Employee Pulse Check Survey with a 65% response rate;
- Continued to innovate and grow our broad portfolio of comprehensive mobility solutions to support our customers at various stages in their zero-emission journeys;
- Explored opportunities amid sourcing challenges by diversifying our supplier base and focusing efforts on human rights and critical minerals by enhancing our Supplier Code of Conduct to and instating a Conflict and Critical Minerals Policy;
- Confirmed alignment to SASB industry-specific topics and to several TCFD recommended disclosure topics to support investor decision-making;
- Focused on significant talent acquisition, recruitment and talent pipeline and workforce developments efforts to meet higher production levels, with concentrated efforts in electrical technician training and partnering with industry trade associations to address skilled trade shortages;
- Continued to retrain and upskill our workforce for high-demand skills to support the transition to a zero-emission future by investing nearly $10m in total organizational expenditure;
- Retained focus on maintaining the highest priority for the health, safety, and well-being of our employees through consistent improvement efforts and the addition of our Carfair Winnipeg fabrication site to our ISO 14001 and 45001 registration;
- Completed our third annual disclosure to the CDP Climate Change questionnaire and our second annual disclosure to the S&P Global Corporate Sustainability Assessment;
- Changed the PSU performance metric for the LTIP in the Executive Compensation Program from being based solely on a ROIC target to a combination of ROIC, an ESG target, and a Strategic target;
- Built Diversity, Equity and Inclusion ("DEI") maturity across the business through our Group DEI strategic framework commitments; and
- Contributed to community well-being through several employee led programs, in addition to our 6th North American United Way Campaign raising $422,253 for United Way agencies throughout North America.

NFI's 6th annual ESG Report will be released in May 2024.

Notes to readers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 52-WEEKS ENDED DECEMBER 31, 2023

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. and its subsidiaries (collectively referred to as "NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's audited consolidated financial statements (including notes) (the "Financial Statements") for the 52-week period ended December 31, 2023, and has been prepared as of February 28, 2024.

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.sedarplus.ca. 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.

The Company retrospectively adopted IFRS 17 - Insurance Contracts on January 2, 2023. Refer to the section, "new and amended standards adopted by the Company" for details of the impact of the adoption on this MD&A. NFI's Financial Statements were prepared on a going concern basis in accordance with IFRS. Readers are recommended to read the section, "capital allocation policy" regarding the completion of the Company's comprehensive refinancing plan.

QUARTERLY AND ANNUAL REPORTING PERIODS

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

Period from January 2, 2023 to December 31, 2023 ("Fiscal 2023")				**Period from January 3, 2022 to January 1, 2023 ("Fiscal 2022")**			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	April 2, 2023	("2023 Q1")	13	Quarter 1	April 3, 2022	("2022 Q1")	13
Quarter 2	July 2, 2023	("2023 Q2")	13	Quarter 2	July 3, 2022	("2022 Q2")	13
Quarter 3	October 1, 2023	("2023 Q3")	13	Quarter 3	October 2, 2022	("2022 Q3")	13
Quarter 4	December 31, 2023	("2023 Q4")	13	Quarter 4	January 1, 2023	("2022 Q4")	13
Fiscal year	December 31, 2023		52	Fiscal year	January 1, 2023		52

Specific references and definitions are used throughout this MD&A, please see the Non-IFRS and Other Financial Measures section. References to LTM mean last-twelve months ("LTM"). Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), Invested Capital, net operating profit after taxes ("NOPAT"), *(continued on next page ->)*

Notes to readers

(-> continued) return on invested capital ("ROIC"), Free Cash Flow, Free Cash Flow per Share, Adjusted Net Loss, Adjusted Net Loss per Share, Total Liquidity, Banking Covenant Liquidity, Working Capital Days, Payout Ratio, Book-to-Bill ratio, Backlog, Total Leverage Ratio, Interest Coverage Ratio, Total Net Debt to Capitalization, Minimum Cumulative Adjusted EBITDA and Senior Secured Net Leverage Ratio 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. Non-IFRS measures in this MD&A have been denoted with an "NG".

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, marketing strategies and operations.

The Manufacturing Operations segment derives its revenue from the design, manufacture, service and support of new transit buses, motor coaches, medium-duty, cutaway buses, and installation of infrastructure for electric vehicles and the sales of fiberglass reinforced polymer components. 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 and regulatory environment.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses, coaches and medium-duty/cutaway buses, both for the Company's and third-party products.

Single and double deck buses manufactured by New Flyer and Alexander Dennis Limited ("Alexander Dennis" or "AD") are classified as "transit buses". ARBOC Specialty Vehicles, LLC manufactures body on-chassis or low floor "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) high deck floor, (ii) baggage compartment under the floor, (iii) high-backed seats with a coach-style interior (often including a lavatory), and (iv) no accommodation 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 and motor coaches. All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motor coaches is measured in, or based on, "equivalent units" (or "EUs"). One 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 EUs. 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^{NG} information can be found in Appendix B.

Leader in zero-emission transportation

150M+
Electric service miles driven

236
ZEB EUs delivered in 2023 Q4 (19% of total EUs delivered)

878
ZEB EUs delivered in Fiscal 2023

22%
of new EUs delivered in Fiscal 2023 were ZEBs

52%
of North American Public Bid Universe is ZEBs

3,603
ZEB EUs delivered since 2015

3,779
ZEB EUs in backlog^{NG}

36%
of total backlog^{NG} is ZEB EUs

150+
Cities have NFI ZEBs in service or on order

6
Countries have NFI ZEBs in service or on order

445+
EV chargers and 72* megawatts delivered via Infrastructure Solutions™ since 2018

17
Zero-emission bus and coach models offered by NFI

* In the Company's 2023 Q3 financial report, the total number of megawatts (MW) of charging capacity installed by NFI Infrastructure Solutions™ was incorrectly stated as 82 MW due to a calculation error. As of 2023 Q4, the total number of MW installed by NFI Infrastructure Solutions™ is 72 MW.

Fiscal 2023 Highlights (US$)

$2,685.2M
Total Revenue

$220.8M
Gross Profit

$136.2M
Net **Loss**

$63.8M
Cash Flow **Used In** Operating Activities

$1.48
Net **Loss** Per Share

6,121 EUs
in LTM New Orders

10,586 EUs
In Backlog(2)

4,001
EUs Delivered

$69.2M
Adjusted EBITDA(1)

($101.4)M
Free Cash Flow(1)

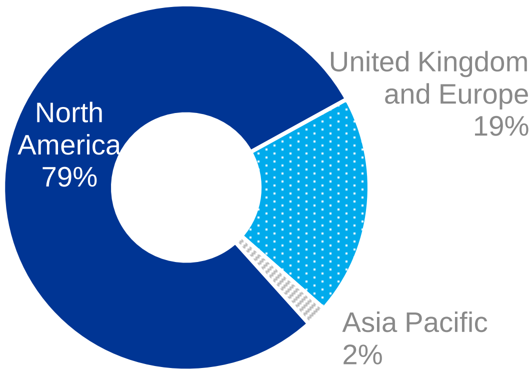
$188.2M
Liquidity (2)(3)

$1.27
Adjusted Net **Loss** Per Share(4)

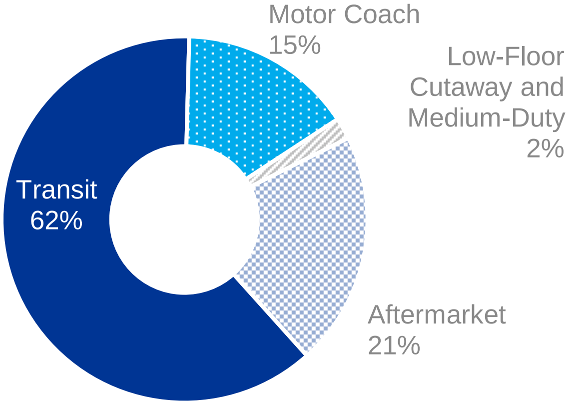
8,732 EUs
Active Bids

$7.9B
Value of Backlog(2)

1. Represents a non-IFRS measure, meaning it is not a defined term under IFRS and does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. See Non-IFRS and Other Financial Measures section.
2. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.
3. Without consideration given to the minimum liquidity requirement of $25 million.
4. Represents a non-IFRS ratio, meaning it is derived from a non-IFRS measure, which does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. The ratio is calculated using adjusted net income, which is a non-IFRS measure. See Non-IFRS and Other Financial Measures section.



Revenue by Geography

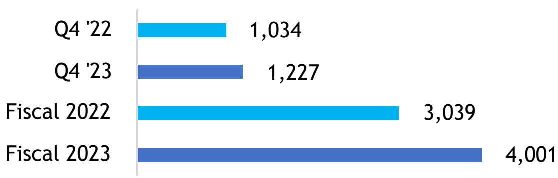


Revenue by Product

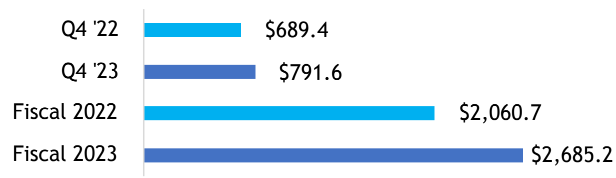
Leading the ZEvolution™

Key Performance Indicators

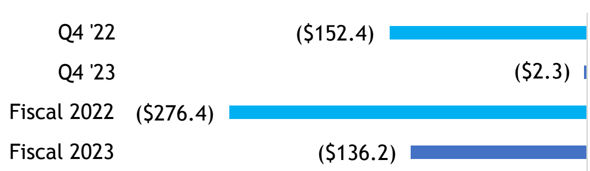
Deliveries (EUs)



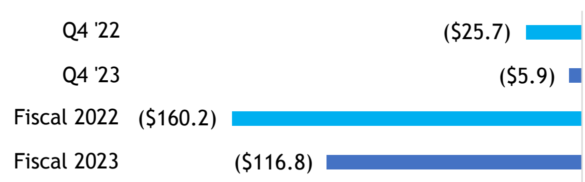
Revenue ($ millions)



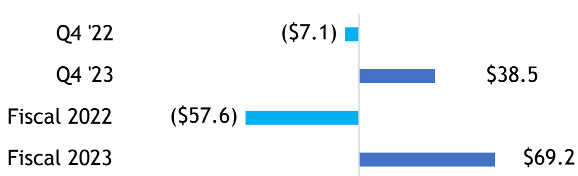
Net Loss ($ millions)



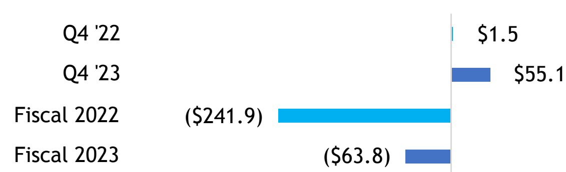
Adjusted Net Loss[NG] ($ millions)



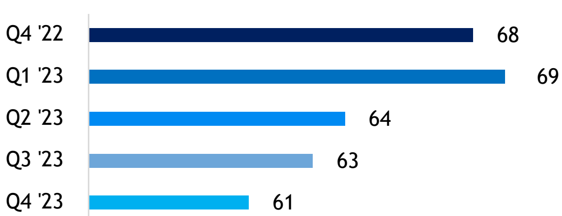
Adjusted EBITDA[NG] ($ millions)



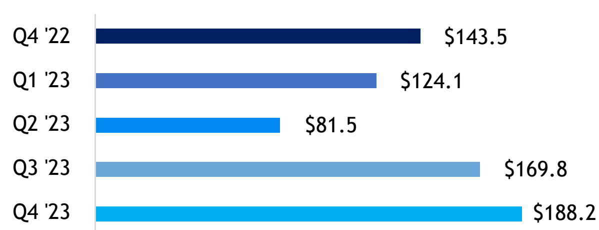
Net cash generated by (used in) operating activities ($ millions)



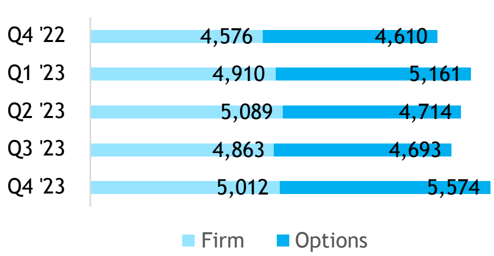
Working Capital Days[NG]



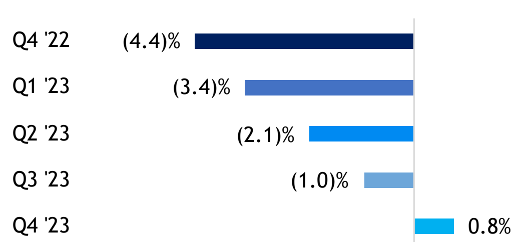
Total Liquidity[NG] ($ millions)



Backlog[NG] (EUs)



ROIC[NG]



Financial Results

NFI's 2023 fourth quarter financial results saw sequential and year-over-year improvement with increases in vehicle deliveries, revenue and gross profit. NFI continued to increase production rates in the fourth quarter of 2023 as the Company recovers from the impacts of global supply chain challenges, labour supply challenges, and associated production inefficiencies. This increase in production saw improvements to efficiencies supporting stronger absorption of overhead. NFI's financial performance in 2023 Q4 and throughout Fiscal 2023 was impacted by the aforementioned supply and labour challenges and production inefficiencies, and the impacts of inflation and rapid foreign exchange movements on select legacy contracts bid in 2020 and 2021. The remaining legacy contracts are expected to be completed in the first half of 2024. While these challenges negatively impacted results, there was significant improvement when compared to the same period in 2022, as overall supply chains showed improvement, and there were fewer production inefficiencies, supporting stronger absorption of overheads.

The Company's end markets remain strong, with significant order and award activity, a robust North American public bid environment, and unprecedented continued government funding for public transit across multiple markets. The Aftermarket segment experienced another strong period of performance, with year-over-year revenue and Adjusted EBITDA[NG] growth. Fiscal 2023 saw Aftermarket deliver its highest revenue and Adjusted EBITDA[NG] performance in NFI's history.

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

Deliveries (EUs)	2023 Q4	2022 Q4	*% Change*	Fiscal 2023	Fiscal 2022	*% Change*
Transit buses	923	764	*20.8 %*	2,942	2,253	*30.6 %*
Motor coaches	202	169	*19.5 %*	635	524	*21.2 %*
Medium-duty and cutaway	102	101	*1.0 %*	424	262	*61.8 %*
New vehicle deliveries	1,227	1,034	*18.7 %*	4,001	3,039	*31.7 %*
Pre-owned coach	37	68	*(45.6 %)*	236	190	*24.2 %*
Zero-emission deliveries (included in the above totals)	236	328	*(28.0 %)*	878	693	*26.7 %*
Zero-emission deliveries as a percentage of total new vehicle deliveries	19.2 %	31.7 %	*(39.4 %)*	21.9 %	22.8 %	*(3.8 %)*

Revenue ($ millions)	2023 Q4	2022 Q4	*% Change*	Fiscal 2023	Fiscal 2022	*% Change*
Transit buses	506.1	448.6	*12.8 %*	1,647.2	1,219.3	*35.1 %*
Motor coaches	121.7	97.7	*24.6 %*	390.8	296.2	*31.9 %*
Medium-duty and cutaway	14.4	12.8	*12.5 %*	50.7	31.7	*59.9 %*
Total New Vehicle Revenue	**642.2**	**559.1**	***14.9 %***	**2,088.7**	**1,547.2**	***35.0 %***
Pre-owned coach	5.8	5.2	*11.5 %*	21.6	12.8	*68.8 %*
Infrastructure Solutions™	5.1	2.7	*88.9 %*	11.0	8.5	*29.4 %*
Fiberglass reinforced polymer components	2.8	2.2	*27.3 %*	8.9	7.0	*27.1 %*
Manufacturing Revenue	**655.9**	**569.2**	***15.2 %***	**2,130.2**	**1,575.5**	***35.2 %***
Aftermarket	135.7	120.2	*12.9 %*	555.0	485.2	*14.4 %*
Total Revenue	**791.6**	**689.4**	***14.8 %***	**2,685.2**	**2,060.7**	***30.3 %***
North America	605.3	510.1	*18.7 %*	2,112.1	1,561.8	*35.2 %*
United Kingdom and Europe	164.2	165.2	*(0.6 %)*	523.4	440.8	*18.7 %*
Asia Pacific	22.1	14.1	*56.7 %*	49.7	58.1	*(14.5 %)*

Manufacturing revenue for 2023 Q4 increased by $86.7 million, or 15.2%, compared to 2022 Q4. The increase was largely driven by higher new vehicle deliveries and contribution from Infrastructure Solutions™. Quarterly deliveries saw improvement both year-over-year and sequentially for the fourth consecutive quarter. Manufacturing production and deliveries in 2023 Q4 and Fiscal 2023 were impacted by supply chain challenges, labour supply challenges, and related production inefficiencies, which created numerous bottlenecks and disruptions to parts availability. NFI has seen significant improvement in supplier performance and on-time production during the quarter, supporting NFI's continued ramp-up in vehicle production rates.

In Fiscal 2023, Manufacturing deliveries increased by 962 EUs, or 31.7%, with increases in all product categories driving a 35.4% increase in new vehicle revenue.

For Fiscal 2023, overall zero-emission bus and coach deliveries increased by 26.7%, but were down year-over-year in the fourth quarter, reflecting sales mix with higher diesel and compressed natural gas deliveries in the period. ZEBs as a percentage of total new vehicle deliveries declined slightly for Fiscal 2023 as the Company increased total deliveries by 31.7%. Growth in motor coach and medium-duty cutaway deliveries, which are earlier in the transition to zero-emission technology and utilize more traditional propulsion systems, contributed to this overall lower percentage.

Quarterly revenue of the Company's Infrastructure Solutions™ division increased by $2.4 million. The increase is primarily due to the timing of revenue recognition on open contracts. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 415 plug-in and 35 overhead charger projects, for 64 different customers.

Aftermarket revenue for 2023 Q4 increased by $15.5 million, or 12.9% compared to 2022 Q4. The increase is mainly related to increased volume in the North America region and dynamic pricing adjustments due to heightened inflation on parts. In Fiscal 2023, the Aftermarket segment delivered its highest revenue performance ever. During this period, the Company also benefitted from retrofit programs in North America and continued to benefit from a multi-year retrofit program in the Asia-Pacific region, but at a lower run rate than those seen in Fiscal 2022.

Net Earnings (Loss) ($ millions, except per share amounts)	2023 Q4	2022 Q4	% Change	Fiscal 2023	Fiscal 2022	% Change
Manufacturing	8.9	(147.1)	*106.1 %*	(96.5)	(309.5)	*68.8 %*
Aftermarket	24.7	18.6	*32.8 %*	101.7	67.0	*51.8 %*
Corporate	(35.9)	(23.9)	*(50.2 %)*	(141.4)	(33.9)	*(317.1 %)*
Net Loss	**(2.3)**	**(152.4)**	***98.5 %***	**(136.2)**	**(276.4)**	***50.7 %***
Adjusted Net Loss[NG]	(5.9)	(25.7)	*77.0 %*	(116.8)	(160.2)	*27.1 %*
Net Loss per Share	(0.02)	(1.98)	*99.0 %*	(1.48)	(3.58)	*58.7 %*
Adjusted Net Loss per Share[NG]	(0.05)	(0.33)	*84.8 %*	(1.27)	(2.08)	*38.9 %*

Adjusted EBITDA[NG] ($ millions)	2023 Q4	2022 Q4	% Change	Fiscal 2023	Fiscal 2022	% Change
Manufacturing	11.1	(30.5)	*136.4 %*	(42.1)	(149.2)	*71.8 %*
Aftermarket	29.5	22.9	*28.8 %*	120.2	86.2	*39.4 %*
Corporate	(2.1)	0.5	*(520.0 %)*	(8.9)	5.4	*(264.8 %)*
Total Adjusted EBITDA[NG]	**38.5**	**(7.1)**	***642.3 %***	**69.2**	**(57.6)**	***220.1 %***
Adjusted EBITDA[NG] **as a percentage of revenue**						
Manufacturing	1.7 %	(5.4 %)	*131.6 %*	(2.0 %)	(9.5 %)	*79.1 %*
Aftermarket	21.7 %	19.1 %	*14.1 %*	21.7 %	17.8 %	*21.9 %*
Total	**4.9 %**	**(1.0 %)**	***572.2 %***	**2.6 %**	**(2.8 %)**	***192.2 %***

In 2023 Q4, Manufacturing Adjusted EBITDA[NG] increased by $41.6 million, or 136.4%, compared to 2022 Q4. The increase was driven by significantly improved gross margins from higher overall deliveries, favourable sales mix, and a lower number of legacy inflation-impacted contracts. Manufacturing experienced net earnings of $8.9 million in 2023 Q4 compared to a net loss of $147.1 million in 2022 Q4. The change in Manufacturing net earnings from 2022 Q4's net loss was primarily due to a goodwill impairment charge of $103.9 million related to ARBOC and AD recognized in 2022 Q4 and the Company's decision not to close MCI's Pembina facility, which resulted in a reversal of $7 million of closure costs in 2023 Q4. Also contributing to the improvement are the same items that impacted Manufacturing Adjusted EBITDA[NG]. The increase in Fiscal 2023 Manufacturing Adjusted EBITDA[NG] is attributable to the same items that impacted quarterly increases.

The 2023 Q4 Aftermarket segment achieved record Adjusted EBITDA[NG] of $29.5 million, a $6.6 million, or 28.8%, year-over-year increase. The increase in Adjusted EBITDA[NG] was primarily due to improved sales volume and favourable product mix. Dynamic pricing, reduced freight costs, and higher demand for parts has also contributed to the increase in Adjusted EBITDA[NG]. The 2023 Q4 Aftermarket net earnings increased by $6.1 million, or 32.8%, primarily due to the same items that impacted Aftermarket Adjusted EBITDA[NG]. Increases in net earnings and Adjusted EBITDA[NG] for Fiscal 2023 are primarily due to the same items that impacted quarterly increases.

The 2023 Q4 Corporate Adjusted EBITDA[NG] decreased by $2.6 million compared to 2022 Q4, primarily due to increased professional fees, insurance, and incentive compensation, partially offset by a decrease in realized foreign exchange gains. Corporate net loss increased by $12.0 million compared to 2022 Q4, primarily due to increased interest on long-term debt, and unfavourable fair value adjustments to the Company's convertible debenture cash conversion option, offset by accounting gains on the debt modification of the Company's Secured Facilities[1] as a result of Refinancing. In Fiscal 2023, Corporate Adjusted EBITDA[NG] decreased due to the same items that impacted quarterly results. The Fiscal 2023 net loss increased due to higher interest and finance costs incurred compared to Fiscal 2022 offset by an accounting gain on the debt modification of Secured Facilities, as discussed above.

Free Cash Flow[NG] and net cash generated by (used in) operating activities ($ millions, except per share amounts)	2023 Q4	2022 Q4	*% Change*	Fiscal 2023	Fiscal 2022	*% Change*
Net cash generated by (used in) operating activities	55.1	1.5	*3,573.3 %*	(63.8)	(241.9)	*73.6 %*
Free Cash Flow[NG]	2.7	(23.9)	*111.3 %*	(101.4)	(169.0)	*40.0 %*
Free Cash Flow[NG] (CAD dollars)	3.6	(32.3)	*111.1 %*	(134.8)	(223.1)	*39.6 %*
Declared Dividends (CAD dollars)	-	-	*0.0 %*	-	12.3	*(100.0 %)*
Free Cash Flow per Share[NG] (CAD dollars)	0.03	(0.42)	*107.1 %*	(1.47)	(2.89)	*49.1 %*
Dividends per Share (CAD dollars)	-	0.00	*0.0 %*	-	0.16	*(100.0 %)*
Payout Ratio[NG] (Declared Dividends divided by Free Cash Flow)	0.0 %	0.0 %	*0.0 %*	0.0 %	(5.5 %)	*100.0 %*

Free Cash Flow[NG] in 2023 Q4 increased by $26.6 million, or 111.3%, compared to 2022 Q4, mainly due to increased cash generated by operating activities for the period offset by an increase in interest paid, income taxes, and cash capital expenditures.

Cash generated by operating activities in 2023 Q4 was $55.1 million, an increase of $53.6 million or 3,573.3%, compared to cash generated by operating activities in 2022 Q4 of $1.5 million. The increase is mainly due to a significant decrease in net losses. Also contributing is an increase in changes to non-cash working capital offset by increases in interest paid. The Fiscal 2023 net cash used in operating activities decreased by 73.6% compared to Fiscal 2022, primarily due to a decrease in net losses offset by interest paid, income taxes, and cash capital expenditures.

	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Working Capital Days[NG]	61	63	64	69	68
Total Liquidity[NG] ($ million)	$188.2	$169.8	$81.5	$124.1	$143.5
Backlog[NG] (EUs)	10,586	9,556	9,803	10,071	9,186
ROIC[NG]	0.8 %	(1.0 %)	(2.1 %)	(3.4 %)	(4.4 %)

Footnotes:

1. As described in the Capital Allocation section on page 36

As part of the Company's increased focus on cash conversion and leverage reduction, the Company is actively focused on reducing Working Capital Days[NG]. In 2023 Q4, Working Capital Days[NG] were 61, compared to 63 at the end of 2023 Q3, and 68 at the end of 2022 Q4. The decrease in Working Capital Days[NG] in 2023 Q4 compared to 2023 Q3 is mostly attributable to the increase in sales over the last twelve months, offset by an increase in average working capital balances. The increase of average working capital is primarily due to increases in accounts receivable as the Company had higher deliveries compared to 2023 Q3. As a result of these higher deliveries, work-in-progress has decreased from 2023 Q3, while raw materials has increased to support increased production levels. NFI is continuing focused efforts to lower work-in-process inventory and accelerate customer acceptance programs to lower working capital balances and improve Working Capital Days[NG].

The Company's liquidity[NG] position, which combines cash on-hand plus available capacity under its Secured Facilities[1], without consideration given to the minimum banking liquidity[NG] requirement of $50 million under the Secured Facilities[1], was $188.2 million at the end of 2023 Q4, up $18.4 million from the end of 2023 Q3. Total liquidity[NG] improved as cash generated by operating activities being used to make repayments on the Company's North American and UK Secured Facilities[1].

At the end of 2023 Q4, the Company's total backlog[NG] (firm and options) was 10,586 EUs, a 10.8% increase compared to 9,556 EUs at the end of 2023 Q3, and an increase of over 1,000 EUs from 2022 Q4. The year-over-year increase was driven by higher awards in the period and less cancellations/expiry of options. Backlog[NG] for 2023 Q4 had a total dollar value of $7.9 billion. In addition, there were 3,832 EUs of new firm and option orders that were in bid award pending at the end of 2023 Q4, up from the 1,834 EUs as of the end of 2023 Q3. These are orders 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 received by the Company and therefore not recorded in Backlog[NG].

Fiscal 2023 ROIC[NG] increased by 5.2% from Fiscal 2022, due to the increase in Adjusted EBITDA[NG] and a slight decrease in the invested capital base[NG]. The decrease in invested capital[NG] is primarily due to a decrease in long-term debt and cash as the Company has made repayments on its Secured Facilities[1] and Senior Unsecured Debt[2]. Also contributing is an elimination of the Company's interest rate swaps and equity hedge, which were extinguished during the year.

Footnotes:

2. As described in the Capital Allocation section on page 33.

2023 Q4 Highlights

The fourth quarter of 2023 saw significant improvement in year-over-year vehicle deliveries, revenue, gross profit and Adjusted EBITDA[NG], as the Company continues to recover from the challenges of supply disruption and heightened inflation that has impacted operations and results over the past few years. The demand environment remained very strong in the quarter, with higher new orders, higher contract pricing, and near-record bid activity. NFI also grew its backlog[NG] to 10,586 EUs valued at $7.9 billion.

NFI continued to see supply chain performance improvement during the quarter and maintained its plan to prudently increase line entry rates. NFI increases manufacturing production slowly to match the addition of new team members and training requirements, and to ensure consistent supply. To support this ramp-up, NFI has taken numerous actions to drive supply performance improvement, including longer lead-times to suppliers, use of alternative suppliers at different levels of the supply chain, where appropriate, and carrying higher levels of inventory for certain components. The Company has also seen an easing of inflationary pressures related to components and raw materials.

NFI's Aftermarket segment delivered a record performance in Fiscal 2023, with its highest revenue and Adjusted EBITDA ever as NFI benefitted from heightened demand in various jurisdictions, a reflection of more vehicles being put into service as transit agencies and private operators increased service levels, an increase in overall fleet age due to lower industry deliveries in 2020, 2021, and 2022, and customers purchasing additional parts inventory to avoid supply shortages.

As of the end of 2023 Q4, NFI had 8,566 team members across all of its global locations.

Strong Market Demand and Increasing Procurements

Demand metrics remained strong in 2023 Q4. While new orders were down 8.4% from 2022 Q4, they were up 143.4% from 2023 Q3. Active bids of 8,732 EUs were down from both 2022 Q4 and 2023 Q3, but bids submitted were up 43.0% year-over-year. The Company also had 3,832 EUs in bid awards pending (where NFI had received notification of award from the customer, but formal purchase order documentation had not yet been finalized) as at the end of 2023 Q4. This positions NFI for another expected quarter of strong backlog[NG] growth in the first quarter of 2024.

NFI's Total Public Bid Universe for North America was at an all-time high of 30,830 EUs generating another consecutive quarter of record EUs. *See Appendix B for details.*

Given the highly customized nature of NFI's products, there is significant lead time between when an order is received and when a vehicle is delivered. Generally, in North America, NFI will begin production on an order six to twelve months after it is awarded. In international markets, this lead time can be anywhere from three to eight months. During 2020 to 2022, the time between receipt of an order and production was extended even further than under typical circumstances due to the impacts of the pandemic and supply disruption. This pre-production period is utilized to complete final engineering, coordinate supply delivery, and align production schedules. Due to this timing structure, there is a lag between when orders are received and when they impact NFI's financial results in the form of deliveries. This timing structure also saw NFI’s Manufacturing segment experience inflation impacts related to legacy contracts, originally bid in 2020 and 2021. The Company has nearly completed delivery of these legacy contracts, with a significant number delivered in 2023 impacting NFI’s financial performance.

Efforts to Strengthen Bus Manufacturing in the U.S.

In October 2023, the American Public Transportation Association (“APTA”) created a Bus Manufacturing Task Force (“Task Force”) to recommend immediate actions that can support a more competitive and stable bus manufacturing capacity in the U.S. This Task Force was assembled in response to a reduction in heavy-duty transit bus capacity in the U.S. following the exit of two players and the bankruptcy of another. These changes have led to a capacity decrease in the U.S. and improvements to NFI’s overall competitive position. NFI is a member of this Task Force along with several other manufacturers, suppliers, and transit agencies.

Subsequent to the quarter, on February 7, 2024, the White House, in coordination with APTA and the Federal Transit Administration (“FTA”) convened a Roundtable on Clean Bus Manufacturing. APTA and other members of the Task Force, including NFI, presented to the White House and provided recommendations on how to improve the financial health of U.S. manufacturers. These recommendations included the ability to complete pricing adjustments to reflect inflationary pressure on contracts bid from 2020 to 2023, the incorporation of progress payments (deposits, advances, and milestone payments), and pricing adjustments to future contracts to reflect price inflation or deflation.

Following the Roundtable, the FTA released a Dear Colleague letter to U.S. public transit agencies, describing actions the FTA is taking to strengthen the American bus manufacturing industry, reduce vehicle contract costs, and shorten vehicle delivery times to public transit agencies. The proposed changes included within the APTA recommendations and the FTA Dear Colleague letter may have a positive impact on NFI’s financial performance in future periods, especially as it relates to working capital investments. These potential changes are further discussed in the Outlook of this MD&A.

Zero-Emission Mobility—The *ZE*volution™

As at the end of 2023 Q4, NFI had 3,779 EUs of ZEBs in the backlog[NG], representing 35.7% of the total backlog[NG], down slightly from the record of 36.4% as at the end of 2023 Q1, but up from 28.6% at the end of 2022 Q4. As of 2023 Q4, 52.4%, of the Total Bid Universe was ZEBs, an increase of 3.1% year-over-year, which supports management's expectations for a continued increase in the demand for ZEBs. NFI sells buses to all of the 25 largest transit authorities in North America and has electric vehicles in service with 17 of these transit agencies. NFI also serves all of the UK's major transit and coach operators.

Within the fourth quarter of 2023, the Company announced zero-emission vehicle orders with customers in the US, the UK and Hong Kong. In Fiscal 2023, NFI delivered 878 zero-emission EUs, a 26.7% increase from Fiscal 2022.

During the fourth quarter, the Company continued to innovate and position itself for future success in the zero-emission market:

- NFI announced a battery pack supply agreement with American Battery Solutions, to increase the resiliency of NFI's North American battery supply chain.

- New Flyer announced that it had designed the 60-foot zero-emission, battery-electric Xcelsior CHARGE NG™ to include additional battery strings, thereby increasing the range of the bus. The addition of the seventh and eighth battery strings to the Xcelsior CHARGE NG raises the total capacity of the bus's energy storage system by 33%, resulting in the addition of approximately 46 more miles of range per charge.

- NFI announced that NFI's subsidiaries New Flyer of America Inc., Motor Coach Industries, Inc., ARBOC Specialty Vehicles, LLC, and Alexander Dennis Incorporated are now qualified manufacturers for the commercial clean vehicle credit under the Inflation Reduction Act. NFI's electric vehicles in the United States are eligible for up to $40,000 USD in U.S. tax credits, per vehicle.

- Alexander Dennis launched its next generation of battery-electric buses for the UK and Ireland, unveiling the new Enviro100EV midibus and Enviro400EV double-deck bus, designed in house and using an integrated electric drive system.

On December 18, 2023, NFI held a formal event to announce financing from Prairies Economic Development Canada ("PrairiesCan"), part of the Government of Canada, to support innovation of zero-emission heavy-duty transit and coach offerings, as well as modernization upgrades to the MCI facility in Winnipeg. As first announced with NFI's 2023 Q2 financial results, NFI entered into an agreement for up to C$10 million in interest-free financing from PrairiesCan through Canada's Jobs and Growth Fund. The financing is non-interest-bearing and matures on March 1, 2030. The financing matches investments previously made by NFI into its zero-emission vehicle capabilities from late 2021 into 2023, and funds being invested into facility upgrades in 2024.

Subsequent Events

Subsequent to December 31, 2023, NFI entered into an agreement with EDC to increase the size of our Guarantee Facility from $100 million to $125 million. The Guarantee Facility is made up of Account Performance Security Guarantee ("Account PSG") up to $50 million and Surety Reinsurance Support up to $125 million. The aggregate amount of the Guarantee Facility cannot exceed $125 million.

On January 17, 2024, NFI provided an update on its fourth quarter 2023 deliveries, orders and backlog and an update on its financial guidance for 2024 and targets for 2025. Details are provided within the Outlook section.

On January 26, 2024, NFI entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million from January 26, 2024 until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%.

On February 8, 2024, NFI announced a Chief Financial Officer transition, with Brian Dewsnup being appointed as Executive Vice President and CFO of the Company effective March 1, 2024, succeeding previous CFO Pipasu Soni.

On February 9, 2024, NFI announced that it presented at the White House Roundtable on Clean Bus Manufacturing.

Outlook

NFI anticipates continued improvements to revenue, gross profit, Adjusted EBITDA[NG] and Free Cash Flow[NG], a shift to net earnings, and improvement in ROIC[NG] over the next 12 to 24 months, as it ramps-up production, delivers on its backlog[NG], and benefits from growing demand for its buses, coaches, parts, and Infrastructure Solutions™ services.

Market demand is evident through the high volume of active bus and motor coach procurements in both North America and international markets. As of 2023 Q4, the Company's North American active bids remained high at 8,732 EUs. This bid activity is expected to drive additional backlog[NG] growth throughout 2024, and revenue growth in the medium- and longer-term. The current five-year forecasted demand within the Company's North American bid universe is also strong at 22,098 EUs, and, when combined with active bids, provides a record Total Bid Universe of 30,830 EUs.

In addition to the increased numbers of bids for ZEBs, the number of EUs per bid has increased, as transit agencies are progressing from pilot or trials to more active deployment and operation of ZEB fleets. NFI expects active ZEB bids to remain high through the coming years based on government funding levels supporting state, provincial and municipal ZEB adoption targets.

NFI is working closely with its suppliers to monitor performance, and, due to the Company's strong backlog, has been able to provide longer-term visibility to its supply base for 2024 production. As part of NFI's supplier development program, the Company provides a risk rating to all its key suppliers based upon their on-time delivery performance and other factors. NFI completes detailed monitoring of moderate and high-risk suppliers, who can have severe impacts on production operations. NFI has seen the number of these moderate and high-risk suppliers decrease from a combination of overall improvements to supply chain health and from actions taken by NFI's supply and sourcing teams, including keeping higher material inventory on hand. The Company also appointed a dedicated Vice President of Supplier Development, and, when combined with these improvements, support expected increases to 2024 production volumes.

In 2023 Q4, NFI continued increasing new vehicle production rates and hiring new team members to support this increase. While there has been positive improvement, the labour market within the United States and the UK remains challenging. NFI will continue to ramp-up production and add personnel on a phased approach in 2024 with gradual headcount additions ensuring that the ramp-up is matched to consistent supply and labour availability.

Gross margins and other profitability metrics are expected to improve in line with increases in production rates, increases to bus and coach deliveries, the reduction of work-in-progress vehicle inventory, and the completion of the remaining inflation-impacted legacy contracts. NFI anticipates that the remaining legacy inflation-impacted contracts will be delivered during the first half of 2024 and will represent approximately 10% of first half deliveries. The Company has seen signs of commodities and raw material costs easing and anticipates that newer contracts in NFI's backlog[NG] now reflect appropriate, inflation-adjusted costing and pricing.

Strong Government Support for Recovery and Zero-Emission Transition

The Company's bus and coach product lines (New Flyer, ARBOC, MCI and AD) are primarily used for public transit, which remains a critical method of transportation and an economic enabler for users in cities around the world. Public transit has also been a significant and focused area of investment for governments as they seek to improve ridership access, reduce urban congestion, and achieve emissions targets. These investments increased NFI's new orders throughout 2022 and 2023.

The importance of long-term government funding in key markets cannot be understated, as it allows public transit agencies to proceed with confidence regarding their multi-year fleet replacement plans and capital asset procurements. In addition to funding, ridership trends have begun to recover. According to the APTA Ridership Trends Dashboard and a recent policy brief, national public transit ridership in the U.S. was up an average of 70% from pandemic levels from January through November 2023, recovering to more than 77% of pre-pandemic levels in November 2023. Continued recovery in ridership levels are important to support transit agencies operating costs, including the purchase of Aftermarket parts and service.

In the U.S., the Infrastructure Investment and Jobs Act ("IIJA") signed in 2021 includes $86.9 billion over five years for the FTA; the IIJA also authorized an additional $21.2 billion in supplemental appropriations from general revenues, for a total of $108 billion in FTA funding, a 63% increase from the previous government funding act. Generally, U.S. public agencies can secure up to 80% of the capital costs for a new transit bus from FTA funds, with the remaining 20% coming from state and local sources.

NFI continues to advance discussions with industry and government to improve bus manufacturing contract structures in the United States. In February 2024, NFI participated in a White House Roundtable on Clean Bus Manufacturing, and the U.S. FTA issued a Dear Colleague letter to transit agencies that receive federal funding for bus purchases. *Please see the 2023 Q4 Highlights section of this MD&A for more information.*

The Canadian government has committed over C$17 billion to 2027 to support Canadian public transit. The funding includes C$1.5 billion flowing through the Canada Infrastructure Bank to support the adoption of ZEBs and charging infrastructure.

The UK government also continues to support purchases of low- and zero-emission buses, and has previously committed to introducing 4,000 British-built zero-emission buses through its various funding programs, with several rounds of the Zero Emission Bus Regional Areas, or "ZEBRA", funding scheme having already been released. Alexander Dennis has received several customer orders for ZEBs funded by ZEBRA, but, overall, the release of UK government funding has been slower than expected. In September 2023, Alexander Dennis hosted the UK government announcement of a new £129 million funding program, ZEBRA 2; ZEBRA 2 will provide £129 million to support the introduction of ZEBs in financial years 2023 to 2024, and 2024 to 2025, via a single-stage funding competition to award funding over both financial years.

As the market leader in North American transit and coach production and the UK's leading provider of buses and coaches, 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 NFI's core markets.

NFI's private customer markets within Alexander Dennis, MCI and ARBOC continue to see recovery with volumes increasing and pricing now reflecting current input costs and inflation. The North American motor coach space has been especially positive with strong demand in the tour and charter segment.

NFI's Aftermarket business primarily sells spare parts to public and private customers, and also provides service to private operators. The Aftermarket business has continued to deliver strong performance with increased volumes and margins in Fiscal 2023 for both public and private markets in North America and internationally. As private markets continue to recover and through the execution of several large-scale mid-life vehicle programs, NFI anticipates that its Aftermarket segment will continue to generate revenue growth and strong margin contribution in 2024 and 2025, although Adjusted EBITDA[NG] margin percentages, and overall dollar contributions, may be slightly lower than those seen in 2023.

The Company also continues to focus on growing its NFI Infrastructure Solutions™ business to assist customers in assessing their charging infrastructure requirements and to project manage infrastructure procurement and installation. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 415 plug-in and 35 overhead charger projects, for a total of 72[1] megawatts ("MW") charging capacity, for 64 different customers. Currently, Infrastructure Solutions™ has projects under contract for 2024-2025 with 26 existing and 4 new customers, which will add 142 plug-in and 42 overhead depot chargers, for a total of 34 MW.

Other International Markets

NFI's international expansion through Alexander Dennis is expected to continue, with plans for further growth in export markets including New Zealand, Australia, Hong Kong, Singapore, and Germany, where multi-year, multi-million-dollar funding investments are being made by governments with commitments to transition to zero-emission transportation.

Although the proposed legislation, government plans and announcements referred to above are encouraging for the future of public transit, management does not yet know how, when or if the proposals and funds will materialize, contracts will be awarded to the Company, or the expected impact on NFI's financial performance. NFI will continue to monitor and provide updates, as appropriate. Management anticipates that the strong underlying financial support from governments will provide significant opportunities for NFI to grow revenue from increased market demand for its products.

Financial Guidance and Targets

NFI reiterates its previously provided financial guidance for Fiscal 2024 and targets for Fiscal 2025. Full details are provided in the table below.

[1] In the Company's 2023 Q3 financial report, the total number of megawatts (MW) of charging capacity installed by NFI Infrastructure Solutions™ was incorrectly stated as 82 MW due to a calculation error. As of 2023 Q4, the total number of MW installed by NFI Infrastructure Solutions™ is 72 MW.

	2023 Results	2024 Guidance	2025 Targets
Revenue	$2.7 billion	$3.2 to $3.6 billion	~$4 billion
ZEBs (electric) deliveries as a percentage of total deliveries	22%	30% to 35%	~40%
Adjusted EBITDA[NG]	$69 million	$240 to $280 million	>$350 million *(with a $400 million annualized run rate by the fourth quarter)*
Cash Capital Expenditures (excludes lease payments)	$35 million	$50 to $60 million	~$55 million
Return on Invested Capital[NG] - provided for 2025 targets	0.8 %		>12%

The 2024 guidance ranges and the 2025 targets for selected financial metrics provided in the table above take into consideration management's current outlook combined with Fiscal 2023 and 2024 year-to-date results and are based on the assumptions set out below. The purpose of the financial guidance and targets are to assist investors, shareholders, and others in understanding management's expectations for the Company's financial performance going forward. The information may not be appropriate for other purposes. Information about guidance and targets, including the various assumptions underlying it, is forward-looking and should be read in conjunction with the section "Forward-Looking Statements" and the related disclosure and information about various assumptions, factors, and risks that may cause actual future financial and operating results to differ from management's current expectations.

The guidance and targets in the table above are driven by numerous expectations and assumptions, including but not limited to the following:

- **Revenue**: Anticipated revenue growth in 2024 and 2025 is based on NFI's firm order backlog[NG], current 2024 and 2025 production schedules, expected backlog[NG] option order conversion, and anticipated 2024 and 2025 new vehicle orders and Aftermarket parts sales. Revenue guidance and targets reflect higher volume of ZEB sales, higher average vehicle prices in NFI's backlog[NG] and anticipated product mix benefits, plus expected international sales expansion. The guidance ranges also reflect potential variances in delivery volumes from supply disruption, product mix and expected timing of production recovery. NFI expects to deliver approximately 5,000 EUs in Fiscal 2024.

- **ZEB deliveries as a percentage of total deliveries:** NFI has updated its ZEB targets to now be ZEB deliveries as a percentage of total deliveries rather than as a percentage of manufacturing sales dollars to better match with internal compensation targets and external reporting metrics. These expectations are based on NFI's firm and option backlog[NG], anticipated option conversions from backlog[NG], active bids and anticipated future orders in 2024 and 2025, and customers ZEB transition plans.

- **Adjusted EBITDA[NG]**: Adjusted EBITDA[NG] performance is driven by anticipated new vehicle deliveries in 2024 and 2025, product mix, including a higher percentage of ZEB deliveries, Aftermarket segment contributions and anticipated improvements in operating margins due to recovery in supply chain health, improved labour efficiency, higher average vehicle sales prices (as currently reflected in NFI's backlog[NG]), expected additions to backlog[NG], and impacts from the relaunch of double deck production in North America. There will be some impact to margins in the first half of 2024 from legacy inflation-impacted contracts (expected to make up approximately 10% of first half deliveries), contracts secured in the second half of 2022 and Fiscal 2023 reflect updated pricing and improved margins.

- **Cash Capital Expenditures**: Cash capital expenditures are based on investments made in 2023 and expected future maintenance and growth projects planned for 2024 and 2025. The guidance numbers include the expected acquisition and disposal of property, plant and equipment and the acquisition of intangible assets, but do not include expected lease payments.

- **ROIC**: Targets provided for 2025 are driven by the factors noted above combined with the expectation that there will not be significant changes in tax rates from current levels.

In 2024, NFI anticipates seasonality based on expected production ramp up, the timing of certain zero-emission bus deliveries, impacts of legacy inflation-impacted contracts, and sales mix. The Company expects to deliver approximately 35% of annual Adjusted EBITDA in the first half of 2024, with approximately 65% of annual Adjusted EBITDA expected to be delivered in the second half of the year. Sequentially, the Company anticipates a decrease in Adjusted EBITDA in the first quarter of 2024 as compared to the fourth quarter of 2023, as the first quarter of the year is typically the slowest period in private markets and it delivers legacy inflation-impacted contracts.

Based on expected revenue growth and associated investments in working capital, Adjusted EBITDA[NG] guidance, cash capital expenditures, lease payments and cash taxes, NFI anticipates that its current and expected liquidityNG will be sufficient to fund operations (including working capital), capital investments, and bonding requirements in 2024 and the longer-term. In 2024, NFI expects to lower its overall debt leverage ratios from Adjusted EBITDA[NG] growth rather than significant debt repayments. Through at least the first half of 2024, NFI expects that its Total Liquidity[NG] position will be lower than at the end of 2023 Q4 as WIP and finished goods inventory balances increase in line with increases in production rates. The Company remains focused on cash and liquidity management, including efforts to accelerate deliveries and customer acceptances, the acceleration of customer payments, through the pursuit of advance payments and deposits, and improvements to supplier payment terms where possible.

NFI's guidance does not include the potential impacts of proposed changes to payment structures on U.S. public heavy-duty transit contracts, as it is still early in the process and their financial impact will be dependent upon adoption of the APTA recommendations and FTA proposals by U.S. transit agencies.

Guidance and targets above are conditional on several factors and expectations, including the supply chain performance, consistent availability and training of labour, a higher percentage of ZEB sales (which provide a higher revenue and dollar margin benefit), the mitigation of inflationary pressures, end markets recovering in-line with management expectations, growth in international markets, aftermarket parts sales, and continuous improvement initiatives.

NFI's guidance and targets are subject to the risk of extended duration of the current supply disruptions and the risk of additional supply disruptions affecting particular key parts or components. In addition, the guidance and targets do not reflect potential escalated impact on supply chains or other factors arising directly or indirectly as a result of ongoing conflicts in Ukraine, Russia, Israel and Palestine. Although NFI does not have direct suppliers in these regions, additional supply delays, possible shortages of critical components or increases in raw material costs may arise as the conflicts progress and if certain suppliers' operations and/or subcomponent supply from affected countries are disrupted further. In addition, there may also be further general industry-wide price increases for components and raw materials used in vehicle production as well as further increases in the cost of labour and potential difficulties in sourcing an increase in the supply of labour. See Appendix A Forward Looking Statements for risks and other factors and the Company's filings on SEDAR at www.sedarplus.ca.

Selected Quarterly and Annual Financial and Operating Information

The following selected audited 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.

($ thousands, except per Share figures) Fiscal Period	Quarter	Revenue	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[NG]	Earnings (loss) per Share
2023						
	Q4	791,631	25,555	(2,329)	38,455	(0.02)
	Q3	709,620	(13,760)	(39,926)	11,167	(0.42)
	Q2	659,569	(11,297)	(48,101)	12,178	(0.62)
	Q1	524,411	(21,749)	(45,964)	7,409	(0.60)
	Total	**2,685,231**	**(21,251)**	**(136,164)**	**69,209**	**(1.48)**
2022						
	Q4	689,353	(142,144)	(152,405)	(7,094)	(1.98)
	Q3	514,047	(41,051)	(40,167)	(13,281)	(0.53)
	Q2	397,952	(63,497)	(56,009)	(20,624)	(0.73)
	Q1	459,330	(41,481)	(27,795)	(16,660)	(0.36)
	Total	**2,060,682**	**(288,173)**	**(276,376)**	**(57,659)**	**(3.58)**
2021						
	Q4	694,843	(4,785)	(8,691)	26,154	(0.12)
	Q3	492,038	(2,797)	(15,415)	31,330	(0.22)
	Q2	582,794	26,675	2,588	51,856	0.04
	Q1	574,119	26,918	7,033	54,841	0.10
	Total	**2,343,794**	**46,011**	**(14,485)**	**164,181**	**(0.21)**

Comparison of Fourth Quarter and Fiscal 2023 Results

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Statement of Earnings Data				
Revenue				
North America	496,110	414,941	1,666,486	1,186,595
United Kingdom and Europe	142,831	145,265	435,919	361,681
Asia Pacific	16,950	8,907	27,873	27,234
Manufacturing operations	655,891	569,113	2,130,278	1,575,510
North America	109,180	95,102	445,657	375,103
United Kingdom and Europe	21,409	19,954	87,512	79,166
Asia Pacific	5,151	5,184	21,784	30,903
Aftermarket operations	135,740	120,240	554,953	485,172
Total revenue	$ 791,631	$ 689,353	$ 2,685,231	$ 2,060,682
Earnings (loss) from operations	$ 25,555	$ (142,144)	$ (21,251)	$ (288,173)
Earnings (loss) before interest and income taxes	$ 22,757	$ (138,625)	$ (16,828)	$ (287,010)
Net Loss	$ (2,329)	$ (152,405)	$ (136,164)	$ (276,376)
Adjusted EBITDA[NG]	$ 38,455	$ (7,094)	$ 69,209	$ (57,659)
Cash capital expenditures	$ 10,122	$ 4,732	$ 26,714	$ 21,371

Results of Operations

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

Revenue

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Manufacturing Revenue	655,891	569,113	2,130,278	1,575,510
Aftermarket Revenue	135,740	120,240	554,953	485,172
Total Revenue	791,631	689,353	2,685,231	2,060,682
Earnings (loss) from Operations	25,555	(142,144)	(21,251)	(288,173)
Earnings (loss) before interest and income taxes	22,757	(138,625)	(16,828)	(287,010)
Loss before income tax expense	(14,521)	(163,354)	(169,070)	(323,798)
Net Loss	(2,329)	(152,405)	(136,164)	(276,376)

Manufacturing revenue for 2023 Q4 increased by $86.8 million, or 15.2%, compared to 2022 Q4. Manufacturing revenue for Fiscal 2023 increased by $554.8 million, or 35.2%, compared to Fiscal 2022. Both quarter and annual figures increased as a result of increased deliveries during the period.

Aftermarket revenue for 2023 Q4 increased by $15.5 million, or 12.9% compared to 2022 Q4. Aftermarket revenue for Fiscal 2023 increased by $69.8 million, or 14.4%, compared to Fiscal 2022. Both quarter-to-date and year-to-date figures increased due to higher sales volume as the Aftermarket segment has experienced an increase in demand during the respective periods. Aftermarket sales were higher in the North American region offset by lower sales in the Asia-Pacific Region, as a specific multi-year retrofit program continues, but at lower run rates.

Cost of sales

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Manufacturing				
Direct cost of sales	550,085	498,596	1,811,490	1,378,980
Depreciation and amortization	17,255	19,867	71,027	77,788
Other overhead	45,195	63,153	200,663	204,132
Manufacturing cost of sales	612,535	581,616	2,083,180	1,660,900
As percent of Manufacturing Sales	93.4 %	102.2 %	97.8 %	105.4 %
Aftermarket				
Direct cost of sales	89,730	83,094	371,532	339,945
Depreciation and amortization	2,425	2,713	9,754	10,707
Aftermarket cost of sales	92,155	85,807	381,286	350,652
As percent of Aftermarket Sales	67.9 %	71.4 %	68.7 %	72.3 %
Total Cost of Sales	704,690	667,423	2,464,466	2,011,552
As percent of Sales	89.0 %	96.8 %	91.8 %	97.6 %

The consolidated cost of sales for 2023 Q4 increased by $37.3 million, or 5.6%, compared to 2022 Q4. The consolidated cost of sales for Fiscal 2023 increased by $452.9 million, or 22.5%, compared to Fiscal 2022.

Cost of sales from Manufacturing operations in 2023 Q4 was $612.5 million (93.4% of Manufacturing operations revenue) compared to $581.6 million (102.2% of Manufacturing operations revenue) in 2022 Q4, an increase of $30.9 million, or 5.3%. Cost of sales from Manufacturing operations in Fiscal 2023 was $2,083.2 million (97.8% of Manufacturing operations revenue) compared to $1,660.9 million (105.4% of Manufacturing operations revenue) in Fiscal 2022. The increase in both periods was driven by higher new vehicle deliveries. Cost of sales decreased as a percentage of revenue in both periods, mainly due to a reduction in operational inefficiencies that resulted from supply shortages and impacts of inflation.

Cost of sales from Aftermarket operations in 2023 Q4 was $92.2 million (67.9% of Aftermarket revenue) compared to $85.8 million (71.4% of Aftermarket revenue) in 2022 Q4, a decrease of 3.5% as a percentage of revenue. Cost of sales from Aftermarket operations in Fiscal 2023 was $381.3 million (68.7% of Aftermarket revenue) compared to $350.7 million (72.3% of Aftermarket revenue) in Fiscal 2022. Cost of sales decreased as a percentage of revenue in both periods primarily due to increased sales, and favourable product mix. Also contributing is mitigated inflationary impacts on labour, freight costs, and surcharges.

Gross Margins

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Manufacturing	43,356	(12,503)	47,098	(85,390)
Aftermarket	43,585	34,433	173,667	134,520
Total Gross Margins	86,941	21,930	220,765	49,130
As a percentage of sales				
Manufacturing	6.6 %	(2.2)%	2.2 %	(5.4)%
Aftermarket	32.1 %	28.6 %	31.3 %	27.7 %
	11.0 %	3.2 %	8.2 %	2.4 %

Manufacturing gross margin for 2023 Q4 of $43.4 million (6.6% of Manufacturing revenue), increased by $55.9 million compared to a negative gross margin of $12.5 million ((2.2)% of Manufacturing revenue) for 2022 Q4. Manufacturing had a gross margin for Fiscal 2023 of $47.1 million (2.2% of Manufacturing revenue), an improvement of $132.5 million, or 155.2%, compared to a negative gross margin of $85.4 million ((5.4)% of Manufacturing revenue) in Fiscal 2022.

Manufacturing gross margin increased as a percentage of revenue in both periods, mainly due to a reduction of operational inefficiencies that resulted from supply shortages and impacts of inflation. A healthier supply chain is now allowing higher production volumes, resulting in less fixed overhead on a per unit basis.

Aftermarket gross margins for 2023 Q4 of $43.6 million (32.1% of Aftermarket revenue) increased by $9.2 million, or 26.6%, compared to 2022 Q4 gross margins of $34.4 million (28.6% of Aftermarket revenue). Aftermarket gross margins for Fiscal 2023 of $173.7 million (31.3% of Aftermarket revenue) increased by $39.1 million, or 29.1%, compared to Fiscal 2022 gross margins of $134.5 million (27.7% of Aftermarket revenue). The increase in gross margins and gross margins as a percentage of revenue are mainly due to increased sales, favourable product mix and the mitigated inflationary impacts on the costs of labour, freight and surcharges.

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

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Selling expenses	8,836	7,484	29,539	32,009
General and administrative expenses	54,112	50,973	215,726	199,612
Other costs	-	1,163	-	6,987
Total SG&A	62,948	59,620	245,265	238,608

The consolidated SG&A for 2023 Q4 of $62.9 million (8.0% of consolidated revenue) increased by $3.3 million, or 5.6%, compared to $59.6 million (8.6% of consolidated revenue) in 2022 Q4. The consolidated SG&A for Fiscal 2023 of $245.3 million (9.1% of consolidated revenue) increased by $6.7 million, or 2.8%, compared to $238.6 million (11.6% of consolidated revenue) in Fiscal 2022.

Consolidated SG&A increased in both periods primarily due to increased performance incentive compensation expenses, employee compensation, insurance premiums, and cash settled compensation expense based on share grants. These increases were partially offset by restructuring costs incurred throughout Fiscal 2022 which did not re-occur, and by realized fair value increases in the Company's total return swap as these swaps were extinguished during 2023 Q3. Please see Note 24(c) of the audited consolidated financial statements for disclosure of financial instruments and risk management.

Realized foreign exchange loss/gain

In 2023 Q4, the Company recorded a realized foreign exchange gain of $1.6 million compared to a loss of $0.6 million in 2022 Q4. During Fiscal 2023, the Company recorded a realized foreign exchange gain of $3.2 million compared to a gain of $5.2 million in Fiscal 2022.

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 favorable forward rates compared to the spot rates at settlement were the primary reason for the gains in the fiscal period.

Earnings/Loss from operations

Consolidated earnings from operations in 2023 Q4 were $25.6 million (3.2% of consolidated revenue) compared to losses of $142.1 million ((20.6)% of consolidated revenue) in 2022 Q4, an improvement of $167.7 million, or 118.0%. Consolidated losses from operations in Fiscal 2023 were $21.3 million ((0.8)% of consolidated revenue) compared to a loss of $288.2 million ((14.0)% of consolidated revenue) in Fiscal 2022.

In 2023 Q4, losses from operations attributable to the Manufacturing segment were $3.3 million ((0.5)% of Manufacturing revenue) compared to losses of $156.6 million ((27.5)% of Manufacturing revenue) in 2022 Q4. Losses from Manufacturing operations in Fiscal 2023 were $119.1 million ((5.6)% of Manufacturing revenue) compared to losses of $356.1 million ((22.6)% of Manufacturing revenue) in Fiscal 2022, an improvement of $237.1 million, or 66.6%. The decreased loss as a percentage of revenue in both periods is attributable to increased new vehicle deliveries, and a reduction in operational inefficiencies resulting from supply chain challenges. Also contributing to the decrease in losses from operations is a goodwill impairment charge of $103.9 million that occurred in 2022 Q4.

Earnings from operations related to Aftermarket operations in 2023 Q4 were $24.7 million (18.2% of Aftermarket revenue) compared to $17.7 million (14.7% of Aftermarket revenue) in 2022 Q4. Earnings from operations related to Aftermarket operations in Fiscal 2023 were $101.7 million (18.3% of Aftermarket revenue) compared to $66.0 million (13.6% of Aftermarket revenue) in Fiscal 2022. Earnings from Aftermarket operations increased due to favourable sales mix and a reduction of inflationary impacts on the cost of labour, freight, and surcharges.

Unrealized foreign exchange gain (loss)

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

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Unrealized gain (loss) on forward foreign exchanges contracts	1,694	5,657	76	(6,631)
Unrealized gain (loss) on other long-term monetary assets/liabilities	(2,954)	(1,728)	(3,772)	7,229
	(1,260)	3,929	(3,696)	598

At December 31, 2023, the Company had $21.7 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, and GBP). The related liability of $1.5 million (January 1, 2023: $1.7 million asset) is recorded on the audited consolidated statements of financial position as a current derivative financial instruments liability and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the audited consolidated statements of net loss and comprehensive loss.

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

In 2023 Q4, the Company recorded EBIT of $22.8 million compared to an EBIT loss of $138.6 million in 2022 Q4. In Fiscal 2023, the Company recorded EBIT loss of $16.8 million compared to EBIT loss of $287.0 million in Fiscal 2022. The year-over-year improvement in EBIT loss was driven by increased vehicle deliveries, revenues and Adjusted EBITDA[NG] growth. In 2022, NFI reported goodwill impairment of $103.9 million related to ARBOC and AD that contributed to the EBIT loss for 2022 Q4 and Fiscal 2022.

Interest and finance costs

The interest and finance charges for 2023 Q4 of $37.3 million increased by $12.6 million compared to $24.7 million in 2022 Q4. The interest and finance charges for Fiscal 2023 of $152.2 million increased by $115.5 million compared to interest and finance charges of $36.8 million in Fiscal 2022.

The quarterly increase is primarily due to higher interest cost on long-term debt as a result of elevated debt levels, and higher interest rates on components of the Company's debt, as described in the Capital Allocation section of this MD&A. Also contributing to the yearly increase is fair market value losses on the adjustment to the Company's interest rate swaps, and the cash conversion option related to the convertible debt. The Company had no fair market value adjustment in 2023 Q4 compared to a loss of $1.2 million in 2022 Q4. The Company had a fair market value loss on its cash conversion option of $0.5 million compared to a gain of $5.6 million in 2022 Q4.

The Company had a fair market value loss on the interest rate swap of $9.4 million in Fiscal 2023 compared to a gain of $37.7 million in Fiscal 2022. The Company had a fair market value loss on its cash conversion option of $4.0 million in Fiscal 2023 compared to a gain of $16.6 million in Fiscal 2022.

On July 20, 2023, the Company extinguished its interest rate swap contracts (valued at $20.2 million asset at the end of 2023 Q2) for total proceeds of $18.4 million. NFI's equity hedge (valued at $2.6 million liability at the end of 2023 Q2) was settled and removed from liabilities on the balance sheet. Please see Note 24 of the audited consolidated financial statements for disclosure of financial instruments and risk management.

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

EBT loss for 2023 Q4 of $14.5 million decreased by $148.9 million compared to EBT loss of $163.4 million in 2022 Q4. EBT loss for Fiscal 2023 of $169.1 million decreased by $154.7 compared to EBT loss of $323.8 million in Fiscal 2022. The primary drivers of the changes of EBT are addressed in the Earnings (loss) from Operations and interest and finance costs sections above.

Income tax recovery

The income tax recovery for 2023 Q4 was $12.2 million compared to $10.9 million in 2022 Q4. While the overall tax recovery remained consistent, the detrimental impact of the reduced in-quarter loss was offset by the absence of the detrimental impact the 2022 goodwill write-down had on the 2022 tax recovery.

The income tax recovery for Fiscal 2023 is $32.9 million, compared to $47.4 million in Fiscal 2022. The decrease in the overall income tax recovery is primarily due to the lower EBT loss, offset by the absence of the detrimental impact of the goodwill write-off experienced in Fiscal 2022.

The Effective Tax Rate ("ETR") for 2023 Q4 was 84.0% and the ETR for 2022 Q4 was 6.7%. The ETR for Fiscal 2023 was 19.5% and the ETR for Fiscal 2022 was 14.6%. The 2023 Q4 ETR is positively impacted by the recognition and subsequent utilization of, a previously unrecognized deferred tax asset associated with US foreign tax credits ("FTC"). The utilization of the previously unrecognized FTC also gives rise to a recovery of BEAT incurred in prior years.

Net loss

The Company reported net losses of $2.3 million in 2023 Q4, a decrease of $150.1 million, or 98.5%, compared to net losses of $152.4 million in 2022 Q4. The Company reported net losses of $136.2 million in Fiscal 2023, a decrease of $140.2 million, or 50.7%, compared to net losses of $276.4 in Fiscal 2022. The decrease in net loss for both periods is primarily due to increases in the Company's earnings from operations, previously discussed above, partially offset by increases in interest and finance costs. During Fiscal 2023, the Company recorded a gain on debt modification stemming from the Company's Refinancing Plan which occurred during 2023 Q3, which contributed to the decrease in net losses.

Net loss ($ millions, except per Share figures)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Gain (loss) from operations	25.6	(142.1)	(21.3)	(288.2)
Gain (loss) on disposition of property, plant and equipment	0.1	(0.4)	(0.8)	0.6
Gain (loss) on debt modification	(1.6)	-	8.9	-
Unrealized foreign exchange (loss) gain on monetary items	(1.3)	3.9	(3.7)	0.6
Interest and finance costs	(37.3)	(24.7)	(152.2)	(36.8)
Income tax recovery	12.2	10.9	32.9	47.4
Net Loss	(2.3)	(152.4)	(136.2)	(276.4)
Net loss per Share (basic)	(0.02)	(1.98)	(1.48)	(3.58)
Net loss per Share (fully diluted)	(0.02)	(1.98)	(1.48)	(3.58)

The Company recorded net loss per Share for 2023 Q4 of $0.02 compared to net loss per Share of $1.98 in 2022 Q4. The Company's net loss per Share for Fiscal 2023 of $1.48 decreased from net loss per Share of $3.58 in Fiscal 2022. The per Share net loss decreased in Fiscal 2023 as a result of a decreased loss during the period, and an increase in the outstanding number of Shares as discussed below.

Cash Flow

The cash flows of the Company are summarized as follows:

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Cash generated by (used in) operating activities before non-cash working capital items and interest and income taxes paid	46,658	(13,770)	61,234	(87,369)
Interest paid	(19,110)	(15,465)	(109,389)	(58,348)
Income taxes recovered (paid)	8,407	(3,044)	29,304	1,422
Cash flow provided by (invested in) working capital	19,171	33,785	(44,962)	(97,555)
Net cash generated by (used in) operating activities	55,126	1,506	(63,813)	(241,850)
Net cash (used in) generated by financing activities	(65,072)	17,175	117,836	238,279
Net cash used in investing activities	(12,431)	(8,504)	(53,342)	(24,531)

Cash flows from operating activities

The 2023 Q4 net operating cash generated by operating activities of $55.1 million is mainly comprised of $36.0 million of net cash earnings and $19.2 million of cash provided by working capital. The 2022 Q4 net cash generated by operating activities of $1.5 million is comprised of $32.3 million of net cash loss and $33.8 million of cash provided by working capital.

The Fiscal 2023 net operating cash used of $63.8 million is comprised of $18.9 million of net cash loss and $45.0 million of cash invested in working capital. The Fiscal 2022 net operating cash used of $241.9 million is comprised of $144.3 million of net cash loss and $97.6 million of cash invested in working capital.

Cash flow from financing activities

The cash used in financing activities of $65.1 million during 2023 Q4 is comprised mainly of repayments made to the Company's Secured Facilities[1], totaling $57.5 million. Also contributing are repayments of obligations under lease of $6.7 million. The cash generated of $117.8 million during Fiscal 2023 is due to proceeds from Refinancing and proceeds from Senior Unsecured Debt[2] totaling $332.0, partially offset by repayments of Secured Facilities[1], senior unsecured debt, and obligations under leases totaling $213.4 million.

Cash flow from investing activities

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Acquisition of intangible assets	(2,828)	(3,736)	(10,274)	(10,212)
Proceeds from disposition of property, plant and equipment	519	14	1,769	1,687
Long-term restricted deposits	-	(50)	(18,123)	5,365
Acquisition of property, plant and equipment	(10,122)	(4,732)	(26,714)	(21,371)
Cash used in investing activities	(12,431)	(8,504)	(53,342)	(24,531)

Cash used in investing activities was higher in 2023 Q4, primarily due to increased investments in property, plant and equipment. Cash used in investing activities was higher in Fiscal 2023, primarily due to increased investments in long-term restricted deposits and intangible assets. Long-term restricted deposit is collateral for certain of the Company's letters of credit.

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.

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 or third party financing. 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. 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.

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 audited consolidated statements of net loss and total comprehensive loss.

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

$ thousands		December 31, 2023		January 1, 2023
Current, including holdbacks	$	438,165	$	333,522
Past due amounts but not impaired				
1 – 60 days		20,123		15,931
Greater than 60 days		8,669		5,480
Less: allowance for doubtful accounts		(604)		(107)
Total accounts receivables, net	$	466,353	$	354,826

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 December 31, 2023:

$ thousands	Total	2024	2025	2026	2027	2028	Post 2028
Leases	210,912	26,242	21,809	19,014	17,377	11,909	114,561
Accrued benefit liability	3,269	3,269					
	214,181	29,511	21,809	19,014	17,377	11,909	114,561

As at December 31, 2023, outstanding surety bonds guaranteed by the Company totaled $312.7 million (January 1, 2023: $375.6 million). The estimated maturity dates of the surety bonds outstanding at December 31, 2023 range from January 2024 to December 2039. 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 North American Secured Facility[1], the Company has established a letter of credit sub-facility of $150.0 million (January 1, 2023: $100.0 million). As at December 31, 2023, letters of credit totaling $96.6 million (January 1, 2023: $24.5 million) remain outstanding as security for contractual obligations of the Company under the North American Secured Facility[1]. This increase is primarily driven by collateral requirements provided to support bonds associated with new contracts.

The Export Development Canada ("EDC") facility includes up to $100 million of surety reinsurance support for NFI's surety and performance bonding requirements ("bonding support facility"). The bonding support facility is made up of account performance security guarantee ("PSG") up to $25 million and surety reinsurance support up to $100 million.

Subsequent to December 31, 2023, NFI entered into an agreement with EDC to increase the size of our Guarantee Facility from $100 million to $125 million. The Guarantee Facility is made up of Account Performance Security Guarantee ("Account PSG") up to $50 million and Surety Reinsurance Support up to $125 million. The aggregate amount of the Guarantee Facility cannot exceed $125 million. Please refer to note 31 of the audited consolidated financial statements.

Footnotes:
1. As described in the Capital Allocation section on page 33.
2. As described in the Capital Allocation section on page 33.

The PSG program is in place to cover a standby letter of credit or letter of guarantee (in each case an "LOC"), required as part of a collateral package provided to support a surety facility where the new bonding capacity is a minimum of at least twice the face value of the LC. The underlying surety facility must only be supporting surety bonds required under contracts entered into by the NFI, and where such Surety Bonds are bid bonds, performance bonds, regulatory bonds, license and permit bonds.

As at December 31, 2023, there is $74.2 million outstanding under the bonding support facility.

As at December 31, 2023, letters of credit in the UK totaling $18.7 million remain outstanding as a security for contractual obligations of the Company outside of the UK facility (January 1, 2023: $18.3 million). Additionally, there are $45.8 million (January 1, 2023: $25.3 million) of letters of credit outstanding outside of the Secured Facility[1].

Management believes that the Company was in compliance in all material respects with all applicable contractual obligations as at December 31, 2023. The Company has not provided for any costs associated with these letters of credit.

The Company does not have any off-balance sheet arrangement or any material capital asset commitments at December 31, 2023.

Through the normal course of operations, the Company has guaranteed payments and residual values to third party lenders on behalf of customers. As at December 31, 2023, the Company had guaranteed $2.4 million of these arrangements. The Company has not provided for any of these costs, as it does not believe they will have to pay out on any of these arrangements.

Share Option Plan

The Board adopted a Share Option Plan (the "2013 Option Plan") for NFI on March 21, 2013, under which certain 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 vest 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 2013 Option Plan expired on March 21, 2023, at which point no new options can be granted under the 2013 Option Plan.

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	C$1.55
December 30, 2013	612,050	(602,419)	(9,631)	—	—	December 30, 2021	C$10.57	C$1.44
December 28, 2014	499,984	(252,233)	(247,751)	—	—	September 12, 2023	C$13.45	C$1.83
December 28, 2015	221,888	(19,532)	—	(202,356)	—	December 28, 2023	C$26.75	C$4.21
September 8, 2016	2,171	—	(2,171)	—	—	September 8, 2024	C$42.83	C$8.06
January 3, 2017	151,419	(1,610)	(11,888)	(137,921)	—	January 3, 2025	C$40.84	C$7.74
January 2, 2018	152,883	—	(30,942)	(121,941)	—	January 2, 2026	C$54.00	C$9.53
January 2, 2019	284,674	—	(62,446)	(222,228)	—	January 2, 2027	C$33.43	C$5.01
July 15, 2019	2,835	—	—	(2,835)	—	July 15, 2027	C$35.98	C$4.90
December 31, 2019	519,916	—	(83,720)	(433,006)	3,190	December 31, 2027	C$26.81	C$3.36
December 28, 2020	258,673	—	(29,250)	(171,146)	58,277	December 28, 2028	C$24.70	C$6.28
February 10, 2021	1,894	—	—	(1,421)	473	December 28, 2028	C$28.74	C$6.28
August 16, 2021	601	—	—	(301)	300	August 16, 2029	C$30.79	C$6.28
January 3, 2022	311,892	—	(13,359)	(74,638)	223,895	January 3, 2030	C$20.26	C$6.10
April 1, 2022	1,728	—	—	(432)	1,296	April 3, 2030	C$16.25	C$6.51
January 9, 2023	374,448	—	(11,987)	—	362,461	January 9, 2031	C$10.46	C$5.28
	3,887,412	(1,366,150)	(503,145)	(1,368,225)	649,892		C$26.00	

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 certain 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 vest 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:

	Fiscal 2023		Fiscal 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,910,057	C$27.41	1,617,759	C$28.82
Granted during the period	374,448	C$10.46	313,620	C$20.24
Expired during the period	(266,388)	C$14.32	(21,322)	C$28.84
Exercised during the period	—	C$0.00	—	C$0.00
Balance at end of period	2,018,117	C$26.00	1,910,057	C$27.41

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 20,922 director restricted share units ("Director RSUs"), with a total value of $0.2 million, in 2023 Q4. Approximately $0.2 million of the issued Director RSUs were exercised and exchanged for 12,499 Shares.

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2 of the audited consolidated financial statements.

New and amended standards adopted by the Company

During the period, the Company adopted the following accounting standards:

IFRS 17 – Insurance Contracts:

Effective January 2, 2023, the Company adopted IFRS 17, which introduced new guidance for recognition, measurement, presentation and disclosure of insurance contracts. The Company applied a full retrospective approach. The Company previously used IFRS 4, Insurance Contracts, which is no longer in effect to account for these contracts.

The IFRS 17 Standard establishes principles for the recognition, measurement, presentation and disclosure of (re)insurance contracts.

The Company has applied the measurement method for insurance contracts using a probability weighted discounted cash flow model, including a best estimate and an adjustment for non-financial risk calculated for groups of similar contracts. There is a reliance on actuarial modelling techniques and the quality of underlying data. The Company has applied the premium allocation approach. If, at initial recognition or subsequently, the fulfillment cash flows are in a net outflow, the contract is considered onerous and the excess is recognized immediately in profit. A loss recovery component is recognized immediately in profit representing amounts recoverable from reinsurers related to onerous contracts.

The adoption of the standard resulted in a decrease to net loss and retained deficit of $1,385 for Fiscal 2022, and an increase to net loss and retained deficit of $1,182 for 2021 and prior fiscal periods. There was no change to reported earnings (loss) per share.

The transition adjustment in 000s is as follows:

	Assets		Liabilities		Shareholders' Equity
	Accounts receivable	Prepaid expenses and deposits	Accounts payable and accrued liabilities	Provisions	Retained Earnings (Deficit)
As reported January 1, 2023	$ 366,224	$ 16,928	$ 455,368	$ 71,299	$ (419,373)
Transition adjustment	(11,398)	6,524	(1,578)	(328)	205
Restated January 1, 2023	$ 354,826	$ 23,452	$ 453,790	$ 70,971	$ (419,168)

International Accounting Standards ("IAS") 1 - Presentation of Financial Statements:

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020 and October 2022, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management assessed that this standard does not have a material impact on the audited consolidated financial statements and that the Company is in compliance with the required disclosure.

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.

Maintaining Financial Flexibility

The Company plans to prudently use leverage to manage liquidity[NG] risk. Liquidity[NG] 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[NG] include sales mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of long-term debt obligations, interest costs, funding requirements of the Company's pension plans, income taxes, credit capacity, letters of credit for surety bonds, expected future debt and equity capital market conditions.

The Company's liquidity[NG] requirements are met through a variety of sources, including cash on hand, cash generated from operations, secured facilities (see below), leases, and debt and equity capital markets. While management expects that the Company will have sufficient liquidity[NG] to continue operations in the ordinary course, it is possible that unexpected events could significantly impair the Company's liquidity[NG] and there can be no assurance that the Company would be able to obtain additional liquidity[NG] when required in such circumstances. Please refer to Appendix A of this MD&A for identified liquidity risks.

At December 31, 2023, the Company has convertible debentures outstanding of C$338 million ("Debentures"). The Debentures may be converted in whole or in part from time to time at the holder's option into 30.1659 Shares for each C$1,000 principal amount of Debentures, representing a conversion price of approximately C$33.15 per Share and total potential conversion of 10,196,074 shares.

On December 29, 2022, the Company amended the North American credit facility and the UK credit facility (together the "Amended Facilities"). Amendments provided relief from previous key financial covenants (Total Leverage Ratio ("TLR")[NG], Minimum Adjusted EBITDA[NG] and Interest Coverage Ratio ("ICR")[NG]) for the fourth quarter of 2022 and the first two quarters of 2023 ending June 30, 2023 (the "Waiver Period") to provide the Company with relaxed covenants as the Company navigated supply chain disruptions, heightened inflation and other impacts of the COVID-19 pandemic. This Waiver Period was extended to August 31, 2023, in order for the Company to finalize the comprehensive refinancing plan ("Refinancing"; see below). During the Waiver Period, the Company was subject to a Total Net Debt to Capitalization ("TNDC") ratio[NG], starting in January 2023, and a minimum Adjusted EBITDA[NG] covenant starting in March 2023. The terms of the Amended Facilities imposed restrictions over the declaration and payment of dividends until the Waiver Period had ended.

On January 20, 2023, the Company entered into agreements with Manitoba Development Corporation ("MDC") for a C$50 million debt facility, for general corporate purposes, and EDC for credit facilities of up to $150 million to support supply chain financing ($50 million) and surety and performance bonding requirements for new contracts (up to $100 million), as discussed in the Commitments and Contractual Obligations section of the Results from Operations section.

The Company entered into an agreement for up to C$10,000,000 in interest-free financing through PrairiesCan, part of the Government of Canada, to support facility enhancements and zero-emission product growth. The financing matures on March 1, 2030.

On August 25, 2023, NFI announced that it had closed its Refinancing. Through the Refinancing, the following changes to the profile and capacity of the Amended Facilities (now referred to as the "Secured Facilities") were effected:

- The $1.0 billion revolving North American Facility converted to a $400 million first lien term loan and a $361 million first lien revolving credit facility (total combined borrowing capacity of $761 million).

- The £40 million revolving UK Facility converted to a £16.0 million term loan and a £14.4 million revolving credit facility (total combined borrowing capacity of £30.4 million).

As part of the Refinancing, the Company:

- completed a private placement on August 25, 2023, of common shares with Coliseum Capital Management for 21,656,624 Shares at a subscription price of $6.1567 per Share (the "Subscription Price") for total proceeds to the Company of $133.3 million.

- completed a private placement on August 25, 2023, with a leading global asset manager for 5,000,000 Shares at a subscription price of C$10.10 per Share for aggregate gross proceeds to NFI of C$50,500,000 (approximately $37.2 million).

- issued 15,102,950 subscription receipts on June 6, 2023, at a price of C$8.25 per Subscription Receipt, for aggregate gross proceeds to NFI of approximately C$125.9 million (approximately $93.1 million), inclusive of interest earned in escrow. Each subscription receipt was redeemed for 1 Share after the Refinancing closed, on August 25, 2023.

- extended the maturity of MDC's and EDC's Senior Unsecured Debt facilities to April 30, 2026; with a $25.0 million permanent repayment of the EDC facility.

As part of the Refinancing, NFI's completed $180.4 million Second Lien Financing which included the following terms:

- a five-year term and a 97% original issue discount ("OID"), generating net proceeds of $175.0 million, before fees and commissions;
- annual coupon of 14.5%, payable semi-annually; and
- callable at 100% of face value with applicable premium for the first 12 months, callable at 106% of face value for months 13 to 24, callable at 103% of face value for months 25 to 36 and callable at par from 36 months onwards.

The Second Lien debt is financed by funds and accounts managed by Coliseum Capital Management LLC. Coliseum Capital Management has also participated in an equity transaction with the Company. Please refer to Note 20 of the audited consolidated financial statements. The Second Lien Financing is a senior secured second lien obligation of NFI and certain material subsidiaries, that ranks behind the Secured Facilities and all other first lien secured indebtedness of NFI and such subsidiaries, ranks ahead of any subordinated obligations of NFI and its subsidiaries, and, by virtue of being secured, ranks ahead of any unsecured obligations.

Secured Facilities capacity change following refinancing

($ thousands)	*Pre-Transaction*	*Change*	*Post-Transaction*
North American Facility			
Revolving credit facility	$ 1,000,000	$ (639,000)	$ 361,000
First lien term loan		400,000	400,000
UK Facility			
Revolving credit facility	$ 50,796	$ (32,668)	$ 18,128
First lien term loan		20,418	20,418
Total Capacity	**$ 1,050,796**	**$ 251,251**	**$ 799,545**
Minimum Banking Liquidity[NG]	$ (25,000)	$	$ (50,000)
Total Available Liquidity[NG]	**$ 1,025,796**	$	**$ 749,545**

The details of the covenants under the Secured Facilities are as follows:

	Total Leverage Ratio[NG]	Interest Coverage Ratio[NG]	Total Net Debt to Capitalization[NG]	Minimum Cumulative Adjusted EBITDA[NG]	Minimum Banking Liquidity[NG]	Senior Secured Net Leverage Ratio[NG]
December 2023	Waived	Waived	<0.65:1.00	>$3,000	$50,000	Waived
January 2024	Waived	Waived	<0.65:1.00	>$14,000	$50,000	Waived
February 2024	Waived	Waived	<0.65:1.00	>$25,000	$50,000	Waived
March 2024	Waived	Waived	<0.65:1.00	>$47,000	$50,000	Waived
2024 Q2	Waived	Waived	<0.65:1.00	>$105,000	$50,000	Waived
2024 Q3	<6.00x	>1.25x	N/A	N/A	$50,000	<4.50x
2024 Q4	<4.75x	>1.50x	N/A	N/A	$50,000	<3.50x
2025 Q1	<4.75x	>1.75x	N/A	N/A	$50,000	<3.50x
2025 Q2	<4.25x	>2.00x	N/A	N/A	$50,000	<3.25x
2025 Q3	<4.25x	>2.25x	N/A	N/A	$50,000	<3.25x
2025 Q4 and after	<3.75x	>2.50x	N/A	N/A	$50,000	<3.00x

$ thousands	December 31, 2023	January 1, 2023
Banking Covenant Liquidity[NG] Position (must be greater than $50 million)	$ 170,131	$ 143,454
Minimum Cumulative Adjusted EBITDA[NG] (must be greater than ($3,000) [2022: N/A])	$ 53,516	Waived
Net Debt to Capital Ratio[NG] (must be less than 0.65:1.00 [2022: N/A])	0.39	Waived

As of December 31, 2023, NFI's banking covenant liquidity[NG] was $170.1 million, without consideration given to the minimum banking liquidity[NG] requirement of $50 million under the Secured Facilities. As part of the Company's efforts to improve working capital and liquidity[NG], the Company requested prepayments and deposits from certain customers. As of December 31, 2023, the Company has received $89.3 million in deferred revenue and is continuing to work with other customers to help alleviate working capital required to support the transition to ZEB's and increased production while the Company navigates through the supply chain challenges.

The Company expects operations to continue into the long-term. The Company is taking a number of operational steps including cost savings measures to ensure adequate short-term liquidity[NG]. Additionally, the Company is continuing to work directly with suppliers and sub-suppliers to search for alternate or substitute parts where practical and appropriate, increase production line parts inventories and develop longer lead times to better support new vehicle production.

The Company believes that its cash position and capacity under its Secured Facilities, combined with anticipated future cash flows and access to capital markets, will be sufficient to fund operations, meet financial obligations as they come due, and provide the funds necessary for capital expenditures, and other operational needs. See Outlook and Appendix A.

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[NG]. Management had originally expected the Company to return to those levels following the acquisition of Alexander Dennis in May 2019, but the impact of COVID-19, inflation, higher rates of interest and the continuing supply chain disruptions and associated production inefficiencies, extended the anticipated timing of deleveraging. Management believes it will achieve its longer-term leverage targets as the Company delivers on its backlog[NG], and benefits from record government investments in public transportation, and growing demand for its buses, coaches, parts and Infrastructure Solutions™ services. The reduction in leverage will also be driven by increased production rates, the anticipated stabilization of parts and components supply, and the focus on reducing working capital.

Compliance with financial covenants is reviewed monthly by management 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 a quarterly 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 ZEBs, 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 evolution to a more electrified fleet. New Flyer now has the capability to manufacture ZEBs at all of its North American facilities. Alexander Dennis is the market leader in ZEBs with production capabilities at all of its UK facilities, MCI has invested in its electric coach offering for both public and private customers, and ARBOC is developing its medium-duty Equess CHARGE™ electric bus and exploring potential electric cutaway platforms.

In November 2022, Alexander Dennis announced that several of its vehicles will now offer its next-generation electric chassis, driveline and battery system. Alexander Dennis has secured orders in the UK using this new technology, and, in 2023 Q2, Alexander Dennis delivered its first battery-electric buses to key customers in Hong Kong. On October 4, 2023, NFI announced the launch of its next generation battery technology for the North American market with supplier partner, American Battery Solutions. The new custom battery packs will be used on NFI's heavy-duty transit buses and coaches in North America starting in the first quarter of 2024. In Fiscal 2023, Alexander Dennis unveiled its next generation electric buses for the UK and Ireland, with the new Enviro100EV small bus and the Enviro400EV double-decker. These vehicles will utilize the future-proof battery systems developed in partnership with Impact Clean Power Technology. First deliveries of these new vehicles are expected in 2024. To support customers making the transition to zero-emission fleets, NFI launched its Infrastructure Solutions™ business in 2018.

The Company has automated bus projects in development with specialized partners who have expertise of artificial intelligence and ADAS. As part of this program to advance automated vehicles 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. Alexander Dennis continues to advance its autonomous bus programs in the United Kingdom with ongoing pilot programs in Scotland. NFI has also made numerous investments into telematics solutions to assist customers to track detailed performance and maintenance metrics associated with their vehicles.

The Company's capital allocation priorities are currently focused on product development, deleveraging, strengthening its balance sheet and supporting the recovery of operations. While the Company will consider business acquisitions and partnerships that will further grow and diversify the business and contribute to long-term competitiveness, its current focus remains on internal initiatives, that support deleveraging efforts. In addition, there are covenants under the Secured Facilities that limit the Company's ability to make acquisitions, pay dividends and invest in capital expenditures. 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. Under the terms of the Secured Facilities, the Company is not permitted to declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with Secured Facility covenants.

The Company's 2023 Q4 Free Cash Flow[NG] was C$3.6 million with no dividends declared during this period. For 2022 Q4, Free Cash Flow[NG] was (C$32.3) million and no dividends were declared during the period.

Total Capital Distributions to Shareholders ($ millions)	Fiscal 2023	Fiscal 2022
Dividends declared	$ —	$ 9.4

Leading the ZEvolution™

Non-IFRS and Other Financial Measures

This MD&A is based on reported earnings in accordance with IFRS and on the following non-IFRS and other financial measures:

Adjusted EBITDA[NG] and Net Operating Profit after Taxes[NG]

Management believes that Adjusted EBITDA[NG], and Net Operating Profit After Taxes ("NOPAT")[NG] are important measures in evaluating the historical operating performance of the Company. However, Adjusted EBITDA[NG] and NOPAT[NG] are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Adjusted EBITDA[NG] and NOPAT[NG] may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted EBITDA[NG] should not be construed as an alternative to net earnings or loss determined in accordance with IFRS and NOPAT[NG] should not be construed as an alternative to earnings (loss) from operations determined in accordance with IFRS as an indicator of the Company's performance.

The Company defines Adjusted EBITDA[NG] as earnings before interest, income tax, depreciation and amortization after adjusting for the effects of certain non-recurring, non-operating, and items occurring outside of normal operations that do not reflect the current ongoing cash operations of the Company. These adjustments are provided in the following table reconciling net earnings or losses to Adjusted EBITDA[NG] based on the historical Financial Statements of the Company for the periods indicated.

The Company defines NOPAT[NG] as Adjusted EBITDA[NG] less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%.

($ thousands)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Net loss	(2,329)	(152,405)	(136,164)	(276,376)
Addback				
Income taxes	(12,192)	(10,948)	(32,906)	(47,421)
Interest expense[12]	37,278	24,727	152,242	36,788
Amortization	19,678	22,580	80,780	88,495
(Gain) loss on disposition of property, plant and equipment and right of use assets	(62)	410	789	(565)
Loss (Gain) on debt modification[16]	1,600	-	(8,908)	-
Fair value adjustment for total return swap[7]	-	-	-	952
Unrealized foreign exchange loss (gain) on non-current monetary items and forward foreign exchange contracts	1,260	(3,929)	3,696	(598)
Past service costs and other pension costs[9]	(7,000)	-	(2,236)	7,000
Proportion of the total return swap realized[8]	-	-	-	(275)
Equity settled stock-based compensation	700	397	2,618	1,346
Unrecoverable insurance costs and other[10]	893	164	893	8,489
Expenses incurred outside of normal operations[14]	132	1,708	2,166	3,761
Prior year sales tax provision [11]	41	-	101	-
Out of period costs[13]	-	(938)	-	(1,597)
Impairment loss on goodwill[15]	-	103,900	-	103,900
Restructuring costs[6]	(1,544)	7,240	6,139	18,443
Adjusted EBITDA[NG]	38,455	(7,094)	69,209	(57,659)
Depreciation of property, plant and equipment and right of use assets	(11,848)	(14,884)	(49,370)	(57,013)
Tax at 31%	(8,248)	6,813	(6,150)	35,548
NOPAT[NG]	18,359	(15,165)	13,689	(79,124)
Adjusted EBITDA[NG] is comprised of:				
Manufacturing	11,094	(30,521)	(42,073)	(149,164)
Aftermarket	29,480	22,882	120,187	86,154
Corporate	(2,119)	545	(8,905)	5,351

(Footnotes on page 39)

Free Cash Flow[NG] and Free Cash Flow per Share[NG]

Management uses Free Cash Flow[NG] and Free Cash Flow per Share[NG] as non-IFRS measures to evaluate the Company's operating performance and liquidity[NG], to assess the Company's ability to pay dividends on the Shares, service debt, pay interest on the Debentures and meet other payment obligations. However, Free Cash Flow[NG] and Free Cash Flow per Share[NG] are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Free Cash Flow[NG] and the associated per Share figure may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Free Cash Flow[NG] should not be construed as an alternative to cash flows from operating activities determined in accordance with IFRS as a measure of liquidity[NG] and cash flow. The Company defines Free Cash Flow[NG] as net cash generated by or used in operating activities adjusted for changes in non-cash working capital items and adjusted for items as shown in the reconciliation of net cash generated by operating activities (an IFRS measure) to Free Cash Flow[NG] (a non-IFRS measure) based on the Company's historical Financial Statements.

The Company generates its Free Cash Flow[NG] 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 Secured Facilities to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow[NG].

The Company defines Free Cash Flow per Share[NG] as Free Cash Flow[NG] divided by the average number of Shares outstanding.

($ thousands, except per Share figures)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Net cash generated by (used in) operating activities	55,126	1,506	(63,813)	(241,850)
Changes in non-cash working capital items[2]	(19,171)	(33,785)	44,962	97,555
Interest paid[2]	19,110	15,465	109,389	58,348
Interest expense[2]	(31,906)	(24,187)	(125,642)	(77,850)
Income taxes (expense) recovered[2]	(8,407)	3,044	(29,304)	(1,422)
Current income tax recovery[2]	15,873	21,556	11,941	19,809
Repayment of obligations under lease	(7,305)	(5,647)	(21,712)	(24,535)
Cash capital expenditures	(10,122)	(4,732)	(26,714)	(21,371)
Acquisition of intangible assets	(2,828)	(3,736)	(10,274)	(10,212)
Proceeds from disposition of property, plant and equipment	519	14	1,769	1,687
Defined benefit funding[3]	918	(301)	3,185	4,265
Defined benefit (recovery) expense[3]	(694)	917	(2,779)	(3,497)
Past service costs and other pension costs[9]	(7,000)	-	(7,000)	7,000
Expenses incurred outside of normal operations[14]	132	1,708	2,166	3,761
Equity hedge	-	(582)	3,765	(1,003)
Proportion of the total return swap realized[8]	-	-	-	(275)
Unrecoverable insurance costs and other[10]	893	164	893	8,488
Out of period costs[13]	-	(938)	-	(333)
Prior year sales tax provision[12]	41	-	101	-
Restructuring costs[6]	1,011	5,678	8,691	11,694
Foreign exchange (loss) gain on cash held in foreign currency[4]	(3,506)	(20)	(1,053)	771
Free Cash Flow[NG]	2,684	(23,876)	(101,429)	(168,970)
U.S. exchange rate[1]	1.3246	1.3538	1.3293	1.3202
Free Cash Flow (C$)[NG]	3,555	(32,323)	(134,827)	(223,066)
Free Cash Flow per Share (C$)[NG]	0.0299	(0.4189)	(1.4676)	(2.8915)
Declared dividends on Shares (C$)	-	-	-	12,288
Declared dividends per Share (C$)[5]	-	-	-	0.1599

1. U.S. exchange rate (C$ per US$) is the average exchange rate for the period.

2. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow^{NG} as these temporary fluctuations are managed through the Secured 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 audited consolidated statements of cash flows net of interest and income taxes paid.

3. 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^{NG} 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.

4. Foreign exchange gain (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^{NG}.

5. Per Share calculations for Free Cash Flow^{NG} (C$) are determined by dividing Free Cash Flow^{NG} by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2023 Q4 was 118,961,396 and 77,154,934 for 2022 Q4. The weighted average number of Shares outstanding for Fiscal 2023 and Fiscal 2022 are 91,866,613 and 77,144,445, respectively. Per Share calculations for declared dividends (C$) are determined by dividing the amount of declared dividends by the number of outstanding Shares at the respective period end date.

6. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with restructuring initiatives. Free Cash Flow^{NG} reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.

7. The fair value adjustment of the total return swap is a non-cash loss that is excluded from the definition of Adjusted EBITDA^{NG}. Beginning in 2022 Q2, hedge accounting was applied to the total return swap derivative and therefore, the portion of the loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.

8. A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA^{NG} and Free Cash Flow^{NG} to match the equivalent portion of the related deferred compensation expense recognized. Beginning in 2022 Q2, hedge accounting was applied to the total return swap derivative and therefore, the portion of the gain on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.

9. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. 2022 Q2 includes $7.0 million for the liability related to the closure of MCI's Pembina facility and withdrawal from the multi-employer pension plan. In 2023 Q4, the Company made the decision to continue operations of the Pembina facility indefinitely, thereby reversing the above adjustments made in 2022 Q2. Also included is $4.8 million of pension past service costs incurred during 2023 Q1.

10. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.

11. Provision for sales taxes as a result of a previous state sales tax review.

12. Includes fair market value adjustments to interest rate swaps and the cash conversion option on the Debentures. 2023 Q4 includes a loss of $nil and 2022 Q4 includes a loss of $1.2 million for the interest rate swaps. 2023 Q4 includes a loss of $0.5 million and 2022 Q4 includes a gain of $5.6 million on the cash conversion option.

13. Includes adjustments made related to expenses that pertain to prior years. 2022 Q2 includes expenses related to amounts that should have been capitalized from prior years.

14. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.

15. Includes 2022 Q4 impairment charges with respect to ARBOC's goodwill of $23.2 million and the Alexander Dennis manufacturing cash generating unit ("CGU")'s goodwill of $80.7 million.

16. As a result of the Company's comprehensive refinancing, the Company had recognized an accounting gain in 2023 Q3 stemming from the modification made to its Secured Facilities. In 2023 Q4, an accounting loss was recorded to adjust the gain on debt modification.

Adjusted Net Loss[NG] and Adjusted Net Loss per Share[NG]

Management believes that Adjusted Net Loss[NG] and the associated per Share figure are important measures in evaluating the historical operating performance of the Company. Adjusted Net Loss[NG] and Adjusted Net Loss per Share[NG] are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Adjusted Net Loss[NG] and Adjusted Net Loss per Share[NG] may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted Net Loss[NG] and Adjusted Net Loss per Share[NG] should not be construed as an alternative to Net Loss, or Net Loss per Share, determined in accordance with IFRS as indicators of the Company's performance.

The Company defines Adjusted Net Loss[NG] as net loss after adjusting for the after tax effects of certain non-recurring, non-operating and items occurring outside of normal operation, that do not reflect the current ongoing cash operations of the Company. These adjustments are provided in the following reconciliation of net loss to Adjusted Net Loss[NG] based on the historical Financial Statements of the Company for the periods indicated.

The Company defines Adjusted Net Loss[NG] per share as Adjusted Net Loss[NG] divided by the average number of Shares outstanding.

($ thousands, except per Share figures)	2023 Q4	2022 Q4	Fiscal 2023	Fiscal 2022
Net loss	(2,329)	(152,405)	(136,164)	(276,376)
Adjustments, net of tax[1, 2]				
Fair value adjustments of total return swap[3]	-	-	-	657
Unrealized foreign exchange (gain) loss	869	(2,711)	2,550	(413)
Unrealized loss (gain) on interest rate swap	-	796	6,505	(26,019)
Unrealized loss (gain) on Cash Conversion Option	355	(3,831)	2,730	(11,438)
Unrealized loss on prepayment option of second lien debt[4]	(769)	-	(442)	-
Accretion in carrying value of long-term debt associated with debt modification[5]	-	-	1,014	-
Loss (gain) on debt modification[6]	1,104	-	(6,147)	-
Accretion associated to gain on debt modification	(451)	-	(451)	-
Portion of the total return swap realized[7]	-	-	-	(190)
Equity swap settlement fee[8]	-	-	2,428	-
Equity settled stock-based compensation	483	274	1,806	929
(Gain) loss on disposition of property, plant and equipment	(43)	283	545	(390)
Past service costs and other pension costs[9]	(4,830)	-	(1,543)	4,830
Unrecoverable insurance costs and other[10]	616	113	616	5,857
Expenses incurred outside of normal operations[11]	(1,191)	1,179	213	2,595
Other tax adjustments[12]	-	22,292	-	18,984
Out of period costs[13]	-	(1,911)	-	(1,102)
Accretion in carrying value of convertible debt and cash conversion option	1,337	1,341	5,213	5,272
Prior year sales provision[14]	28	-	71	-
Impairment loss on goodwill[15]	-	103,900	-	103,900
Restructuring costs[16]	(1,065)	4,996	4,236	12,725
Adjusted Net Loss[NG]	(5,886)	(25,684)	(116,820)	(160,179)
Loss per Share (basic)	(0.02)	(1.98)	(1.48)	(3.58)
Loss per Share (fully diluted)	(0.02)	(1.98)	(1.48)	(3.58)
Adjusted Net Loss per Share (basic)[NG]	(0.05)	(0.33)	(1.27)	(2.08)
Adjusted Net Loss per Share (fully diluted)[NG]	(0.05)	(0.33)	(1.27)	(2.08)

1. Addback items are derived from the historical financial statements of the Company.
2. The Company has utilized a rate of 31.0% to tax effect the adjustments for the periods above.
3. The fair value adjustment of the total return swap is a non-cash loss that is excluded from the definition of Adjusted EBITDA[NG]. Beginning in 2022 Q2, hedge accounting was applied to the total return swap derivative and therefore, the portion of the loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
4. The unrealized loss on the prepayment option is related to the Company's second lien debt instrument. The loss is the result of a decrease in the options fair value between October 1, 2023 and December 31, 2023.
5. Normalized to exclude the over accretion of transaction costs relating to the Company's Secured Facilities.
6. As a result of the Company's comprehensive Refinancing, the Company has recognized an accounting gain stemming from the modification made to its Secured Facilities.
7. A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA[NG] and Free Cash Flow[NG] to match the equivalent portion of the related deferred compensation expense recognized. Beginning in 2022 Q2, hedge accounting was applied to the total return swap derivative and therefore, the portion of the loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
8. During the year the Company settled its equity swaps which were used to hedge the exposure associated with changes in value of its Shares with respect to outstanding management restricted units ("Management RSUs") and a portion of the outstanding performance share units ("PSUs"), and deferred share units ("DSUs").
9. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. 2022 Q2 includes $7.0 million for the liability related to the anticipated closure of MCI’s Pembina facility and withdrawal from the multi-employer pension plan. In 2023 Q4, the Company made the decision to continue operations of the Pembina facility indefinitely, thereby reversing the above adjustments made in 2022 Q2. Also included is $4.8 million of pension past service costs incurred during 2023 Q1.
10. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
11. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.
12. Includes the impact of changes in deferred tax balances as a result of substantively enacted tax rate changes. The 2022 amounts include the impact of the revaluation of deferred tax balances due to the enacted increase in the UK corporate tax rate from 19% to 25% in 2021 Q3. Also included in 2022 Q4 is the impact of the reduction of deferred tax assets related to the derecognition of loss carry forwards in Canada, and restricted interest in the UK.
13. Includes adjustments made related to expenses that pertain to prior years. 2022 Q1 includes expenses related to amounts that should have been capitalized from prior years.
14. Provision for sales taxes as a result of a previous state sales tax review.
15. Includes 2022 Q4 impairment charges with respect to ARBOC's goodwill of $23.2 million and the Alexander Dennis manufacturing CGU's goodwill of $80.7 million.
16. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with other restructuring initiatives. Free Cash Flow[NG] reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.

Leading the ZEvolution™

Reconciliation of Shareholders' Equity to Invested Capital[NG]

($ thousands)	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Shareholders' Equity	702,913	706,177	495,140	533,756
Addback				
Long term debt	536,037	583,948	935,605	911,203
Second lien debt	172,396	172,975	-	-
Obligation under lease	138,003	130,102	124,405	127,247
Convertible debentures	228,985	221,427	225,081	218,719
Senior unsecured debt	61,796	60,838	87,363	86,431
Derivatives	8,010	6,814	(9,422)	(17,164)
Cash	(49,615)	(75,498)	(57,488)	(59,375)
Bank indebtedness	-	-	-	-
Invested Capital[NG]	1,798,525	1,806,783	1,800,684	1,800,817
Average of invested capital[NG] over the quarter	1,802,654	1,806,342	1,800,751	1,776,276

	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Shareholders' Equity	577,575	710,984	783,905	850,323
Addback				
Long term debt	896,626	859,297	718,139	677,996
Second lien debt	-	-	-	-
Capital leases	131,625	122,666	131,077	139,129
Convertible debentures	217,516	211,281	224,947	229,673
Senior unsecured debt	-	-	-	-
Derivatives	(21,620)	(18,904)	(8,179)	4,806
Cash	(49,987)	(39,832)	(50,274)	(26,604)
Bank indebtedness	-	-	-	1,233
Invested Capital[NG]	1,751,735	1,845,492	1,799,615	1,876,556
Average of invested capital[NG] over the quarter	1,798,614	1,822,554	1,838,086	1,829,374

Invested Capital[NG]

Invested Capital[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Management believes that Invested Capital[NG] is an important measure in evaluating the Company's financial position. The Company defines Invested Capital[NG] as total interest-bearing debt plus derivative liabilities plus equity less cash on hand.

ROIC[NG]

ROIC[NG] is not a recognized measure under IFRS and its components do not have standardized meanings prescribed by IFRS. Management believes that ROIC[NG] is an important measure in evaluating the historical performance of the Company. The Company defines ROIC[NG] as NOPAT[NG] divided by average invested capital for the last 12-month period.

Total Liquidity[NG]

Total Liquidity[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines total liquidity[NG] as cash on-hand plus available capacity under its North American and UK Secured Facilities, without consideration given to the minimum banking liquidity requirement under the Secured Facilities.

Banking Covenant Liquidity[NG]

Banking Covenant Liquidity[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines banking covenant liquidity[NG] as cash on-hand plus available capacity under its North American Secured Facilities, without consideration given to the minimum banking liquidity requirement under the Secured Facilities.

Working Capital Days[NG]

Working Capital Days[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines Working Capital Days[NG] as the calculated number of days to convert working capital to cash. It is calculated by the number of days in the last twelve months (Fiscal 2023 - 364 days) divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

Working Capital Days[NG] is calculated based on the following line items on the audited consolidated statement of financial position: Accounts Receivable and Inventories less Accounts Payables, Deferred Revenue and Provisions.

Payout Ratio[NG]

Payout ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Management believes the payout ratio[NG] is an important measure of the Company's ability to pay dividends with cash generated. The Company defines payout ratio[NG] as the declared dividends divided by the Free Cash Flow[NG].

Book-to-Bill Ratio[NG]

Book-to-bill ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines book-to-bill ratio[NG] as new firm orders and exercised options divided by new deliveries.

Backlog[NG]

Backlog[NG] value is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines backlog[NG] as the number of EUs in the backlog multiplied by their expected selling price.

Total Leverage Ratio[NG]

Total Leverage Ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. TLR[NG] is calculated as aggregate indebtedness of the Company, not including the Company's Debentures and certain non-financial products, but including any Senior Unsecured or Second Lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The TLR[NG] is reintroduced in 2024 Q3.

Interest Coverage Ratio[NG]

Interest Coverage Ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. ICR[NG] is calculated as the same trailing twelve month Adjusted EBITDA[NG] as the Total Leverage Ratio[NG] divided by trailing twelve-month interest expense on the Secured Facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

Total Net Debt to Capitalization[NG]

Total Net Debt to Capitalization[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. TNDC[NG] is calculated as borrowings on the Secured Facilities and any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by shareholders' equity, as shown on the Company's balance sheet, plus borrowings on the Secured Facilities. The TNDC[NG] covenant excludes the impact of any actual goodwill write-downs up to a maximum of $100 million.

Minimum Adjusted EBITDA[NG]

The Minimum Adjusted EBITDA[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Minimum Adjusted EBITDA[NG] covenant is first tested with the month ending September 30, 2023, but includes results from the period May 1, 2023 to September 30, 2023. The covenant continues on a cumulative basis until April 30, 2024, at which point it becomes a trailing-twelve month test for the second quarter of 2024. The Minimum Adjusted EBITDA[NG] tests are based on calendar month-end dates from September 2023 to March 2024.

Senior Secured Net Leverage[NG]

Senior Secured Net Leverage[NG] will include the Secured Facilities and is calculated as indebtedness on those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The Senior Secured Net Leverage[NG] is reintroduced in 2024 Q3.

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.

Management adheres to the "Internal Control – Integrated Framework 2013" ("COSO 2013") from the Committee of Sponsoring Organizations of the Treadway Commission.

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company's ICFR as of December 31, 2023 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.

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 December 31, 2023 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”), 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, "AD"). References to “New Flyer” generally refer to NFI ULC, NFAI, TAPC, KMG, CCI, and CCUI. References in this MD&A to “management” are to senior management of NFI and the Company.

The Shares trade on the Toronto Stock Exchange (“TSX”) under the symbol NFI, and the Convertible Debentures trade on the TSX under the symbol NFI.DB. As at December 31, 2023, 118,961,932 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI’s Annual Information Form and information circular, is available on SEDAR at www.sedarplus.ca.

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.

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 liquidity[NG] 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, supply chain disruptions and plans to address them. The words “believes”, “views”, “anticipates”, “plans”, “expects”, “intends”, “projects”, “forecasts”, “estimates”, “guidance”, “goals”, “objectives” and “targets” and similar expressions of future events or conditional verbs such as “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 temporary nature of the supply chain disruptions and operational challenges, production improvement, labour supply shortages and labour rates, the recovery of the Company’s markets and the expected benefits to be obtained through its “NFI Forward” initiatives) 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 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 condition, ability to generate sufficient cash flow and maintain adequate liquidity[NG], and the Company’s strategic initiatives, objectives, plans, business prospects and opportunities, including the Company’s plans and expectations relating to the duration, impact of and recovery from the COVID-19 pandemic, supply chain disruptions, operational challenges, labour supply shortages and inflationary and labour rate pressures, 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[NG] may be materially adversely impacted by the aftermath and ongoing effects of COVID-19 pandemic and related supply chain and operational challenges, inflationary effects and labour supply and labour rate challenges; while the Company is closely managing its liquidity[NG], it is possible that various events (such as delayed deliveries and customer acceptances, delayed customer payments, supply chain issues, product recalls and warranty claims) could significantly impair the Company’s liquidity and there can be no assurance that the Company would be able to obtain additional liquidity[NG] when required in such circumstances; the Company’s business, operating results, financial condition and liquidity[NG] may be materially adversely impacted by the ongoing Russian invasion of Ukraine due to factors including but not limited to further supply chain disruptions, inflationary pressures and tariffs on certain raw materials and components that may be necessary for the Company’s operations; 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 and/or the Debentures may cease to exist, which may limit the ability of security holders to trade Shares and/or Debentures; the market price for the Shares and/or the Debentures 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 U.S. “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. FTA; 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; requirements under Canadian content policies may change and/or become more onerous; the Company's business may be materially impacted by climate change matters, including risks related to the transition to a lower-carbon economy; 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 unique or limited sources of supply (such as engines, components containing microprocessors or, in other cases, for example, the supply of transmissions, batteries for battery-electric buses, axles or structural steel tubing) resulting in the Company's raw materials and components not being readily available from alternative sources of supply, being available only in limited supply, a particular component may be specified by a customer, the Company's products have been engineered or designed with a component unique to one supplier or a supplier may have limited or no supply of such raw materials or components or sells such raw materials or components to the Company on less than favorable commercial terms; the Company's vehicles and certain other products contain electrical components, electronics, microprocessors control modules, and other computer chips, for which there has been a surge in demand, resulting in a worldwide supply shortage of such chips in the transportation industry, and a shortage or disruption of the supply of such microchips could materially disrupt the Company's operations and its ability to deliver products to customers; 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, component and labour costs; the Company may incur material losses and costs as a result of product warranty costs, recalls, failure to comply with motor vehicle manufacturing regulations and standards and the remediation of transit buses and motor coaches; production delays may result in liquidated damages under the Company's contracts with its customers; catastrophic events, including those related to impacts of climate change, 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 and other 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 Company's substantial consolidated indebtedness could negatively impact the business; the restrictive covenants in the Company's credit facilities could impact the Company's business and affect its ability to pursue its business strategies; in December 2022, the Board made the decision to suspend the payment of dividends given credit agreement constraints and to support the Company's focus on improving its liquidity[NG] and financial position and the resumption of dividend payments is not assured or guaranteed; a significant amount of the Company's cash may be distributed, which may restrict potential growth; the Company is dependent on its subsidiaries for all cash available for distributions; the Company may not be able to make principal payments on the Debentures; redemption by the Company of the Debentures for Shares will result in dilution to holders of Shares; Debentures may be redeemed by the Company prior to maturity; the Company may not be able to repurchase the Debentures upon a change of control as required by the trust indenture under which the Debentures were issued (the "Indenture"); conversion of the Debentures following certain transactions could lessen or eliminate the value of the conversion privilege associated with the Debentures; future sales or the possibility of future sales of a substantial number of Shares or Debentures may impact the price of the Shares and/or the Debentures and could result in dilution; payments to holders of the Debentures are subordinated in right of payment to existing and future Senior Indebtedness (as described under the Indenture) and will depend on the financial health of the Company and its creditworthiness; if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected; and income and other tax risk resulting from the complexity of the Company's businesses and operations and the income and other tax interpretations, legislation and regulations pertaining to the Company's activities being subject to continual change.

Factors relating to the aftermath and ongoing effects of the global COVID-19 pandemic include: ongoing economic and social disruptions; production rates may not increase as planned and may decrease; ongoing and future supply delays and shortages of parts and components, and shipping and freight delays, and disruption to or shortage of labour supply may continue or worsen; the pandemic has adversely affected operations of suppliers and customers and may reverse; the supply of parts and components by suppliers continues to be challenged and may deteriorate; the recovery of the Company's markets in the future may not continue and demand may be lower than expected; the Company's ability to obtain access to additional capital if required may be impaired; and the Company's financial performance and condition, obligations, cash flow and liquidity[NG] and its ability to maintain compliance with the covenants under its credit facilities may be impaired. There can be no assurance that the Company will be able to maintain sufficient liquidity[NG] for an extended period or have access to additional capital or government financial support; and there can be no assurance as to if or when production operations will return to pre-pandemic production rates. There is also no assurance that governments will provide continued or adequate stimulus funding 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 on a sustained basis in the anticipated period of time. The Company cautions that the COVID-19 pandemic may return or worsen or other pandemics or similar events may arise. Such events are inherently unpredictable and may have severe and far-reaching impacts on the Company's operations, markets, and prospects.

Factors relating to the Company's "NFI Forward" initiatives 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, supply chain challenges and inflationary pressures. 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 financial guidance and targets disclosed in this MD&A include, in addition to the factors set out above, the degree to which actual future events accord with, or vary from, the expectations of, and assumptions used by, the Company's management in preparing the financial guidance and targets and the Company's ability to successfully execute the "NFI Forward" initiatives 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 Company's 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.

Appendix B - 2023 Fourth Quarter Bid Universe and Order Activity

Demand for Transit Buses and Motor Coaches

The Company's "Bid Universe" metric tracks known 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 (what NFI considers to be active bids), 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.

In 2023 Q4, active bids of 8,732 EUs were down 16.9% year-over-year and 15.7% from 2023 Q3. The decline was primarily driven by the higher number of new awards received in 2023 Q4, with EUs moving from bids submitted to new orders. The Company ended 2023 Q4 with 1,101 bids in process, and another 7,631 bids submitted, which is expected to drive further new orders in 2024. The number of bids submitted during 2023 Q4 was 43.0% greater than those submitted in 2022 Q4.

The forecasted five-year North American industry procurement has rebounded from the lows of the first half of 2021. As of 2023 Q4, the Total Bid Universe sat at 30,830 EUs, down slightly from its all-time high of 31,682 EUs in 2023 Q3. Year-over-year, the Total Bid Universe was essentially flat, increasing by 0.1%, or 46 EUs. The Company expects that the forecasted five-year North American industry procurement will remain high through the 2024 as transit agencies continue to formalize their short- and long-term procurement plans linked to the multi-billion funding programs announced and/or launched by governments in Canada and the U.S.

As at 2023 Q4, 16,169 EUs, or 52.4%, of the Total Bid Universe are ZEBs, an increase of 3.1% year-over-year, which supports management's expectations for a continued increase in the demand for 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)
2022 Q4	5,169	5,338	10,507	20,277	30,784
2023 Q1	2,833	8,233	11,066	20,103	31,169
2023 Q2	1,682	8,372	10,054	21,569	31,623
2023 Q3	1,591	8,770	10,361	21,321	31,682
2023 Q4	1,101	7,631	8,732	22,098	30,830

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 it excludes potential ARBOC and Alexander Dennis sales in Canada and the U.S.

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 is therefore not included in the Bid Universe metric.

Due to the transactional nature of the procurement process in the UK, European and Asia Pacific markets, Alexander Dennis does not have a Bid Universe metric like the one seen in North American public markets. Alexander Dennis does maintain a sales pipeline and saw improvement in this pipeline in 2023, following several periods of lower demand. The increase in market demand is driven by customers' fleet recovery plans and an aging UK bus fleet. This has helped grow Alexander Dennis' backlog[NG] for 2024 deliveries. Governments continue to focus on the green recovery and government funding is starting to materialize. This funding, plus future investments under plans to expand transport service in communities outside of London is expected to contribute to market growth in 2024 and beyond. Alexander Dennis continues to grow its installed fleet in Europe through the execution of multi-year contracts in Ireland and Germany. The European market is highly fragmented with numerous players providing niche opportunities for Alexander Dennis in the future.

In Asia Pacific, the Hong Kong market is highly cyclical, and, following busier periods in 2015 through 2018, the market has declined as anticipated. Alexander Dennis remains the market leader for double-deck buses in the Hong Kong market and expects to see stable annual deliveries and slow recovery, reflecting typical market cyclicality, in 2024. In 2023 Q2, Alexander Dennis delivered its first battery-electric buses to key customers in Hong Kong and secured additional ZEB orders in this market in 2023 Q4. New Zealand and Singapore remain highly cyclical markets with more predictable purchasing expectations based on vehicle age; Alexander Dennis continues to see significant opportunities in both markets and is also pursuing additional expansion programs in South Africa and the Middle-East region.

Order activity

New orders (firm and options) during 2023 Q4 totaled 2,361 EUs, an 8.4% decrease from 2022 Q4. The timing of new orders can vary based on transit agency procurement processes, with the fourth quarter typically being a busier period tied to agency and operator approval meetings. New firm and option orders for Fiscal 2023 were 6,121 EUs, an increase of 5.8% from Fiscal 2022. 2023 Q4 was a slower period for option conversion, which can vary from quarter-to-quarter, with 54 EUs converted. These 54 EUs contributed to 404 EUs converted in Fiscal 2023. *Further details on options are provided below under the "Options" section.*

In 2023 Q4, the Company received orders for 988 EUs of battery-electric, zero-emission vehicles, an increase from the 206 EUs of ZEB orders in 2023 Q3, down slightly from the 1,118 EUs of ZEB orders in 2022 Q4. These 988 EUs of ZEBs equate to 41.8% of all new firm and option orders for the quarter.

3,832 EUs of new firm and option orders were pending from customers at the end of 2023 Q4, 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[NG]. This was up from the 1,834 EUs of pending new firm and option orders as of the end of 2023 Q3. The Company anticipates that the majority of the units currently in bid award pending will convert into backlog[NG] during 2024 Q1.

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2022 Q4	2,578	5,786	118	638
2023 Q1	1,873	6,252	44	464
2023 Q2	917	5,821	289	668
2023 Q3	970	6,338	17	468
2023 Q4	**2,361**	**6,121**	**54**	**404**

Options

In 2023 Q4, 55 options expired, as compared to 149 options that expired in 2023 Q3, and 831 options that expired in 2022 Q4. Option expiries can vary significantly quarter-to-quarter. Certain agencies have let a portion of older options expire as they re-evaluate their longer-term fleet planning decisions with an increased focus on the procurement of ZEBs rather than traditional internal combustion engine propulsion. In certain cases, customers have issued new procurements to replace the expired options. NFI replenished a significant number of expired options through new orders in 2022 and 2023; in Fiscal 2023, 6,121 EUs in new option orders were added to the backlog[NG]. The option conversion rate improved from 25% in Fiscal 2022 to 41% in Fiscal 2023, reflecting the addition of newer contracts received in 2021 and 2022. The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis.

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[NG] of options that will expire each year if not exercised.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
A) Options Expired (EUs)	741	512	1,202	819	1,920	575						5,759
B) Options Exercised (EUs)	1,795	1,518	953	1,110	638	404						6,418
C) Current Options by year of expiry (EUs)							284	749	1,223	1,707	1,611	5,574
D) Conversion rate % = B / (A+B)	**71 %**	**75 %**	**44 %**	**58 %**	**25 %**	**41 %**						

In addition to contracts for identified public customers, the Company has increased its 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 from defined list, can purchase. The Company is currently named on over 40 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog[NG] 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 1,500 vehicle awards from these schedules since the start of 2018, showing their growing use by transit agencies as a procurement alternative in North America.

The Company's 2023 Q4 Book-to-Bill[NG] ratio (defined as new firm orders and exercised options divided by new deliveries) was 111.2%, a decrease from 144.0% in 2022 Q4. This decrease was driven by lower total new orders and higher deliveries. Fiscal 2023 Book-to-Bill[NG] was 113.0% a decrease from 133.9% for Fiscal 2022, primarily driven by increased deliveries and the timing of customer awards.

Backlog[NG]

The Company's total backlog[NG] consists of buses sold primarily to U.S. and Canadian public customers and private operators in the UK and Internationally. The majority of the backlog[NG] relates to New Flyer transit buses for public customers with some of the backlog[NG] consisting of units from MCI, AD, and ARBOC. Options for ARBOC vehicles are held by dealers, rather than the operator, and are not included as options in the NFI backlog[NG], but are converted to firm backlog[NG] 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 65.9% of the total backlog[NG] as of the end of 2023 Q4, up from 62.2% as of the end of 2023 Q3. As at the end of 2023 Q4, there were 3,779 EUs of ZEBs in the backlog[NG], representing 35.7% of the total backlog[NG], down slightly from the record of 36.4% as at the end of 2023 Q1, but up from 28.6% as at the end of 2022 Q4.

	2023 Q4			2023 Q3			2022 Q4		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	4,863	4,693	9,556	5,089	4,714	9,803	4,153	4,352	8,505
New orders	1,371	990	2,361	825	145	970	1,371	1,207	2,578
Options exercised	54	(54)	—	17	(17)	—	118	(118)	—
Shipments[1]	(1,227)	—	(1,227)	(1,051)	—	(1,051)	(1,034)	—	(1,034)
Cancelled/expired	(49)	(55)	(104)	(17)	(149)	(166)	(32)	(831)	(863)
End of period	**5,012**	**5,574**	**10,586**	**4,863**	**4,693**	**9,556**	**4,576**	**4,610**	**9,186**
Consisting of:									
Heavy-duty transit buses	4,146	5,265	9,411	3,911	4,388	8,299	3,602	4,342	7,944
Motor coaches	246	309	555	353	305	658	347	268	615
Cutaway and medium-duty buses	620		620	599		599	627	—	627
Total Backlog[NG]	**5,012**	**5,574**	**10,586**	**4,863**	**4,693**	**9,556**	**4,576**	**4,610**	**9,186**

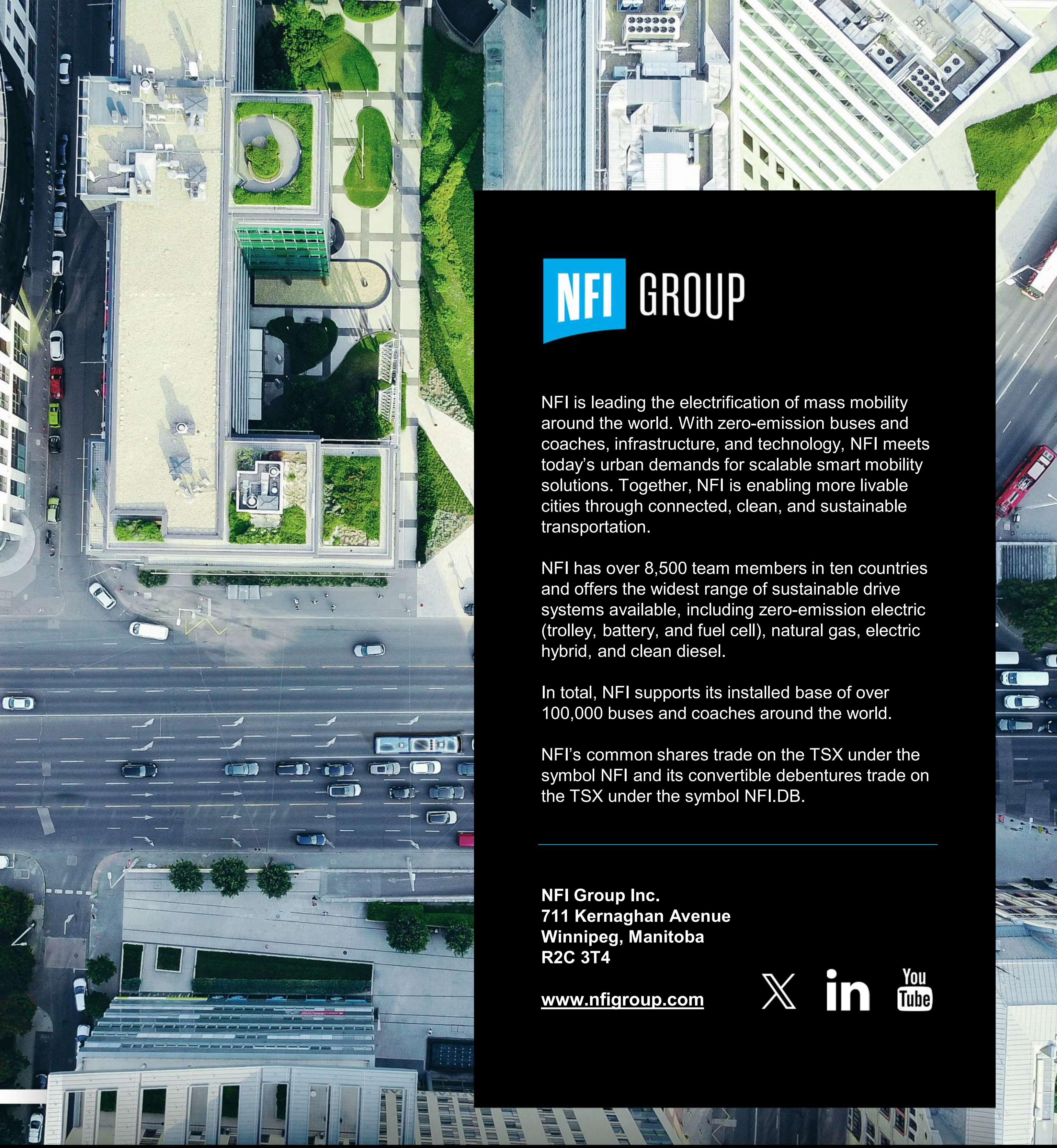
1. Shipments do not include delivery of pre-owned coaches as these coaches are not included in the backlog[NG].

At the end of 2023 Q4, the Company's total backlog[NG] of 10,586 EUs (firm and options) increased by 10.8% from the end of 2023 Q3, and increased by 15.2% from the end of 2022 Q4. The increase was driven by higher awards in the quarter, offset by higher deliveries and fewer cancellations/expiries. Backlog[NG] for 2023 Q4 has a total dollar value of $7.9 billion[2], a 20.4% increase from 2023 Q3 and a 40.6% increase from 2022 Q4. 3,832 EUs of new firm and option orders were in bid award pending at the end of 2023 Q4, up from 1,834 as of the end of 2023 Q3. This high number of bid award pending EUs should position NFI for a significant period of new awards in 2024 Q1.

The average price of an EU in backlog[NG] is now $0.75 million, an 22.0% increase from 2022 Q4.

The summary of the values is provided below.

	2023 Q4		2023 Q3		2022 Q4	
		EUs		EUs		EUs
Total firm orders	$3,249.8	5,012	$2,864.6	4,863	$2,515.4	4,576
Total options	$4,677.6	5,574	$3,718.9	4,693	$3,123.0	4,610
Total backlog[NG]	**$7,927.4**	**10,586**	**$6,583.5**	**9,556**	**$5,637.4**	**9,186**



NFI GROUP

NFI is leading the electrification of mass mobility around the world. With zero-emission buses and coaches, infrastructure, and technology, NFI meets today's urban demands for scalable smart mobility solutions. Together, NFI is enabling more livable cities through connected, clean, and sustainable transportation.

NFI has over 8,500 team members in ten countries and offers the widest range of sustainable drive systems available, including zero-emission electric (trolley, battery, and fuel cell), natural gas, electric hybrid, and clean diesel.

In total, NFI supports its installed base of over 100,000 buses and coaches around the world.

NFI's common shares trade on the TSX under the symbol NFI and its convertible debentures trade on the TSX under the symbol NFI.DB.

NFI Group Inc.
711 Kernaghan Avenue
Winnipeg, Manitoba
R2C 3T4

www.nfigroup.com

ALEXANDER DENNIS · ARBOC SPECIALTY VEHICLES · CARFAIR · KMG · MCI · NEW FLYER · nfi.parts · PLAXTON