New Flyer Acquisition of NABI

Employee, Investor & Media

Frequently Asked Questions (FAQ's)

June 21, 2013

(All amounts in US$ unless otherwise stated)

Transaction Description

- $80 million cash purchase price, virtually all for the satisfaction of affiliate debt
- Represents a transaction multiple of approximately 4.5x TTM Adjusted EBITDA before synergies, but including $11.25 million in obligations related to past litigation involving NABI and a US customer
- Transaction is expected to be immediately accretive to earnings and cash flow per share
- Acquisition includes US-based bus manufacturing operations and service center, and the aftermarket parts distribution business. Seller to retain NABI's discontinued Hungarian operations, including substantially all related assets and liabilities. NABI owned tooling to manufacture the Compo bus is included in the sale.
- Transaction financing consists of approximately C$65 million from the final tranche of the previously announced Marcopolo S.A. strategic equity investment in New Flyer with the balance drawn from New Flyer's newly-amended senior credit facility (the maturity of which has concurrently been extended to April 2017)
- New Flyer maintains conservative balance sheet with pro forma total leverage ratio decreasing to 2.2x (total indebtedness to Adjusted EBITDA, as defined in the credit agreement)

Strategic Rationale

- Enhanced Transit Bus Product Offering
- Expanded Parts Business with Improved Offering and Customer Support
- Synergy Opportunities
- Collaboration and Sharing of Technology and Best Practices

Questions	Answers
Strategy	
1. Why are you making this acquisition?	The combination of our businesses is highly complementary. • **Enhanced Transit Bus Product Offering:** The addition of NABI's LFW and BRT product platforms complements New Flyer's Xcelsior and MiDi product platforms enhancing our ability to provide customers with the best bus for their application or environment. In addition, NABI offers buses incorporating stainless steel frames for customers who have a specific requirement for this feature. There is little overlap in customers for whom the two companies are currently building buses. • **Expanded Parts Business with Improved Offering and Customer Support:** The addition of NABI's aftermarket parts segment represents a significant step for New Flyer aftermarket parts business. New Flyer intends to synchronize the parts databases and cross-reference lists of New Flyer, Orion and NABI, which management anticipates will permit the Company to source parts more efficiently and offer expanded supply chain solutions to customers. • **Synergy Opportunities:** New Flyer has identified opportunities for cost synergies such as in the areas of purchasing and strategic sourcing, plus general and administrative expenses that are expected to improve competitiveness. • **Collaboration and Sharing of Technology and Best Practices:** The combined entity will employ over 3,000 people who share a like-minded commitment to excellence in transit buses and product support with over 40,000 buses in operation in Canada & US.
2. Why did you decide to acquire NABI now?	• We have been in dialogue with NABI over the years. The timing now was right.NABI has now settled a legal dispute with a certain customer. • NABI has successfully transitioned its business away from Hungary to fully operate from the US. NABI's Hungarian operations have been completely segregated, which means NABI is now is a position to provide a fantastic growth platform for New Flyer and enhance our competitive position on Buy America.

Questions	Answers
3. What is the size of the NABI backlog?	• NABI has a total of 1,579 equivalent Units (EU's) in their backlog of which 593 are firm and 986 are options. An equivalent unit or EU represents one 30-foot, 35-foot or 40-foot heavy-duty transit bus and one articulated bus represents two EUs.
4. Where are New Flyer and NABI manufacturing facilities? Do the companies operate Service Centers?	• New Flyer manufacturing facilities are in Winnipeg, Mb, Crookston, MN and St Cloud, MN. New Flyer also operates a parts fabrication company (TCB Enterprises) in Elkhart, IN. • NABI manufactures buses in Anniston, AL. • New Flyer operates a Service Center in Arnprior, Ont and NABI has a Service Center in Jarupa Valley, CA.
5. Are there any synergies that would generate cost savings? What is the quantum of those synergies?	• Firstly, we expect the acquisition to be immediately accretive to earnings and cash flow, before accounting for any synergies. • Having said that, yes we do expect to realize some cost synergies, predominantly in the areas of purchasing, strategic sourcing and administrative overhead that we think will improve our competitiveness. At this time, we are not discussing specific synergy numbers.
6. How have your customers reacted to this announcement?	• We have received positive feedback from our customers and the transit industry in general. New Flyer and NABI have strong customer relationships and this acquisition provides long term stability and will allow us to better meet the needs of our customers by expanding our product, parts and services offerings.
7. Do you plan to retain the NABI management team?	• Yes, NABI has a solid and proven management team. We expect to maintain the team with the exception of Jim Marcotuli, NABI President & CEO who Cerberus brought in back in 2009. Jim will stay on for a few weeks to help us transition the business. • Brain Dewsnup, previously the Chief Financial Officer has agreed to lead NABI Bus as Vice President and General Manager. Prior to joining NABI, Brian served as Site Controller of Johns Manville's Waterville operations and served in various finance capacities at Visteon Corporation, Ford Motor Company and IBM. Brian has a Bachelor's Degree in Mechanical Engineering, a Master's Degree in Mechanical Engineering with an emphasis in Product Development and an MBA from Brigham Young University with an emphasis in Finance.

Questions	Answers
	• Shannon Young will remain as Vice President and General Manger of NABI Parts in Delaware, OH. Shannon has 39 years of experience in the transit bus industry and has been employed by NABI since 1996. During this time he has held several executive titles and a variety of responsibilities with primary responsibilities being the development and management of NABI's aftermarket parts operation. Prior to joining NABI, Shannon was employed by The Flxible Corporation and was responsible for their aftermarket parts operation, field service and bus sales and marketing. Shannon has a Bachelor's Degree from The Ohio State University.
8. How will NABI's employees be affected	• New Flyer intends to operate NABI Bus and NABI Parts without any significant changes to the number of employees or their compensation or benefits.
9. What are your plans for NABI's products and trademarks?	• New Flyer plans to keep NABI's low floor ("LFW") and bus rapid transit ("BRT") buses under the NABI brand. • Both the NABI Compo and High Floor buses currently in production at NABI are planned to be discontinued after the current contracts expire due to lack of demand for these bus models.
Transaction	
10. How is New Flyer funding the transaction?	The transaction, including related expenses, is being funded using approximately C$65 million in proceeds from the issuance of the second and final tranche of the previously announced strategic equity investment in New Flyer by Marcopolo. An additional $20 million is being drawn from the Company's renewed senior secured credit facility. • On a pro forma basis, New Flyer's Total Leverage Ratio (total indebtedness to Adjusted EBITDA, as defined in the credit agreement) would decrease from 2.4x to approximately 2.2x on a pro forma basis, as at March 31, 2013. • Furthermore, the transaction is expected to be immediately accretive to New Flyer's earnings per share and cash flow per share.

Questions	Answers
11. Why fund this with the remaining Marcopolo equity at this time, as opposed to preserving that “dry powder” for the future?	• The use of the Marcopolo investment represented a prudent source of capital as it improves our leverage metrics, which provides additional financial flexibility for New Flyer going-forward. • Under the Marcopolo investment agreement, New Flyer had until January 2014 to draw on the funds.
12. How will this affect New Flyer’s dividends?	• The dividend will not be impacted. The current annual dividend is $0.585 per share, paid monthly.
13. With only two turns of leverage, it would appear that the Company will be throwing off cash. What are the plans with that cash?	• We are pleased with the level of debt that is currently being employed on our balance sheet. This puts New Flyer in a unique position to continue to pursue strategic acquisition opportunities and invest into our business. • We also have a $75M accordion facility as part of our senior credit agreement and will continue to look for opportunities to grow and diversify our revenue base.
14. It sounds like New Flyer was able to acquire NABI at a much lower multiple than where New Flyer is currently trading… why is that?	• There are a number of factors that affect a purchase price multiple. NABI was not purchased as part of a traditional auction process. We have been in strategic dialogue with NABI and Cerberus for some time. In the end, we believe (and Cerberus I think would concur) that New Flyer was the right home for NABI.
15. Do you foresee any issues in getting regulatory approvals?	• No, there are no regulatory approvals required for this transaction.
16. When do you expect the transaction to close?	• We expect the transaction to close today (June 21, 2013) once confirmation of the required wire transfers of funds is received. A second press release will be issued acknowledging such.
17. Is the board fully supportive of this transaction?	• Yes, the board is unanimously supportive of the transaction.
18. How do you think your shareholders will react to this announcement?	• I can’t speak for our shareholders. You would have to ask them that question. What I can tell you is that both Marcopolo and Coliseum Capital, two of our largest shareholders, have expressed their strong support for the transaction. Also we believe the rationale for completing an acquisition of NABI is completely consistent with our strategy. We have communicated regularly, consistently and transparently to our shareholders

Questions	Answers
19. What other deals are you considering? Or, put another way, now that you've expanded bus and aftermarket, what else is there for you to do and how would you prioritize further corporate development actions?	• New Flyer continues to evaluate a number of corporate development opportunities including; market and product diversification (both Bus and Aftermarket), international diversification and vertical integration. • Management and the Board agree that focusing on the integration and synergy realization from the Orion and NABI acquisitions will be priority in the coming months. However, we are constantly pursuing strategic initiatives we believe will create value for shareholders.
20. Can you discuss the CTA litigation? What is New Flyer's resulting liability?	• I am not privy to discuss these litigation matters in detail. What I can tell you is that the legal dispute was between NABI and a certain customer in connection with alleged defects related to articulated buses delivered between 2003 and 2005. • The parties executed a settlement agreement in early April 2013 which provides for an aggregate payment obligation of $9.25 million over three years, of which $6.25 million remains to be paid by NABI. • In addition, NABI is required to contribute an additional aggregate amount of at least $5 million over the next five years in the form of parts and services rebates (or cash in lieu thereof). NABI's obligations under the settlement agreement will remain in place following the acquisition.
Integration	
21. What is your integration plan?	• We plan to operate NABI as independent entities under the New Flyer Bus and Parts businesses in the short term.
22. Why run these businesses separately? Doesn't that limit the amount of synergy available to the Company?	• We don't believe so. Our intent is to run both separately while we determine the most advantageous way to integrate the two organizations.In the short term, we have identified several synergies opportunities related to purchasing, strategic sourcing and SG&A, which we can realize without a full integration of the two companies.
23. What kind and magnitude of synergies are available?	• At this time, we are not discussing specific synergy numbers. We will communicate our progress as we work through the integration of NABI.That said; let me reiterate that we expect the transaction to be immediately accretive to earnings and cash flow per share before accounting for any synergies.

Questions	Answers
24. What impact is expected on Suppliers?	• Transit buses are a highly customer specified product. Both New Flyer and NABI will continue to work with suppliers on a business-as-usual basis. Going forward we think there are benefits to suppliers if we can coordinate planning and optimize the supply chain.
25. How does this limit or enhance your ability to execute on other key initiatives in the near term?	• This transaction does not limit in any way our ability to execute on other strategic initiatives, such as integrating Orion or executing on the MiDi™ strategy. • We expect that this transaction may impact management bandwidth for additional acquisitions in the short term, but these factored in to our decision to proceed with the acquisition • This puts New Flyer in a unique position to continue to pursue strategic and acquisition opportunities to continue to grow our business.
26. What resource and process is in place to mitigate risk through all of this change?	• We have completed a significant amount of due diligence on NABI prior to entering into this acquisition agreement including the use of advisors. We are very comfortable with the due diligence work that we have done. We have a number of internal processes that are designed to manage organizational change as we integrate NABI. • I am confident in the execution capabilities of our executive leadership team. We have greatly benefited from the counsel of our experienced board members throughout the due diligence and negotiation process.
27. Will you need to keep all of your plans and Parts Distribution Centers (PDCs)?	• New Flyer currently operates PDCs in Winnipeg, Manitoba, Brampton, Ontario, Fresno, CA and Erlanger, KY. NABI has one PDC in Delaware, OH. • There is no plan at this time to consolidate or rationalize. Both New Flyer Parts and NABI parts have their own customers, suppliers, IT Systems, etc. We will look at all scenarios to optimize, ensure competitiveness and support our customers.