

# Blue Bird Corporation (BLBD)

University of Wisconsin—Milwaukee | Lubar College of Business | Investment Management Certificate Program

Analyst:

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Recommendation: **BUY**

As of:

10/02/2026

Value Fit

8 / 10

Philosophy Fit

5 / 5

**WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.**

Performance level — ROIC (FY2026E) vs. ke

**67.9% vs 9.4% → Above ke**

Change in performance — ΔROIC

**+3.6 pts, FY2026E vs FY2025A → Improving**

Lifecycle phase

**Phase III — highest expectations**

Valuation gap — target vs. price

**+38.0% → Price below our value**



## BUSINESS DESCRIPTION

Blue Bird Corp. engages in the design and manufacture of school buses. It operates through the Bus and Parts segments. The Bus segment includes the manufacturing and assembly of school buses to be sold to a variety of customers across the United States, Canada, and in international markets. The Parts segment focuses on the purchases of parts from third parties to be sold to dealers within the company's network and certain large fleet customers. The company was founded by Albert Laurence Luce in 1927 and is headquartered in Macon, GA.

## INVESTMENT THESIS

Blue Bird, the leader in electric and low-emission school buses, is executing well: Q3 FY2026 net sales rose 29.9% to \$517.2 million, adjusted EBITDA hit a record \$71 million, and management raised full-year guidance to about \$247 million. The Micro Bird acquisition and a new Ford chassis partnership support a long-term target of \$500 million or more of adjusted EBITDA on \$3.3 billion of

## MARKET SNAPSHOT

|                      |                |                          |              |                |                    |
|----------------------|----------------|--------------------------|--------------|----------------|--------------------|
| Current Price        | \$56.53        | Market Cap (\$B)         | \$1.8        | Beta           | 1.13               |
| 52-Week Range        | \$47 – \$82    | Inst. Ownership          | 103.4%       | Insider Own.   | 1.4%               |
| Shares Out. (mm)     | 31.9           | Short Interest (% float) | 13.6%        | Dividend Yield | 0.0%               |
| Consensus L-T Growth | #N/A           | Payout Ratio             | 0.0%         | Cost of Equity | 9.4%               |
| Price Target         | <b>\$78.00</b> | Upside to Target         | <b>38.0%</b> | Value Range    | <b>\$68 – \$84</b> |

## VALUATION SUMMARY — equity DCF, FCFE discounted at ke

| Method                       | Value / Share  | Upside       | Terminal Assumption     |
|------------------------------|----------------|--------------|-------------------------|
| Equity DCF – terminal P/E    | \$81.42        | 44.0%        | 13.0x P/E               |
| Equity DCF – terminal P/S    | \$76.55        | 35.4%        | 1.0x P/S                |
| Equity DCF – terminal P/B    | \$68.41        | 21.0%        | 1.3x P/B                |
| Equity DCF – constant growth | \$83.99        | 48.6%        | 2.0% g, 9.4% ke         |
| Average of methods           | <b>\$77.59</b> | <b>37.3%</b> | Equal-weighted          |
| Analyst price target         | <b>\$78.00</b> | <b>38.0%</b> | Blue = analyst override |

## PHILOSOPHY FIT — Five pillars · Score: 5 / 5

|                                                       | Fit?                                                                                            |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| 1. Fundamental improvement & valuation discipline     | ΔROIC +3.6 pts; price is 0.73x our average value<br><b>Yes</b>                                  |
| 2. Investing through company cycles                   | Phase III; EBIT margin 11.3% → 12.1%<br><b>Yes</b>                                              |
| 3. Initial position sizing & risk limits              | Sized within fund limits; review on a 20% drawdown or a cut to federal EV funding<br><b>Yes</b> |
| 4. Capital allocation discipline                      | Net debt/invested capital -31.4%; net debt/EBIT -0.8x<br><b>Yes</b>                             |
| 5. Identifiable catalysts & conservative underwriting | Three drivers, each with a monitor; equal-weighted FCFE valuation<br><b>Yes</b>                 |

## VALUE CRITERIA — 10-Point Checklist · Score: 8 / 10

|                                    | Pass?                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Catalyst / Investment Drivers   | <b>Yes</b>                                                                                                                                                                                                                                                                                                                                       |
| Driver 1 — Micro Bird Adds Scale   | Blue Bird bought the remaining 50% of Micro Bird on April 1, 2026, adding smaller Type A buses. Micro Bird contributed \$122.9 million of Q3 sales, and the combined business earned a 14% adjusted EBITDA margin. Watch: combined adjusted EBITDA margin.                                                                                       |
| Driver 2 — Electric Bus Leadership | Blue Bird delivered 355 electric buses in Q3 and had more than 770 in its firm order backlog. Management says the second and third rounds of federal Clean School Bus funding remain intact. Watch: EV backlog and federal funding.                                                                                                              |
| Driver 3 — Ford Chassis Expansion  | A Ford partnership and a \$7 million purchase of Detroit plant assets take Blue Bird into commercial chassis, with about \$90 million of investment in 2027 and production from early 2028. The target is 10,000+ chassis and \$600 million of revenue by 2030. Our model excludes this, so success is upside. Watch: 2028 production start.     |
| What does management say?          | Management raised FY2026 adjusted EBITDA guidance to \$245 million to \$250 million on about \$1.75 billion of revenue, with adjusted free cash flow of \$125 million to \$135 million. The long-term target is \$500 million or more of adjusted EBITDA, a 15%+ margin, on \$3.3 billion of revenue. Tariff volatility remains a cost pressure. |

| 2. Low P/E Ratio                          |         |                                      |         |         |         |         | Yes |
|-------------------------------------------|---------|--------------------------------------|---------|---------|---------|---------|-----|
|                                           | FY2023A | FY2024A                              | FY2025A | FY2026E | FY2027E | FY2028E |     |
| EPS (model)                               | \$0.74  | \$3.27                               | \$4.01  | \$9.26  | \$5.18  | \$6.34  |     |
| P/E at current price                      | 76.1x   | 17.3x                                | 14.1x   | 6.1x    | 10.9x   | 8.9x    |     |
| Peer median P/E (FactSet, subject excl.)  | 25.1x   | FY2026E P/E vs. peer median          |         | (76%)   |         |         |     |
| 3. Low Price / Cash Flow                  |         |                                      |         |         |         |         | No  |
| FCFE / share                              | \$3.06  | \$1.74                               | \$3.90  | \$3.62  | \$4.18  | \$5.53  |     |
| Price / FCFE                              | 18.5x   | 32.4x                                | 14.5x   | 15.6x   | 13.5x   | 10.2x   |     |
| Peer median P/CF (FactSet, subject excl.) | 12.0x   | Price / FCFE (today) vs. peer median |         | +21%    |         |         |     |
| 4. Low Price / Book Value                 |         |                                      |         |         |         |         | No  |
|                                           | FY2023A | FY2024A                              | FY2025A | FY2026E | FY2027E | FY2028E |     |
| Book value / share                        | \$1.25  | \$4.94                               | \$8.02  | \$17.28 | \$22.45 | \$28.66 |     |
| Price / Book                              | 45.3x   | 11.4x                                | 7.1x    | 3.3x    | 2.5x    | 2.0x    |     |
| ROE (EOY book)                            | 59.5%   | 66.1%                                | 50.0%   | 53.6%   | 23.1%   | 21.7%   |     |
| Peer median P/B (FactSet, subject excl.)  | 1.7x    | Price / book (today) vs. peer median |         | +309%   |         |         |     |

# Blue Bird Corporation (BLBD) — Value Criteria, continued

| 5. Financial Soundness                                                                                                                                                    |                                                                                                                                                                  |                     |         |                                |                             |             | Yes   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------|--------------------------------|-----------------------------|-------------|-------|
|                                                                                                                                                                           | FY2023A                                                                                                                                                          | FY2024A             | FY2025A | FY2026E                        | FY2027E                     | FY2028E     |       |
| Total debt (\$mm)                                                                                                                                                         | 137                                                                                                                                                              | 101                 | 97      | 97                             | 97                          | 97          |       |
| Net debt (\$mm)                                                                                                                                                           | 58                                                                                                                                                               | -27                 | -133    | -392                           | -525                        | -705        |       |
| Total debt / equity (gross)                                                                                                                                               | 342.8%                                                                                                                                                           | 63.2%               | 37.8%   | 17.6%                          | 13.5%                       | 10.5%       |       |
| Total debt / assets (gross)                                                                                                                                               | 31.1%                                                                                                                                                            | 18.4%               | 14.8%   | 9.7%                           | 8.0%                        | 6.7%        |       |
| Net debt / invested capital                                                                                                                                               | 24.9%                                                                                                                                                            | -8.4%               | -31.4%  | -54.6%                         | -59.5%                      | -65.0%      |       |
| Net debt / EBIT                                                                                                                                                           | 1.1x                                                                                                                                                             | -0.2x               | -0.8x   | -1.9x                          | -2.3x                       | -2.6x       |       |
| Tax rate                                                                                                                                                                  | 25.9%                                                                                                                                                            | Book equity (\$mm)  |         | 255                            |                             |             |       |
| 6. Positive Earnings Dynamics                                                                                                                                             |                                                                                                                                                                  |                     |         |                                |                             |             | Yes   |
|                                                                                                                                                                           | FY2023A                                                                                                                                                          | FY2024A             | FY2025A | FY2026E                        | FY2027E                     | FY2028E     |       |
| Sales growth                                                                                                                                                              | 41.5%                                                                                                                                                            | 18.9%               | 9.9%    | 18.4%                          | 15.5%                       | 9.6%        |       |
| EBIT margin                                                                                                                                                               | 4.6%                                                                                                                                                             | 10.3%               | 11.3%   | 11.8%                          | 11.2%                       | 12.1%       |       |
| EPS growth                                                                                                                                                                | (150.3%)                                                                                                                                                         | 340.5%              | 22.6%   | 131.0%                         | (44.1%)                     | 22.4%       |       |
| 7. Business Strategy & Segment Mix                                                                                                                                        |                                                                                                                                                                  |                     |         |                                |                             |             | Yes   |
| Strategy                                                                                                                                                                  | Build on school bus leadership with electric and low-emission models, add smaller Type A buses through Micro Bird, and expand into commercial chassis with Ford. |                     |         |                                |                             |             |       |
| Segment / geography mix                                                                                                                                                   | Two segments: Bus, the large majority of revenue, and Parts (about 5% of Q3 sales). Sales are primarily in the U.S. and Canada                                   |                     |         |                                |                             |             |       |
| 8. Capable Management & Insider Ownership                                                                                                                                 |                                                                                                                                                                  |                     |         |                                |                             |             | Yes   |
| Insider ownership                                                                                                                                                         | 1.4%                                                                                                                                                             | Inst. ownership     |         | 103.4%                         | Buybacks, % of NOPAT (FY1E) |             | —     |
| Insider activity / governance                                                                                                                                             | Recent net insider selling; insider ownership is only 1.4%, so alignment rests on comp design.                                                                   |                     |         |                                |                             |             |       |
| 9. Valuation — Value Creation (ROIC vs. ke)                                                                                                                               |                                                                                                                                                                  |                     |         |                                |                             |             | Yes   |
| ROIC (FY1E)                                                                                                                                                               | 67.9%                                                                                                                                                            | Cost of equity (ke) |         | 9.4%                           | EVA spread (ROIC – ke)      |             | 58.5% |
| Price target / upside                                                                                                                                                     | \$78.00                                                                                                                                                          | 38.0%               |         | Value / share range (low–high) |                             | \$68 – \$84 |       |
| 10. Uses of Capital — allocation discipline                                                                                                                               |                                                                                                                                                                  |                     |         |                                |                             |             | Yes   |
| Reinvestment 23% of NOPAT, dividends + buybacks 0% in FY2026E; no dividend; bought the rest of Micro Bird in April 2026 and plans about \$90 million for chassis in 2027. |                                                                                                                                                                  |                     |         |                                |                             |             |       |
| VALUE FIT SCORE — criteria met                                                                                                                                            |                                                                                                                                                                  | 8 / 10              |         |                                |                             |             |       |

| FINANCIAL SUMMARY (\$mm except per share) |         |         |         |         |         |         |                |
|-------------------------------------------|---------|---------|---------|---------|---------|---------|----------------|
|                                           | FY2023A | FY2024A | FY2025A | FY2026E | FY2027E | FY2028E | CAGR 2023–2028 |
| Sales                                     | 1,133   | 1,347   | 1,480   | 1,752   | 2,023   | 2,217   | 14.4%          |
| Gross margin                              | 12.1%   | 18.9%   | 20.5%   | 20.3%   | 20.6%   | 20.5%   |                |
| EBIT                                      | 52      | 139     | 167     | 207     | 226     | 269     | 39.1%          |
| Net income                                | 24      | 106     | 128     | 295     | 165     | 202     | 53.4%          |
| EPS (basic)                               | \$0.74  | \$3.27  | \$4.01  | \$9.26  | \$5.18  | \$6.34  | 53.6%          |
| Dividend / share                          | —       | —       | —       | —       | —       | —       |                |
| FCFE / share                              | \$3.06  | \$1.74  | \$3.90  | \$3.62  | \$4.18  | \$5.53  | 12.5%          |
| Invested capital                          | 233     | 319     | 422     | 717     | 882     | 1,084   | 36.0%          |
| ROIC                                      | 21.9%   | 53.7%   | 64.2%   | 67.9%   | 65.0%   | 71.4%   |                |
| NOPAT margin                              | 3.0%    | 7.6%    | 8.4%    | 8.9%    | 8.4%    | 9.1%    |                |
| Sales / NWC                               | -22.40x | -41.54x | -31.35x | -33.33x | -33.33x | -33.33x |                |
| Sales / NFA                               | 5.54x   | 6.02x   | 6.17x   | 6.23x   | 6.29x   | 6.35x   |                |
| Sales / invested capital (ex cash)        | 7.35x   | 7.04x   | 7.68x   | 7.66x   | 7.75x   | 7.85x   |                |

| USES OF CAPITAL — full range, as % of cash generated (NOPAT) |          |         |         |         |         |         |               |
|--------------------------------------------------------------|----------|---------|---------|---------|---------|---------|---------------|
|                                                              | FY2023A  | FY2024A | FY2025A | FY2026E | FY2027E | FY2028E | Avg 2023–2028 |
| NOPAT before reinvestment (\$mm)                             | 34       | 103     | 124     | 155     | 170     | 202     |               |
| Uses, as % of NOPAT                                          |          |         |         |         |         |         |               |
| Capex & acquisitions (Δ NFA)                                 | (26.9%)  | 18.8%   | 13.0%   | 26.6%   | 23.8%   | 13.6%   | 11.5%         |
| Working capital (Δ NWC)                                      | (214.3%) | 17.6%   | (11.9%) | (3.4%)  | (4.8%)  | (2.9%)  | (36.6%)       |
| Dividends                                                    | —        | —       | —       | —       | —       | —       | —             |
| Share buybacks                                               | (43.9%)  | (13.6%) | 25.7%   | 0.0%    | 0.0%    | 0.0%    | (5.3%)        |
| Debt repaid (neg. = borrowing)                               | 124.3%   | 35.3%   | 3.4%    | —       | —       | —       | 27.2%         |
| Cash & securities build                                      | 203.1%   | 47.3%   | 82.0%   | 166.9%  | 78.4%   | 89.5%   | 111.2%        |
| Interest & other (residual)                                  | 57.7%    | (5.4%)  | (12.3%) | (90.0%) | 2.7%    | (0.1%)  | (7.9%)        |
| Total uses of capital                                        | 100.0%   | 100.0%  | 100.0%  | 100.0%  | 100.0%  | 100.0%  | 100.0%        |
| Discipline — reinvestment, % of NOPAT                        | (241.2%) | 36.4%   | 1.1%    | 23.1%   | 19.0%   | 10.7%   | (25.2%)       |
| Dividends + buybacks, % of NOPAT                             | (43.9%)  | (13.6%) | 25.7%   | 0.0%    | 0.0%    | 0.0%    | (5.3%)        |

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

| COMPS OVERVIEW (current multiples, FactSet) |                                |       |      |       |       |         |
|---------------------------------------------|--------------------------------|-------|------|-------|-------|---------|
| Ticker                                      | Company                        | P/E   | P/S  | P/B   | P/CF  | EV/EBIT |
| AEBI                                        | Aebi Schmidt Holding AG        | 32.0x | 0.4x | 0.8x  | 36.1x | 12.0x   |
| ALG                                         | Alamo Group Inc.               | 19.3x | 1.2x | 1.6x  | 12.0x | 12.7x   |
| OSK                                         | Oshkosh Corp                   | 15.3x | 0.8x | 1.8x  | 6.4x  | 9.3x    |
| MLR                                         | Miller Industries, Inc.        | 43.9x | 0.8x | 1.5x  | 4.8x  | 13.5x   |
| FSS                                         | Federal Signal Corporation     | 25.1x | 2.9x | 4.7x  | 19.2x | 20.1x   |
| WNC                                         | Wabash National Corporation    |       | 0.4x | 2.0x  |       | 2.4x    |
| Median                                      | Peer median (subject excluded) | 25.1x | 0.8x | 1.7x  | 12.0x | 12.3x   |
| BLBD                                        | Subject, at current price      | 14.1x | 1.2x | 7.1x  | 14.5x | 10.0x   |
| Premium / (discount) to peer median         |                                | (44%) | +52% | +309% | +21%  | (19%)   |

Peer set from AutoTearSheet-5PageID14:DI9. Median is of peers only and excludes blanks.

| KEY RISKS                                                                                                                                                                                                                 |                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Federal EV funding.                                                                                                                                                                                                    | Electric bus demand depends on the EPA Clean School Bus program; a funding cut would shrink the EV backlog and the higher-value mix. Watch: backlog and program announcements.                                         |
| 2. Execution.                                                                                                                                                                                                             | Blue Bird is integrating Micro Bird, which lowered Q3 gross margin by 160 basis points, while spending about \$90 million on a chassis business that starts production in 2028. Watch: margins and chassis milestones. |
| 3. Costs and customers.                                                                                                                                                                                                   | Tariffs raise procurement costs, and school district budgets drive orders. Watch: gross margin and order trends.                                                                                                       |
| Exit discipline: sell if adjusted EBITDA margin falls below 12% for two straight quarters, if federal EV funding is cut and backlog drops sharply, or if the chassis program slips past 2028; trim near our price target. |                                                                                                                                                                                                                        |

