NFI provides update on credit facilities amendments and financing support from the Government of Manitoba and Export Development Canada

December 23, 2022

All amounts shown in this press release are in U.S. dollars unless otherwise indicated

WINNIPEG, Manitoba, Dec. 23, 2022 (GLOBE NEWSWIRE) -- **(TSX: NFI, OTC: NFYEF, TSX: NFI.DB)** NFI Group Inc. ("NFI" or the "Company"), a leading independent bus and coach manufacturer and a leader in electric mass mobility solutions, today provided an update on proposed amendments to its credit facilities, including relief from existing covenants, and the receipt of non-binding commitments for a financial support package of approximately $187 million[1] from the Government of Manitoba and Export Development Canada ("EDC"), a financial Crown corporation.

Details are as follows:

- NFI is working closely with its banking partners to finalize amendments to the Company's credit facilities, which includes the Company's existing senior revolving credit facility (the "Revolver") and its revolving UK credit facility (the "UK Facility", and collectively with the Revolver, the "Facilities") that are anticipated to, among other things, provide flexibility with respect to key financial covenants (total leverage ratio[2], minimum Adjusted EBITDA[3] and interest coverage ratio[4]) for the fourth quarter of 2022 and the first two quarters of 2023.
- Under the proposed amendments, NFI would lower the Revolver capacity from $1.25 billion to $1.0 billion, and the UK Facility from £50 million to £40 million. The Revolver currently has a $250 million minimum liquidity requirement, which would be reduced to $25 million.
- The amendments to the Facilities are subject to approvals and documentation, which are expected to be completed by January 1, 2023. Once completed, the Company will provide additional details on the amended covenants and other terms.
- Non-binding commitment from the Government of Manitoba for a CAD$50 million debt facility to support investments in working capital and general corporate purposes.
- Non-binding commitment from EDC, Canada's export credit agency, for a $50 million debt facility to support supply chain financing and an up to $100 million credit/guarantee facility (the "Guarantee Facility") for NFI's surety and performance bonding requirements for new contracts.
- The debt facilities from the Government of Manitoba and EDC, and the Guarantee Facility have received credit approvals but are subject to documentation, certain conditions, and final approvals by EDC and the Government of Manitoba. NFI anticipates that the approvals and documentation can be completed early in 2023, at which point the support would be available.
- The debt facilities from the Government of Manitoba and EDC are on commercial terms, each having a one-year maturity that can be extended for an additional two years, subject to approval by the respective lenders.
- NFI's Board of Directors have made the decision to suspend the payment of dividends to comply with credit agreement requirements and in support of NFI's focus on improving its liquidity and financial position.

The Revolver matures on August 2, 2024 ("Maturity Date"), and, under the proposed amendments, the UK Facility would mature on June 30, 2023. NFI and its banking syndicate partners are focused on finalizing the amendment documents and, following their completion, NFI will begin work on developing new longer-term credit agreements. NFI will be seeking agreements that provide appropriate capacity and covenants matched to the Company's anticipated financial performance and recovery.

"The programs we announce today will be critically important in helping us achieve several key strategic objectives. They will strengthen our financial position, enhance our surety bonding capacity, increase liquidity, and allow us to focus on execution and realization of record demand for our products and services," said Paul Soubry, President and Chief Executive Officer, NFI.

"On behalf of the NFI team, I want to thank the Government of Manitoba and EDC (a member of our banking syndicate and a long-time partner) for this tangible and critical display of support. We will now work on finalizing the remaining outstanding items with our partners, and I have confidence that we will achieve our common goals as we move beyond this extremely challenging period, initially caused by the COVID-19 pandemic then further impacted by global supply disruption.

"I must acknowledge the members of the NFI team and our union partners, who have been flexible, patient, and accommodating for much longer than any of us thought would be required. Since March 2020, we have had to eliminate over 2,000 positions globally, closed or rationalized numerous facilities, incurred significant financial losses, and dealt with ongoing waves of supply underperformance. It has only been through the dedication, persistence, and hard work of our people that we have been able to deliver highly customized buses and coaches, support vehicles in service, and significantly grow our backlog. The road ahead is bright, and the support provided by our people and our partners will assist us as we move towards a strong future recovery executing on our $5 billion backlog," Soubry added

NFI has over 105,000 buses and coaches in service and is now a leader in zero-emission mobility, with electric vehicles operating (or on order) in more than 110 cities in six countries. NFI offers the widest range of zero-emission battery and fuel cell-electric buses and coaches, and its vehicles have completed over 85 million EV service miles. NFI employs over 7,500 people around the world.

Comments from the Government of Manitoba

"NFI is the largest bus manufacturer in North America with the most technologically advanced zero-emission buses in the industry," said Manitoba Premier Heather Stefanson. "Like many other global vehicle manufacturers, NFI's recent challenges reflect the impacts that unprecedented supply-chain disruptions have had on vehicle production. This repayable loan is a strategic investment to help capitalize on economic growth opportunities in manufacturing and to help maintain jobs as NFI recovers from global supply-chain disruption and benefits from record investments in public transit. I am especially excited to soon see NFI's industry-leading electric buses get rolled out in Manitoba, helping drive our net-zero agenda forward."

"Cities around the world from Los Angeles to London rely on NFI's cutting-edge vehicles to safely and efficiently move millions of passengers every day," said Economic Development, Investment and Trade Minister Cliff Cullen. "NFI is also a key employer and industry leader in Manitoba with a history of success and growth that illustrates Manitoba's burgeoning manufacturing industry. Our government is pleased to support NFI with this repayable loan, which not only helps grow our economy, but also keeps jobs here in our province."

Liquidity and Dividend Update

NFI has seen signs of improvement in supplier on-time delivery performance which has allowed the Company to reduce work-in-progress ("WIP") inventory, especially those missing certain critical components, during the fourth quarter. Overall supply chain health for certain critical parts remains volatile and continues to impact the timing of some of the Company's anticipated fourth quarter deliveries. The Company's year-end Liquidity [3], which combines cash on-hand plus available capacity under its credit facilities, is now projected to be approximately $100 million, reflecting the proposed amendments to the Facilities, whereby NFI is anticipated to have a significantly reduced minimum liquidity requirement of $25 million (versus the current $250 million) and a $262 million reduction in capacity under the Facilities. In addition, the Company's projected year-end Liquidity amount does not include the benefit of the proposed $87 million of senior unsecured debt financing that is expected to be received in the first quarter of 2023.

In 2023 Q1, the Company's Liquidity [3] is expected to improve due to continued reduction in buses awaiting parts that are in offline WIP, the collection of receivables from deliveries made in the fourth quarter of 2022, and the receipt of the proposed financing.

NFI's Board of Directors have made the decision to suspend the payment of dividends given credit agreement constraints and to support the Company's focus on improving its liquidity and financial position.

Outlook

The global macroeconomic environment continues to face headwinds from supply chain challenges, heightened inflation, a strengthening U.S. dollar, and rising interest rates. Despite these broader issues, NFI's outlook remains strong based on its backlog, growing demand for its products, and historic funding levels in core markets. In the third quarter of 2022, NFI submitted its highest number of bids ever, and this positive momentum in bid activity is expected to continue into 2023.

Year-to-date in 2022, NFI has received over 4,000 EUs in new awards (both firm and option orders) helping to strengthen the Company's backlog and outlook. As the Company heads into 2023, the majority of its planned production schedule in North America is filled and its UK production schedule is further advanced than where it would normally be at this time.

The first half of 2023 is expected to be a transitionary period for the Company as it continues to navigate through supply disruption and delivers certain legacy contracts with compressed margins resulting from heighted inflation and rapid currency fluctuations. NFI remains optimistic that financial performance, including revenue and Adjusted EBITDA[3], will see significant improvement in the second half of 2023 when compared to the second half of 2022, dependent upon supply chain performance.

NFI reaffirms its financial guidance for 2022, as updated on October 24, 2022, with the exception of the change in anticipated Liquidity[3] discussed above.

Announcement Event

NFI and the Government of Manitoba will be hosting an announcement event today, Friday, December 23, 2022, at the Company's New Product Development facility located at 630 Kernaghan Avenue, Winnipeg, Manitoba, from 11:00am to 12:00pm Central Standard Time.

The event will feature remarks from Paul Soubry, President and Chief Executive Officer, NFI; the Honourable Cliff Cullen, Manitoba Minister of Economic, Development, Investment and Trade and Deputy Premier; and the Honourable Dan Vandal, Minister of Northern Affairs, Minister responsible for Prairies Economic Development Canada and the Canadian Northern Economic Development Agency. The event will also include a question period for members of the media.

The event will be streamed online at:
http://news.gov.mb.ca and http://youtube.com/ManitobaGovernment

About NFI

Leveraging 450 years of combined experience, 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.

With 7,500 team members in nine countries, NFI is a leading global bus manufacturer of mass mobility solutions under the brands New Flyer®

(heavy-duty transit buses), MCI® (motor coaches), Alexander Dennis Limited (single and double-deck buses), Plaxton (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses), and NFI Parts™. NFI currently 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 105,000 buses and coaches around the world. NFI's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol NFI and its convertible unsecured debentures trade on the TSX under the symbol NFI.DB. News and information is available at www.nfigroup.com, www.newflyer.com, www.mcicoach.com, www.nfi.parts, www.alexander-dennis.com, www.arbocsv.com, and www.carfaircomposites.com.

For media inquiries, please contact:
Melanie McCreath
P: 204.224.6496
Melanie.McCreath@nfigroup.com

For inquiries, please contact:
Stephen King
P: 204.224.6382
Stephen.King@nfigroup.com

Non-IFRS Measures

References to "Adjusted EBITDA" are to earnings before interest, income taxes, depreciation and amortization after adjusting for the effects of certain non-recurring and/or non-operations related items and expenses incurred outside the normal course of operations that do not reflect the current ongoing cash operations of the Company. These adjustments include gains or losses on disposal of property, plant and equipment, fair value adjustment for total return swap, unrealized foreign exchange losses or gains on non-current monetary items and forward foreign exchange contracts, costs associated with assessing strategic and corporate initiatives, past service costs and other pension costs or recovery, non-operating costs or recoveries related to business acquisition, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, proportion of the total return swap realized, equity settled stock-based compensation, expenses incurred outside the normal course of operations, recovery of currency transactions, prior year sales tax provision, COVID-19 costs and impairment loss on goodwill and non-operating restructuring costs.

Management believes Adjusted EBITDA is a useful measure in evaluating the performance of the Company. However, Adjusted EBITDA is not a recognized earnings or cash flow measure under IFRS and does not have standardized meanings prescribed by IFRS. Readers of this press release are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings or loss or cash flows from operating activities determined in accordance with IFRS as an indicator of NFI's performance. NFI's method of calculating Adjusted EBITDA, may differ materially from the methods used by other issuers and, accordingly, may not be comparable to similarly titled measures used by other issuers.

"Liquidity" is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines liquidity as cash on-hand plus available capacity under its credit facilities.

Forward-Looking Statements

This press release 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 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, and the Company's expectation of receiving financing from the Government of Manitoba and EDC and regarding the proposed amendments to the Company's credit facilities. 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, the recovery of the Company's markets and the expected benefits to be obtained through its "NFI Forward" initiative) the availability of financing and the Company's financial and operating performance and speak only as of the date of this press release. 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 performance and objectives and the Company's strategic initiatives, 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 and inflationary pressures, will not occur or be achieved. In connection with obtaining the financing from the Government of Manitoba and EDC and proposed amendments to the Company's senior credit facilities, it is possible that certain terms could be changed and other amendments could be made that could be adverse to the Company. There can be no assurance that definitive agreements will be entered into or that the Company will be successful in obtaining the financing or the amendments to its credit facilities that it expects to receive or that any other financing may be available.

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 may be materially adversely impacted by the ongoing COVID-19 pandemic and related supply chain challenges, employee absenteeism and inflationary effects; the Company's business, operating results, financial condition and liquidity may be materially adversely impacted by the Russian invasion of Ukraine due to factors including but not limited to further supply chain disruptions and inflationary pressures; 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 securityholders 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. Federal Transit Administration; 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 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 and component costs; the Company may incur material losses and costs as a result of product warranty costs, recalls and 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 labor disruptions and shortages of labor; 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; payment of dividends is not guaranteed; a significant amount of the Company's cash is 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 global COVID-19 pandemic include: the magnitude and duration of the global, national and regional economic and social disruption being caused as a result of the pandemic; the impact of national, regional and local governmental laws, regulations and "shelter in place" or similar orders relating to the pandemic which may materially adversely impact the Company's ability to continue operations; partial or complete closures of one, more or all of the Company's facilities and work locations or the reduction of production rates (including due to government mandates and to protect the health and safety of the Company's employees or as a result of employees being unable to come to work due to COVID-19 infections with respect to them or their family members or having to isolate or quarantine as a result of coming into contact with infected individuals); production rates may be further decreased as a result of the pandemic; ongoing and future supply delays and shortages of parts and components, and shipping and freight delays, and disruption to labor supply as a result of the pandemic; the pandemic will likely adversely affect operations of suppliers and customers, and reduce and delay, for an unknown period, customers' purchases of the Company's products and the supply of parts and components by suppliers; the anticipated recovery of the Company's markets in the future may be delayed or increase in demand may be lower than expected as a result of the continuing effects of the pandemic; the Company's ability to obtain access to additional capital if required; and the Company's financial performance and condition, obligations, cash flow and liquidity and its ability to maintain compliance with the covenants under its credit facilities, which may also negatively impact the ability of the Company to pay dividends. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period, obtain satisfactory covenant relief and other amendments under its credit facilities, or access to additional capital or access to government financial support or as to when production operations will return to previous production rates. There is also no assurance that governments will provide continued or adequate stimulus funding during or after the pandemic 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 in the anticipated period of time. The Company cautions that due to the dynamic, fluid and highly unpredictable nature of the pandemic and its impact on global and local economies, supply chains, businesses and individuals, it is impossible to predict the severity of the impact on the Company's business, operating performance, financial condition and ability to generate sufficient cash flow and maintain adequate liquidity and any material adverse effects could very well be rapid, unexpected and may continue for an extended and unknown period of time.

Factors relating to the Company's financial guidance and targets disclosed in this press release 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, NFI's management in preparing the financial guidance and targets and the Company's ability to successfully execute the "NFI Forward" initiative 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 press release (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.

[1] Assuming a USD/CAD foreign exchange rate of 0.73 as of December 22, 2022.

[2] TLR is calculated as borrowings on the Facilities, not including the Company's 5.0% convertible debentures, less unrestricted cash and cash equivalents, divided by Adjusted EBITDA, typically calculated on a trailing twelve-month basis.

[3] See Non-IFRS measures.

[4] ICR is calculated using the same trailing twelve month Adjusted EBITDA as the TLR divided by trailing twelve-month interest expense on the Facilities, the Company's 5.0% convertible debentures, and other interest and bank charges.