

NFI (2026 Q1 Results)
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Corporate Speakers:

- Stephen King; NFI; Vice President of Strategy & Investor Relations
- John Sapp; NFI; Chief Executive Officer, President & Director
- Brian Dewsnap; NFI; Executive Vice President & Chief Financial Officer
- Unidentified Speaker; Unknown; Unknown

Participants:

- Chris Murray; ATB Cormark Capital Markets Inc.; Analyst
- Cameron Doerksen; National Bank Financial, Inc. ; Analyst
- Daryl Young; Stifel Nicolaus Canada Inc. ; Analyst
- Jonathan Goldman; Scotiabank Global Banking and Markets; Analyst
- Ty Collin; CIBC Capital Markets; Analyst
- Tim James; TD Cowen; Analyst

PRESENTATION

Operator^ Good day and thank you for standing by. Welcome to NFI 2026 First Quarter Financial Results Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to turn the conference over to your speaker for today, Stephen King. Please go ahead.

Stephen King^ Thank you, Lisa. And good morning, everyone.

Joining me today are John Sapp, President and Chief Executive Officer, and Brian Dewsnap, Chief Financial Officer.

On today's call we will recap the quarter which included a clear continuation of our operational recovery, strong margin expansion and earnings growth driven by improved manufacturing margins in our backlog conversion.

John will also provide the latest details on our outlook and our reaffirmed 2026 guidance.

This call is being recorded. And a replay will be made available shortly.

We will be referring to a presentation that can be found in the financials and filings section of our website.

As we move through the slides via the webcast link, we will call out the slide.

On Slide 2, we provide our cautionary or forward-looking statements and note that certain financial measures referenced today are not recognized in earnings measures and do not have standardized meanings prescribed by International Financial Reporting Standards or IFRS.

We advise listeners to view our press releases and other public filings on SEDAR for more details.

In the appendix of this presentation, we have provided a list of key terms and definitions that will be used on today's call.

A reminder that NFI statements are presented in U.S. dollars, the company's reporting currency and all amounts referred to are in U.S. dollars unless otherwise noted.

Slides 3 and 4 provide a brief overview of our company, NFI as a bus and coach manufacturer and total mobility solutions provider.

We offer a wide range of bus coaches on proven platform in our North America's largest Boston coaches.

We hold market-leading positions and offer the industry's strongest aftermarket.

Slide five provides a brief insight into enterprise product and geographic mix and a few other 5.

I'll now pass the call over to John.

John Sapp^ Good morning, everyone. Thank you for joining us today.

I'll be picking up on Slide 7. The first quarter saw a solid performance with 978 EUs delivered, \$842 million in revenue, and adjusted EBITDA of \$86.1 million. This was a 37% increase from the first quarter of 2025.

Our performance was primarily driven by gross margin improvement of 450 basis points to a total 15.7% as we continue to convert our strong backlog into results and improved production efficiencies.

This performance supported earnings per share of \$0.10 or \$0.18 on an adjusted basis with both significant improvements from last year.

The demand environment remains strong as we reported a 109% book-to-bill ratio on an LTM basis and an 80% option conversion rate. The North American bid universe remains at impressive levels, with 32,000 -- roughly 32,500 EUs in total and total backlog of \$13 billion with 43% coming from firm orders and 57% in options.

Liquidity saw a decrease from fourth quarter. This was primarily driven by seasonal investments and work in process inventory following significant deliveries in the fourth quarter of '25.

We also had some extended receivable balances associated with tariff recovery plus a few other timing items.

During the quarter, we successfully launched the battery recall campaign, completing full battery replacements on 12 buses, leading to cash outflows of \$2.5 million.

Our team has a detailed plan for the campaign that will leverage our service center network.

We anticipate that quarterly replacements will be larger as we move through 2026.

Moving to Slide 8, we highlight the quarterly and LTA deliveries by product lines.

Transit bus deliveries were down 12% in the quarter and 7% for the LTM period. This was primarily due to lower U.K. deliveries. However average sale prices or ASPs of heavy-duty transit buses increased by 10.5% year-over-year, reflecting the conversion of stronger backlog to results, geographic and propulsion sales mix.

Motor coach delivery saw a 2% increase on both a quarterly and LTM basis. This was largely driven by higher public deliveries, offset by lower private deliveries. The ASP in this segment also saw growth up 4.6%.

The low floor cutaway and medium-duty remains a bright spot, with deliveries up 20% in the quarter and 24% on an LTM basis, with 794 total deliveries, this was another record performance from our ARBOC team.

I'll now pass it over to Brian to go through the fourth quarter results before we get into a detailed look at our outlook.

Brian Dewsnup^ Thanks, John.

As John covered some of the key performance metrics, I'll highlight a few segment details. Turning to Slide 9. Manufacturing continued to drive gross margin performance with significant year-over-year improvement. Margins were down sequentially, reflecting seasonality and strong sales mix in the fourth quarter of 2025. Aftermarket remained stable with a nearly 29% gross margin.

On Slide 10, this margin performance helped drive a 75% increase in manufacturing adjusted EBITDA hitting \$58 million. That's the highest first quarter in that segment since 2018.

On an LTM basis, the segment is up to \$258 million, representing 72% of our total EBITDA.

On Slide 11, quarterly free cash flow was another positive at \$17.5 million. This is up \$13.1 million from last year with operational performance improvements offset by higher cash CapEx and investments in intangible assets, primarily supporting new product development.

We invested approximately \$68 million in working capital in the quarter, primarily increasing overall inventory balances following the busier fourth quarter.

In addition, we recorded the battery cell inventory received through the battery settlement into raw materials and had some tariff-related accounts receivable balances.

On Slide 12, a -- we'll walk through the adjustments to achieve adjusted net earnings with all amounts shown net of taxes.

We commenced restructuring activities at Alexander Dennis' Scottish facilities to better match our capacity and cost structure with current demand.

We also had some minor adjustments related to the battery settlement and remove the gain from our JV investment in GOR seating.

I'm now on Slide 13, where we'll summarize total leverage liquidity and return on invested capital. Total leverage which includes all debt instruments was at 3.46x. Liquidity was up approximately \$247 million year-over-year reflecting the impacts of our refinancing activities in 2025. ROIC continued its strong trajectory ending Q1 at 12.3%, a 100 basis point improvement from the fourth quarter reflecting positive cash generation and lower average invested capital.

I'll now turn the call back to John to discuss our outlook.

John Sapp CEO^ Thanks, Brian.

Our first quarter performance positions us well for the remainder of the year and gives us increased confidence in our 2026 guidance.

On Slide 15, we recap the strategic value drivers that will support our continued performance this year and beyond.

Operational excellence initiatives will expand margins.

Our focus on product and market leadership will deliver a consistent, high-quality customer experience.

These activities, combined with the conversion of our backlog and growing aftermarket business will drive profitable growth as we continue activities to deliver and strengthen our balance sheet.

During the quarter, we continued to drive improvements in overall supply chain performance and rate readiness. This included activities at American Seating, where their first quarter improvements further supported our expectations that those issues will be fully behind us in the second quarter.

While we are monitoring macro impacts of global conflicts, nothing material to report, we have factored in assumptions for higher freight and shipping costs into our guidance.

With a focus on cost management, we took actions to improve Alexander Dennis cost structure to improve our competitive position and to right size production capacity to their order book.

We continue to make strides in improving the overall customer experience and want to provide sustained outperformance to customers through our delivery and acceptance processes. Rob Marian's recent appointment as President of MCI will help continue those activities in the motor coach space. Rob is a long-term NFI employee, who will help drive manufacturing performance and operational excellence at both New Flyer and our internal fabrication businesses.

While we were also thrilled to be recognized as a top manage employer in March 2026, this award showcases that our actions to be an employer of choice are paying dividends.

As Brian mentioned, leverage improved slightly, now down to 3.46x with expectations for more significant deleveraging throughout '26 and into '27.

We're also advancing our work to evaluate options for refinancing the convertible debentures that mature in January.

We plan to provide more details during our Q2 update.

Our first quarter delivered on our drive for profitable growth as we maintained momentum from Q4 '25 and had year-over-year improvements to gross margin and our total unit economics.

We remain on track to achieve our 2026 guidance range with expectations for adjusted EBITDA between \$370 million and \$410 million.

Slide 16 to 18 provide the latest updates on our order demand and our backlog, and I won't go through them in detail, but I will mention a few key points. The demand environment is very strong with over 5,600 EUs in bids submitted which will help drive order activity in 2026.

The longer-term outlook is also strong with 26,000 EUs in the expected 5-year procurement plan, reflecting fleet age and customer expected vehicle replacement plans.

Our backlog remains stable at 15,228 EUs and \$13 billion.

I'll point out that a significant portion of our backlog is funded into 2027, and we anticipate that option conversion into firm orders will remain strong this year as customers look to confirm funding under the infrastructure investment and Job Act. The IGA expires in September 2026 and but funds can be spent in 2027 and 2028.

While ZEB as a percentage of backlog declined in the quarter, they remain an important part of our overall platform.

We expect ZEBs will make up a meaningful percentage of our deliveries, but our overall goal is to ensure we serve customers' broad needs and our facilities are fully set up for all propulsion types. Average sale price of new income orders was \$824,000 per EU, continuing a solid trend of price improvements in transit and coach segments even with lower ZEB orders.

Before we close, I also want to provide the latest views on the macro tariff environment.

On Slide 19, we have identified the major tariffs that are present and applicable to our industry.

While tariff structures continue to evolve, we believe our exposure is manageable.

During the quarter, there were some changes to the overall structure of 232 steel, copper and aluminum derivative tariffs, but those are not expected to have a material impact on NFI's operations.

Our U.S.-based manufacturing footprint and higher domestic content position us favorably relative to some of other manufacturing peers which is helping mitigate the impact of cross-border trade measures.

We are also continuing to work on IEEPA refunds with advisers and government departments.

We will do what's right for our customers there and to meet our contractual obligations.

Overall, we maintain the view that tariffs are largely a pass-through cost to customers through contractual obligations and through general price increases.

For clarity, our guidance includes the current known impacts of tariffs as of today's date.

It does not reflect any material changes that the tariff environment could have on demand, pricing or costs in the future.

And so wrapping up on Slide 20, a few final comments.

We delivered strong earnings growth in the first quarter, driven by improved execution, backlog conversion and margin expansion, leading to a 37% year-over-year adjusted EBITDA growth. Demand remains robust, supported by a large backlog and active bidding environment.

We're making steady progress on deleveraging while maintaining flexibility in our capital structure.

So across NFI, the team is looking forward to our continued progression as we deliver on our strategic objectives to drive operational excellence, enhance the customer experience and deliver profitable growth.

With that, I will now open up the line for questions.

Operator, please provide instructions to our callers.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question is coming from the line of Chris Murray of ATB Cormark Capital Markets.

Chris Murray^ The first question is on manufacturing margins.

We saw that the revenue in the U.K. was down pretty significantly.

But what I'm trying to understand a little bit is what do the manufacturing margins look like on a core basis in the North American operations.

I'm kind of assuming that there's limited impact from the U.K. that it's breakeven or a little bit underwater.

But any thoughts that you can share with us about how to think about the North American transit and North American Coach business in terms of margin progression would be helpful.

John Sapp^ Yes. Thanks, Chris, and thanks for the questions.

So first off, we'll say overall, as you've noted here, I think relative to the performance in the quarter that we're continuing to see strong per economics. And as a result, I think it's reflective of what we see around an improving backlog and as over the past few years as this team has been able to navigate certainly through some of the critical cost pressure, and we now see some of the benefits of that improved backlog starting to come through.

It's starting to flow through in terms of different areas.

I will note that in terms of our U.K. volume, the U.K. volume this quarter was down slightly versus as a comparison in terms of year-over-year. And from a -- and relative to the North America side, we do continue to see benefit in terms of that margin improvement that we're able to generate.

But Brian, I look to you, too, to share a few insights relative to the manufacturing margin question.

Brian Dewsnup^ Thanks, John. And Chris, I think we've been pretty consistent over the years just talking about the dynamics of North America. -- relative to the more competitive environment in the U.K.

So you're picking up on that, and that's coming through in the financials relative to the mix as you noted.

Stephen King^ And Chris, the only thing I'd say obviously fourth quarter is our busiest period, Q1 is slower.

So we tend to tell people to focus on an LTM number when you're thinking about the gross margin percentage or gross margin per unit EBITDA per unit, just to help kind of normalize what a full year expectation.

Chris Murray^ Okay.

I guess the next question, and maybe this is more for John, but John, now that you've had some time to kind of get settled and have a look at the business, some of the strategic directions.

One of the questions I've been getting a lot, and it kind of goes a little bit to the first question, but it's about the U.K. business. Certainly, the restructuring program was started, I think before you even got there.

But lots of questions I've had now about the utility of even maintaining the U.K. business, if it's not better held maybe in someone else's hands, we've seen some other political changes even overnight in the U.K. right now.

So just trying to think about positioning and any thoughts you may have about strategy around that business or anything else that you may have kind of picked up on in your early days as part of the CEO.

John Sapp^ Yes. Thanks, Chris.

I appreciate the question. Alexander Dennis, we have a terrific product offering, certainly for our customers over there, one that has been built on decades of that business, really doing exceptional work for the end use customers.

So we certainly have high confidence in terms of the products, the quality that we deliver and therefore our ability to go -- to continue to compete and win in this space.

However as noted, it is a much more competitive environment that has all in a different way over the past few years with certainly larger penetration from foreign competitors into the space.

So -- it's important for us to react.

In answer to your question, how we're talking about it as a leadership team and certainly how I'm viewing it through my lens here.

First and foremost, is to ensure that this business is positioned to win and continue to win in the current environment. That means making some very difficult decisions. And as you would have noted here over the past couple of months and as Brian shared earlier, -- we had to make some difficult choices around redundancy and really getting some actions underway relative to rightsizing and some tough footprint decisions there as a result.

So those are going to continue to play through and they are important for us in terms of ensuring the businesses as noted, positioned to win in the current environment.

Also we want to ensure that there's optionality in those decisions to because this is a market that has a lot of conversation around it within the U.K. government and between our teams as well as regulators, et cetera, in that market, that could allow for some future tailwinds, and we want to ensure that anything we do from a decision standpoint also allows for us to bring capacity back in quickly.

So the actions that we've taken position us to do just that.

I think relative to your question there, the portion of your question around the portfolio, I will say it's -- this is the a question that I will always ask and evaluate all of our portfolio on a regular basis to ensure it's one that is built for us and for the long term over the next three to five years.

So whether or not it's Alexander Dennis or any other portion of our portfolio, that will be a constant part of our responsibility here as a team, we're going to continue to do so.

And so relative to Alexander dentists, specifically, this is something that the team -- as we evaluate our strategy across the entire portfolio is really starting to dig into now as we look at what positions us for long-term growth.

We'll do that here over the coming months.

But right now we're very much focused on just ensuring AD is ready to win and compete in the current environment.

Operator^ One moment for the next question.

Our next question is coming from the line of Cameron Doerksen of National Bank.

Cameron Doerksen^ I just want to ask a question about the cadence of bus deliveries, particularly in the transit segment, just over the next few quarters, obviously you obviously fairly low in Q1 and down year-over-year.

But just want to understand how it looks for Q2 and into the second half of the year.

Unidentified Speaker^ Yes, Cameron. Great question. Appreciate it. And look, there's several things to note here as we're through the first quarter and we position ourselves here in terms of the back half.

I think your question is primarily focused on within the transit space.

I will say that for Q1, there were some important steps and actions that we've taken overall as a team to really position us for what we anticipate will be continued volume growth here as we get into the back half of the year, and it's common for us to see that from a seasonality standpoint.

And we've taken, I think some important measures in terms of our supply chain rate readiness.

I think what you'll note from our commentary early on is some of the longer-term systemic issues in terms of our supply chain, a significant action that have worked through to address those.

We've also done some key things within our four walls, just to ensure that we're driving to the most efficient flow that we can have limiting any elements out of station work, et cetera, that can slow us down, and it really positions us well in terms of EV or EU volume increases here that we're anticipating as we get into Q2 and beyond.

What I'll say is also that we're off to a very strong April.

So we continue to have continued confidence in terms of what we've shared relative to guidance and our ability to bring forth the needed EU volume increase this year from Q2 plus. Brian, anything you'd add?

Brian Dewsnup^ I think you captured it well in terms of the seasonality and grown Q2 volume -- or sorry, on volume from Q1 throughout the year to support our guidance.

Cameron Doerksen^ Okay. No. That's helpful.

I guess sort of related, if I look at the average selling price, for transit buses in Q1, up very nicely year-over-year over 10%.

I know that mix can have a fairly significant impact on that number. Just wondering what you kind of expect for average selling price in the Transit segment for the remainder of the year.

Is the mix going to be similar?

Just any thoughts on that?

Unidentified Speaker^ Yes.

Look, from a mix standpoint, we obviously continue to watch it closely as well. And certainly from a backlog standpoint, you can see in the data that we've shared. -- rate things sit relative to relative to ZEBs versus our ICE Solutions.

Overall, from a -- what you'll also note is the -- or the continued (inaudible) economics improve even while we may have seen a slight drop in terms of ZEB output in actually Q1, I think which continues to demonstrate the improvement and the improving economics of our backlog overall.

Our strategy around being a propulsion agnostic player and being able to drive the level of profitability that we all expect regardless of those platforms is key to us -- and I think Q1 continues to demonstrate that and especially as our improved backlog continues to play through.

So we certainly look at it.

We may see some movements here of a couple percent relative to ZEB participation in terms of our outputs overall.

But generally, we have confidence certainly in the guidance that we've shared and confidence that the mix is going to be supportive of what we need to go deliver on the year. Brian, anything to add.

Brian Dewsnup^ I'd just like to remind, obviously we have geographical mix, but also just remind everybody that pretty big difference between ARBOC cutaway relative to New Flyer vehicle or an MCI motor coach.

So mix can be a big factor in this.

I really wouldn't read too much into that.

Operator^ Our next question is coming from the line of Daryl Young of Stifel.

Daryl Young^ Just wanted to ask around the all Canadian build facility up and running now. but it doesn't sound like it's going to achieve full capacity until later this year.

So I'm just wondering if there's a drag on margins at the start of the year related to this or if it's material in all -- and just given you've actually had very strong EBITDA per EU, so this would potentially be upside to that?

John Sapp^ Yes. Thanks, Darryl. Great question.

What I would say is that we are exactly where we intended to be, if not a little bit ahead in terms of what we're seeing in terms of Eliot of the all Canada built -- we're obviously really pleased with that facility, what it's going to mean for us in terms of additional volume growth which is obviously critical to the investment that we made towards it.

It is overall, I would say slightly ahead of schedule from a volume standpoint in terms of what we're doing from the facility overall.

Stephen King^ And the only thing I'd add, Daryl, obviously we opened it in Q4, and it's been ramping to John's point on plan Q1.

So it would have a little bit of impact, I think of working capital as it's kind of ramping up and increasing the volume production.

But I think that's helpful for the rest of the year because now as John mentioned, it's kind of exceeding plan and so for Q2, Q3, Q4, that will be supportive as we get the higher deliveries out of that facility.

Daryl Young^ Got it.

Okay.

Then second question is around our (inaudible) continues to be very, very strong.

Obviously it's a smaller part of your business.

But just wondering if you can give us a bit of color on whether that's a function of pent-up demand or if you have some unique products that might be that are taking share?

Or any views on how big that business can get in the next two years?

John Sapp^ Yes. Thanks, Darryl. Great question.

We're certainly very proud of the performance that we continue to see from the ARBOC team. And frankly, we do believe that we've got a very high-demand product in a specific

area with the low four cutaway that our customers find particularly valuable and beneficial to the customers that they serve.

So as a result, the ARBOC volumes that we saw last year and that we anticipate here is that that business continues to improve for us, continues to look very strong.

So -- the -- we would see that demand profile continue to play through as you see just recap type investments that their customers are making.

And I think also as the performance of the product itself and those that unique customer base that is able to serve continues to be made more aware of from a market standpoint, I would expect that we'll continue to see good growth and progress with it.

We would also note, too, that the -- in terms of the medium-duty bus, the Equess bus that is launching here that's really relaunched here this year.

It's a terrific product.

We are seeing good interest and demand from these customers for that.

Obviously that is going to continue to bring continued growth for our ARBOC business as well.

Operator^ Our next question is coming from the line of Jonathan Goldman of Scotiabank.

Jonathan Goldman^ Maybe just looking at the adjusted EBITDA, it looks like there was a benefit from an add back of restructuring costs, \$7.5 million, maybe call it \$8 million that benefited margins. How should we think about that in terms of go forward?

Is that onetime?

Or can we also think about a payback on that restructuring charge that could flow through margins in the subsequent quarters?

Unidentified Speaker^ Yes.

So in the quarter, we saw some benefit from the gain from the GRC acquisition that we did that would -- we would view that to be a onetime thing.

I wouldn't anticipate that we would see that, again it was really a valuation of our assets relative to even relative to the purchase price there.

We wouldn't expect that to be -- have any effect on a go-forward basis.

We did recognize some restructuring costs in Q1 reflective of the work that we're doing in Alexander Dennis.

We do believe we'll have some more of that in the balance of the year in Q2.

Brian Dewsnup^ I think it's fair to say that the overall expectation is that restructuring will generate in that business help improve the position the margin over the longer term, but you're right or restructuring this year.

Unidentified Speaker^ Yes.

We would see some more costs this year and of course that will play out in terms of better efficiencies. And as we mentioned on the call rightsizing our capacity to the demand in that marketplace now which will put us in a better cost structure position, as John mentioned.

We need to make sure that, that business is prepared to thrive in the environment that exists today.

Jonathan Goldman^ Okay.

Is it fair to say after the kind of cost actions you've taken the restructuring U.K. margins are immediately better today than they were maybe a quarter ago.

John Sapp^ Yes. I think what we would say is as we go forward, post restructuring, without question, this is about driving improved margin performance out of the U.K. business for sure.

So these are the right restructuring decisions. Certainly, they are going to take certainly a few months here for it to continue to play through, but we do anticipate that as a result, the margin improvement that will come from it.

Jonathan Goldman^ Okay. That makes sense.

Then, John, you talked about you may get more color on the convert coming up in the next quarter and your thoughts there.

But with the visibility that you guys have, the results you just put up the guidance -- how would you characterize your flexibility of options to deal with the convert.

John Sapp^ Yes. It's a great question.

I'll lead it off and then Brian may share a few thoughts here as well.

But overall, I think what the what we're anticipating here as we prepare towards the strategy and the decisions there that we want to make relative to the converts. And really,

as we consider overall where we're at relative to our overall leverage position, we do believe we've got some good options here that are going to emerge for us overall as a business.

That's really driven by the continued improved performance of the business overall.

So generally feel very positive about our ability to make a great decision and execute on a great strategy for us as NFI going forward.

Brian Dewsnup^ Yes.

We've met with -- we've met and continue to meet with a lot of our banks and lending partners. And relative to a couple of years ago, we're in a much better position.

We have a lot more options today than we had a couple of years ago.

So as John mentioned, we're really looking at positioning ourselves for the medium to long term with regards to our capital structure.

Jonathan Goldman^ Okay. And maybe just one more for me. You guys kept the guidance maintained.

If I'm just looking at LTM numbers, \$360 million of EBITDA is accelerating, getting better, both seasonally and operationally, Q1 was up \$24 million EBITDA year-on-year.

Can you give us some thoughts on why you maintained the guidance range.

What is the risk to the 370 given that you're kind of tracking well ahead of that.

John Sapp^ Yes. It's a great question. Certainly, we feel continued building confidence in terms of the guidance that we've put out, but it is also we've just cleared April.

We continue to see strong momentum.

I think Q1 is obviously a great momentum for us in terms of the year. And as you noted, from an LTM basis, we continue to see improvement in an overall business and relative to it. That said, there are still risks that are out there that we need to ensure that we are ready and that we execute against. We, as noted earlier, earlier, we've got a big backlog that we need to go deliver on continued operational growth and expansion here is a key part of us seeing that through.

We've done a lot of outstanding work this year in terms of supply chain and really ensuring that from a rate readiness standpoint, our supply base is here with us that we addressed the seating issue and that we bring that to full closure.

So those are some of the risks certainly that have -- that worked here towards mitigate. There's probably still some that potentially extend in a much reduced way here as we go forward, and that's why our confidence will continue to improve.

We also still have some work to do relative to orders as we consider the back half of the year. not necessarily in terms of our North America space for overseas.

So we've got to make sure that we're -- we have accounted for those risks properly.

So Overall, there are certainly some that are out there that from a risk standpoint that we've shared with you all before I think that's emerging to us, that would be worthy of highlighting all things that we would consider that we need to go manage.

Our confidence is moving.

But we still have some work to do here, and it's early in the year.

Operator^ And our next question is coming from the line of Ty Collin of CIBC.

Ty Collin^ Maybe just to start, you mentioned that some of your customers are deferring their decisions and their orders on ZEBs. Are those customers switching their options to diesel?

Or are they just kind of deferring all together?

And does that dynamic impact your production scheduling at all through the year?

John Sapp^ I will share a couple of things.

First off, from a -- on the last part of your question in terms of our production and scheduling, we do a really good job of being able to manage through and execute. And really from an order in terms of our master planning through the rest of this year, we feel really good.

We may see a little bit of movement here and there but nothing significant that would give us concern. And certainly, we think we have a well understood mix as we go forward overall.

Relative to your question in terms of conversion, there's been some examples of it. The first thing I would note, though, is that relative to this overall order book conversion that we do continue to see, especially as we approach that towards the end of 2026 timeframe that we're seeing a lot more orders that are being firmed up. Relative to the specific question on propulsion type, there is the potential certainly for us to entertain a customer making a switch from a ZEB to an ICE propulsion platform.

But it's fairly minimal when we're seeing those occurrences. And really what we see relative to the push to the right, it tends to be more around infrastructure establishment, other things that customers need to have in place and they're not quite ready yet for us to be able to go receive that.

So look, there are several things in there for sure.

What I would say overall, we feel good about the ZEB mix that we have going forward through '26.

We feel really good about what we see in terms of ZEB mix in the out years. And all of it is certainly from a in terms of our performance here for this year is definitely manageable within the guidance that we've provided.

The other thing, too, I would note is when we're able from a production standpoint, and there is less touch labor that is required for us to be able to get an internal combustion through the shop than a ZEB and so when we do see a conversion, that does create that path for us to increase rates, obviously slightly, right, when you're talking about more buses.

But we can get more Ice through the shop than ZEBs.

So overall, from an EBITDA standpoint, -- that is another reason that we're able to manage any kind of impact to us, and that's really by driving more volume.

Ty Collin^ Okay. Great.

Then just on transit deliveries in Q1, obviously U.K. and ADL dragged that down year-on-year.

Can you maybe just comment on the year-over-year change in North American transit deliveries and how we should think about that within Q1.

Unidentified Speaker^ Yes.

I mean the U.K. was certainly was the big driver, as noted.

I think we saw a little bit of an impact in terms of North America.

If we go back to a couple of things.

One is we were continuing to execute can navigate through the seating challenge to some degree in terms of the quarter, although we have seen that improve significantly such that it really is something that we expect to not be talking about here in the very near future.

And second, there were a couple of other things that I noted around just ensuring from an efficiency standpoint that we took a couple of necessary steps within our operational and manufacturing facility to ensure that we were getting to that efficient state of flow that really positions us strong for Q2 and beyond. -- out-of-station work can be very inefficient when it starts to propagate -- he had been previously a driver for that.

Now that we've seen that issue resolved, it's really allowing for us to see those volumes come back strong.

And what I would note is that we've had a really strong April.

It's exactly as we anticipated based on some of those decisions made which may have affected a little bit in terms of our Q1 output, but what I would really highlight is we're positioning what we anticipate to be strong EU expansion and growth here as we get to Q2 plus.

Operator^ Our next question is coming from the line of Tim James of TD Cowen.

Tim James^ I just want to explore one question here.

Can you talk about the aftermarket as you look out over the next two years and just kind of review some of the moving parts there. in terms of volumes that you expect to see kind of driving revenues and any sort of influences on margins?

I know there's some different kind of services that end up hitting that aftermarket revenue line.

I'm just curious as to kind of the moving parts that we should think about over the next kind of one to two years.

John Sapp^ Yes, great. There's three things that I'll talk about on this question, Tim, great question overall. Certainly, we see -- continue to see very good growth relative to our core business in the aftermarket space.

So if you see volumes installed base, all of those things that are beneficial in terms of spare parts volume and your kind of your core business, those continue to strengthen -- and we continue to see certainly good action from the team relative to the net pricing to reflect the economics and what our end-use customers need from a material standpoint.

Overall, those are good tailwinds that are going to continue to support the core portion of the business where you do see some mix relative to profitability in the aftermarket space can be what we call our -- within our programs. Those will be where we're working with an end-use customer around a specific reset in terms of the platform or where they need to put a new product on.

And so when we do that, the programs, they can be a little bit lumpy, as you could expect, as you may have a large municipality that's going to have a program for a retrofit that comes through and then you can see that shift or where that program comes off, you get to find that next one.

Overall, the team has done a fantastic job in terms of building up that pipeline of programs to ensure that we continue to see good growth here for the next couple of years.

The third thing I would note, too, is that we are, at least in some regions also feeling some tailwinds here relative to FIFA and the World Cup, especially in the North America area.

We would expect to see that continue slightly here in the second quarter.

What I would also note, too, is that we're doing some things across our overall organization to ensure from an aftermarket standpoint that we evaluate full NFI approach and how we can ensure that we're maximizing what we do as an overall group. -- in the aftermarket space around and drive more growth.

Operator^ Thank you. There are no more questions in the queue. I would like to turn the call back over to Stephen for closing remarks. Please go ahead, Stephen.

Stephen King^ Yes. Thanks a lot, Lisa, and thanks everybody, for joining us today to get our Q1 recap. As always, please don't ever hesitate to reach out to our IR team, and we'll obviously have material posted on our website. Thanks a lot. And have a great day.

Operator^ This concludes today's program. Thank you, so much for joining. You may now disconnect.