



# AAR CORP.

KeyBanc Capital Markets  
Industrial, Automotive & Transportation Conference

Boston  
June 2, 2016



# Forward-Looking Statements

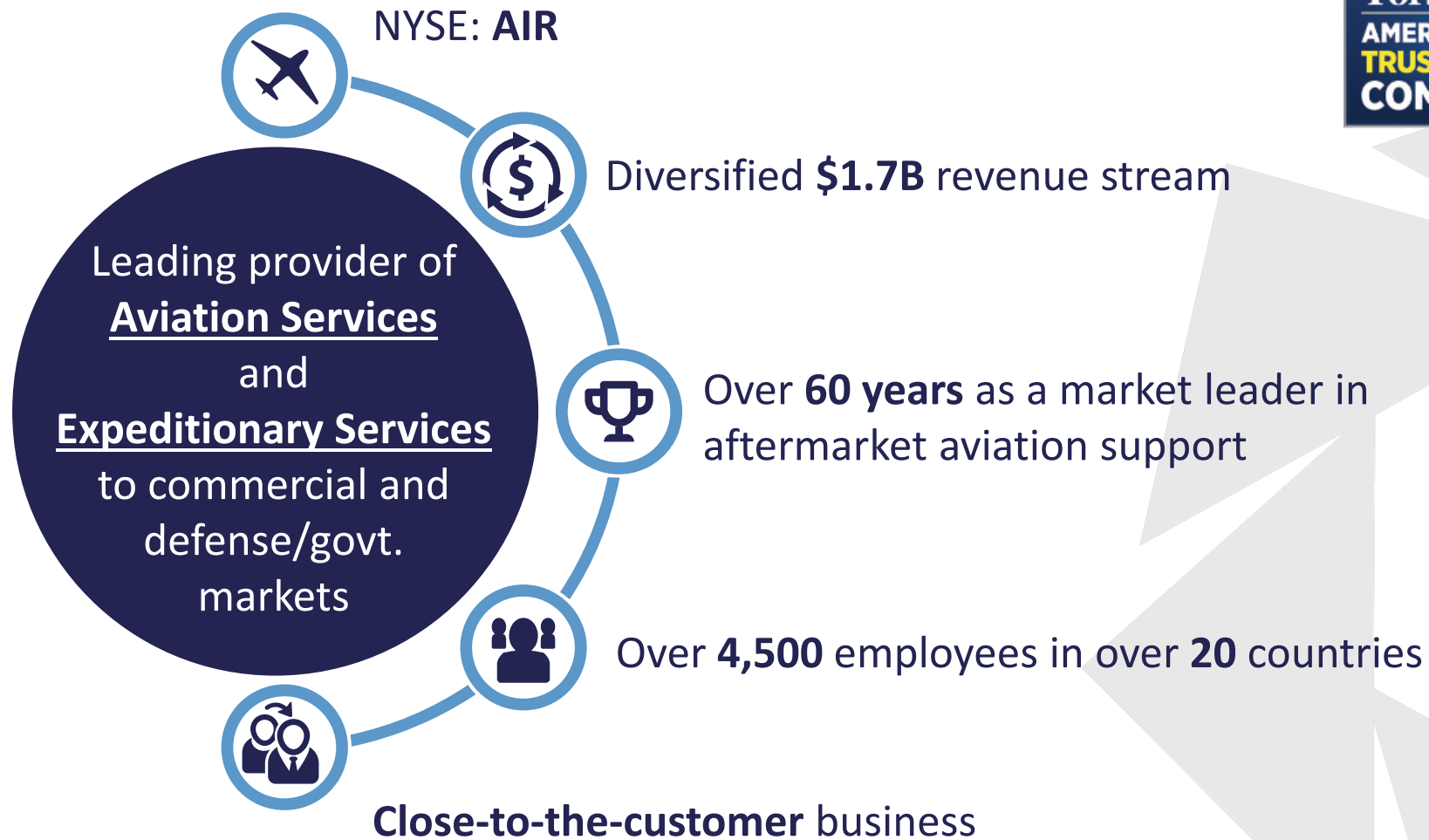
This presentation includes certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on beliefs of Company management, as well as assumptions and estimates based on information currently available to the Company, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, including those factors discussed under Item 1A, entitled “Risk Factors,” included in the Company’s Form 10-K for the fiscal year ended May 31, 2015. Should one or more of these risks or uncertainties materialize adversely, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described. These events and uncertainties are difficult or impossible to predict accurately and many are beyond the Company’s control. The Company assumes no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. For additional information, see the comments included in AAR’s filings with the Securities and Exchange Commission.



## Company Overview

# Established Player Serving the Global Aviation Services Market

Forbes | 2014  
AMERICA'S **MOST**  
**TRUSTWORTHY**  
COMPANIES



# Company Overview

## Aviation Services ~\$1.4B

### Supply Chain

Programs  
Distribution  
Trading

### MRO

Aircraft maintenance and modifications  
Component repair  
Landing gear and wheels and brakes repair  
Engineering services



## Expeditionary Services ~\$0.3B

### Airlift

Fixed- and rotary-wing expeditionary airlift services  
-Passenger  
-Cargo  
-Combi  
Mission support, logistics resupply and training

### Mobility

Pallets, containers, shelter systems, and accessories  
Support services  
Special mission projects



# Aviation Services | Supply Chain

## Programs

**Comprehensive and innovative contracted solutions for supply chain management**

- ▶ Over 1,100 aircraft under long-term Power-by-the-Hour (PBH) support
- ▶ Inventory owned by customer or part of AAR pool
- ▶ Reduce maintenance spend; improve turn times

## Distribution

**Supplier of factory-new aftermarket OEM parts to commercial and defense customers**

- ▶ 50+ OEM distributorships
- ▶ 20,000+ line items available
- ▶ Stocking locations around the world
- ▶ Independent – no OEM or Airline affiliation

## Parts Trading

**Buying, selling, exchanging, and leasing overhauled airframe and engine parts**

- ▶ > 1 million parts stocked
- ▶ Aircraft and engine end-of-life solutions
- ▶ Inventory consignments
- ▶ Technical services including inspections and work scoping for repairs



# Aviation Services | MRO

## Airframe Maintenance Facilities



### Oklahoma City

- ▶ Regional & Narrow body  
300,000 sf in six hangars
- ▶ Full airframe paint capabilities



### Indianapolis

- ▶ Narrow & Wide body
- ▶ 1.1 Million sf in 10 hangars
- ▶ Full airframe paint capabilities



### Miami

- ▶ Narrow & Wide body
- ▶ 226,000 sf in three hangars
- ▶ Full airframe paint capabilities



### Duluth

- ▶ Regional & Narrow body
- ▶ 80,000 sf open hangar floor space



### Lake Charles

- ▶ Narrow and Wide body
- ▶ Capable of handling aircraft as large as A380
- ▶ 520,000 sf facility in six hangars

MRO

**#1 MRO**  
of the Americas

**5 million**  
Man hours

**1,082**  
aircraft maintained,  
repaired or  
overhauled

**Rockford**  
6<sup>th</sup> Facility  
Under Construction

Landing Gear &  
Component  
Services

**120,000sf**  
Landing Gear facility

**>300**  
Landing Gear  
Customers

**250,000sf**  
Component Services  
facilities

**>10,000**  
High-value serviced  
components

# Expeditionary Services

## Airlift

- ▶ Rotary & fixed wing flight operations
- ▶ Austere environments
- ▶ Search & rescue
- ▶ Personnel, cargo, combi, and external cargo capable
- ▶ Day, night, & all-weather operations



## Mobility

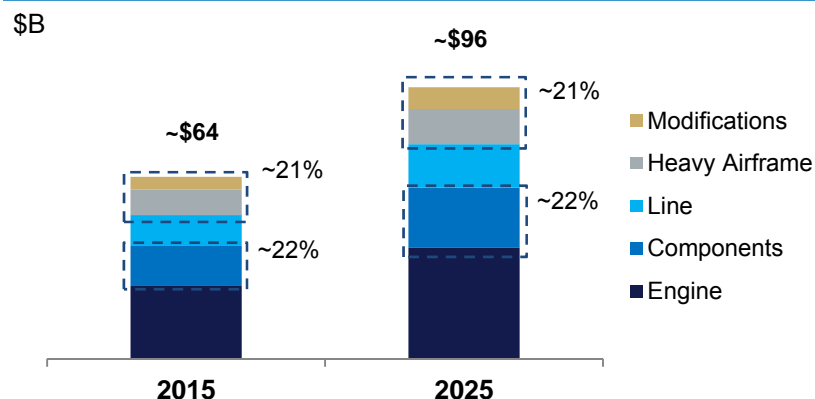
- ▶ **Shelter systems** – transportable by air, land and sea and patented for rapid on- and off-loading
- ▶ **ISU containers** – customizable shipping and storage of equipment, spare parts, high value cargo
- ▶ **Expeditionary systems** – mobile power, water purification, maintenance & calibration shops
- ▶ **Palletized systems** - custom pallets & platforms for short-term storage and quick movement of cargo





# Serving Niche and Growing Aviation Markets

## Global MRO Market



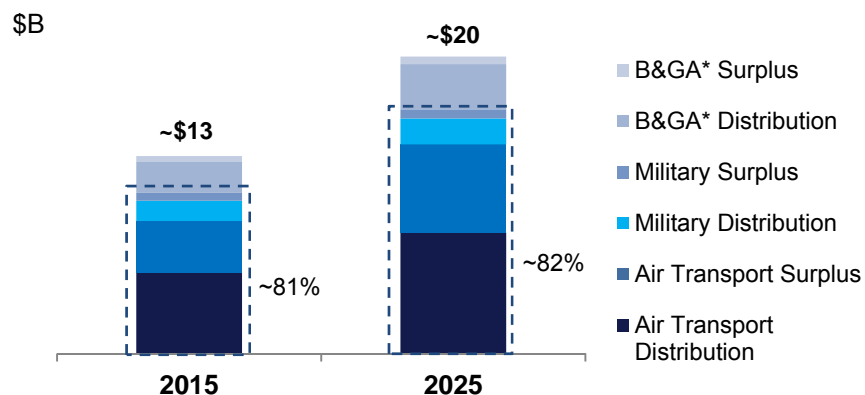
## Macro Trend

- ▶ Continued MRO outsourcing
- ▶ OEM push into certain MRO markets
- ▶ Overseas wide-body aircraft maintenance

## AAR Impact/ Response

- ✓ AAR growth
- Margin pressure
- ✓ Lake Charles low-cost facility; Rockford under construction

## Parts Distribution & Surplus Parts Market



- ▶ Single-digit growth
- ▶ Deferred aircraft retirement in response to lower oil prices
- ▶ Next-generation aircraft

- ✓ AAR taking market share
- ✓ Pipeline of opportunities
- ✓ Plans to build capabilities



Celebrating 60 years

\* B & GA = Business and General Aviation  
Source: ICF International

[Denotes AAR market presence]

# Strong Industry Relationships

## Airlines



## OEMs



## Cargo & Leasing



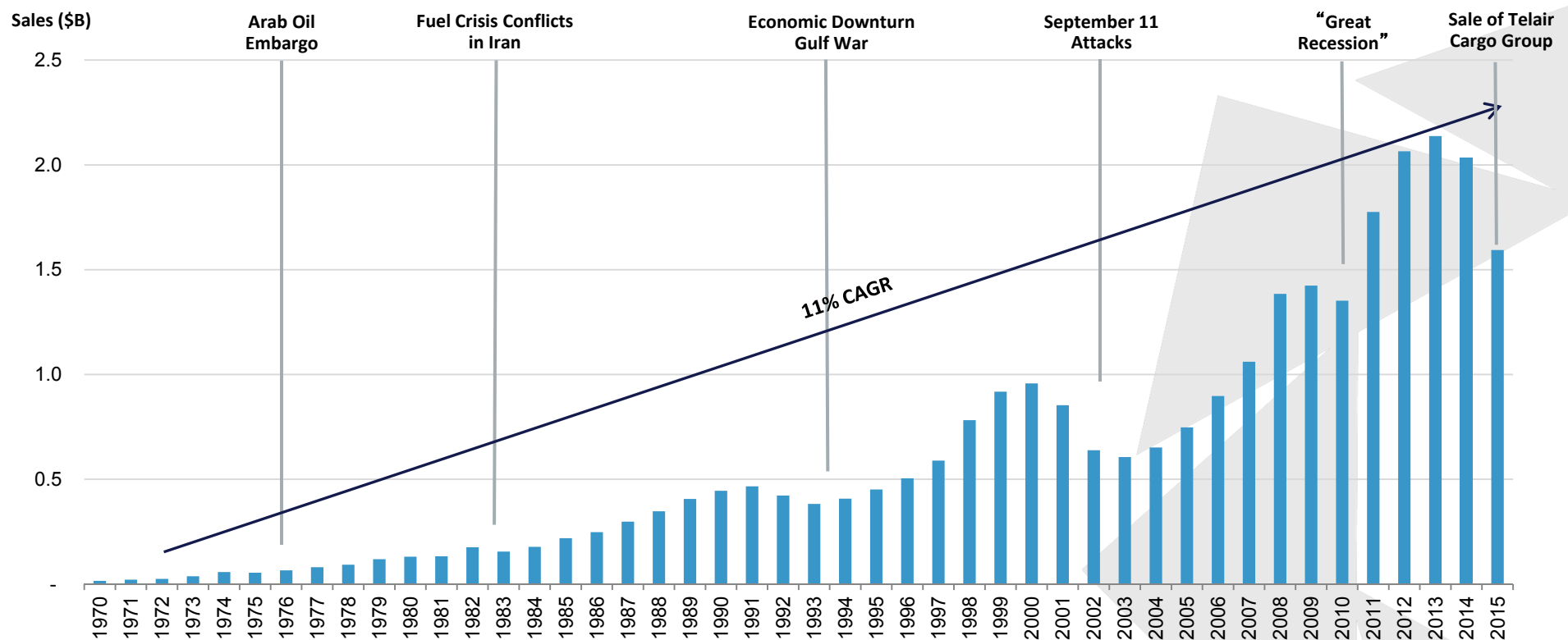
## Government





## Financial Performance

# Navigated Through Five Major Industry Cycles



After Each Down Cycle, AAR Has Emerged as a Stronger Company

# 3Q FY2016 Highlights

- ⚙ Sales of \$402.8 million, up 6.0% from prior year
  - **\$30.8 million growth (+9.7%) in Aviation Services**
  - **\$8.1 million decline (-13.1%) in Expeditionary Services**
- ⚙ Diluted EPS of \$0.31 per share from continuing operations, inclusive of a \$0.05 per diluted share income tax benefit
- ⚙ Gross profit % increased from 13.2% to 14.5% year-over-year due primarily to improvement in supply chain programs and higher sales in MRO
- ⚙ SG&A at 10.6% of sales, versus 11.0% last year
  - **Further improvement will come from increasing sales**

# 3Q FY2016 Income Statement Highlights

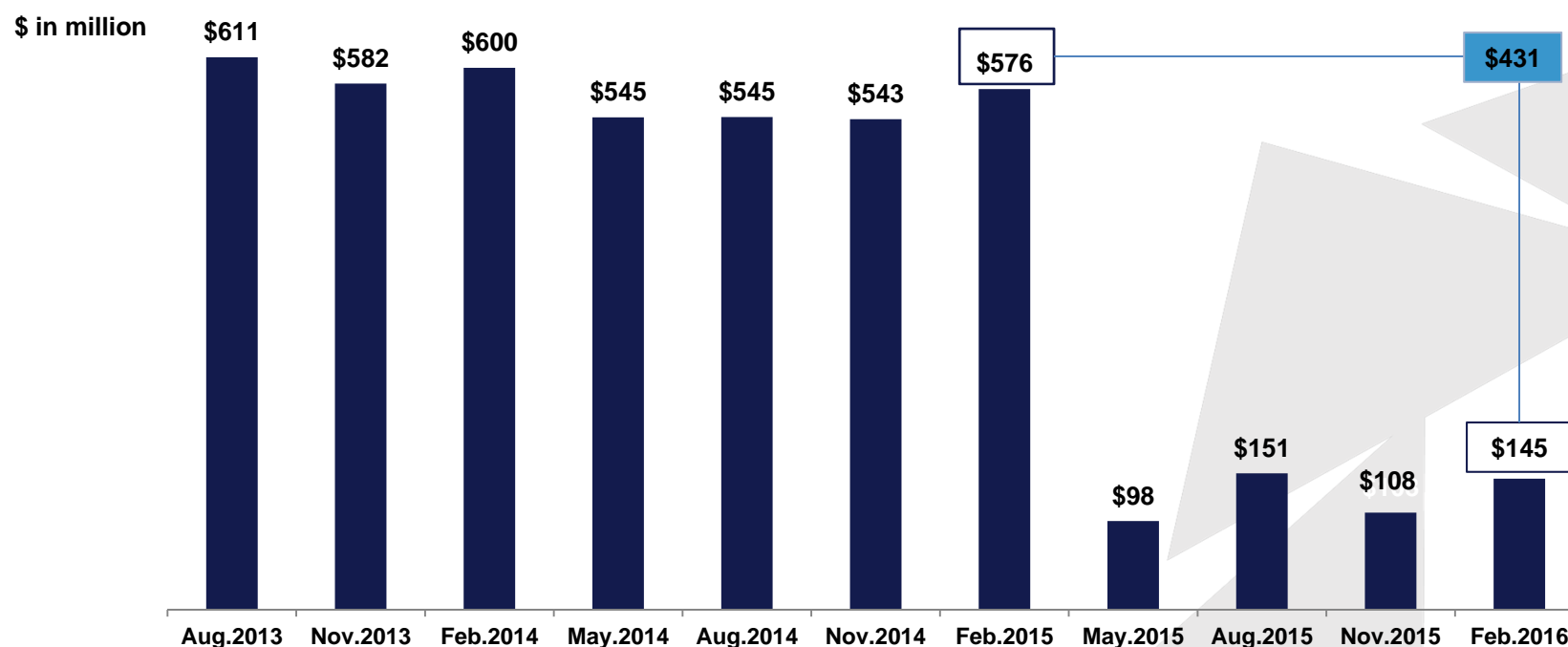
<i>in millions except EPS</i>	3Q 16	Prior Year		Prior Quarter		Variance Better / (Worse)	
		3Q 15		2Q 16		PY	PQ
<b>Sales</b>	<b>\$402.8</b>	\$380.1		\$423.8		\$22.7	(\$21.0)
<b>Gross Profit</b>	<b>\$58.3</b>	\$50.1		\$59.9		\$8.2	(\$1.6)
<i>% Margin</i>	<b>14.5%</b>	13.2%		14.1%		1.3%	0.3%
<b>SG&amp;A</b>	<b>\$42.6</b>	\$41.7		\$42.5		(\$0.9)	(\$0.1)
<i>% Margin</i>	<b>10.6%</b>	11.0%		10.0%		0.4%	(0.5%)
<b>Operating Income</b>	<b>\$15.7</b>	\$9.0		\$17.3		\$6.7	(\$1.6)
<i>% Margin</i>	<b>3.9%</b>	2.4%		4.1%		1.5%	(0.2%)
<b>Net Interest Expense</b>	<b>\$1.6</b>	\$6.4		\$1.5		\$4.8	(\$0.1)
<b>Income Tax</b>	<b>\$3.4</b>	\$0.7		\$5.3		(\$2.7)	\$1.9
<b>Income from Continuing Ops.</b>	<b>\$10.7</b>	\$1.9		\$10.4		\$8.8	\$0.3
<b>Avg. Dil Shares</b>	<b>34.4</b>	39.2		34.6		4.8	0.2
<b>Diluted EPS - Continuing Ops</b>	<b>\$0.31</b>	\$0.05		\$0.30		\$0.26	\$0.01
<b>Total Net Income</b>	<b>\$4.8</b>	(\$34.5)		\$8.0		\$39.3	(\$3.2)
<b>Total EPS - Diluted</b>	<b>\$0.14</b>	(\$0.89)		\$0.23		\$1.03	(\$0.09)

Significant Top-Line Growth over Prior Year



# 3Q FY2016 Leverage & Liquidity Levels

## Net Debt Evolution



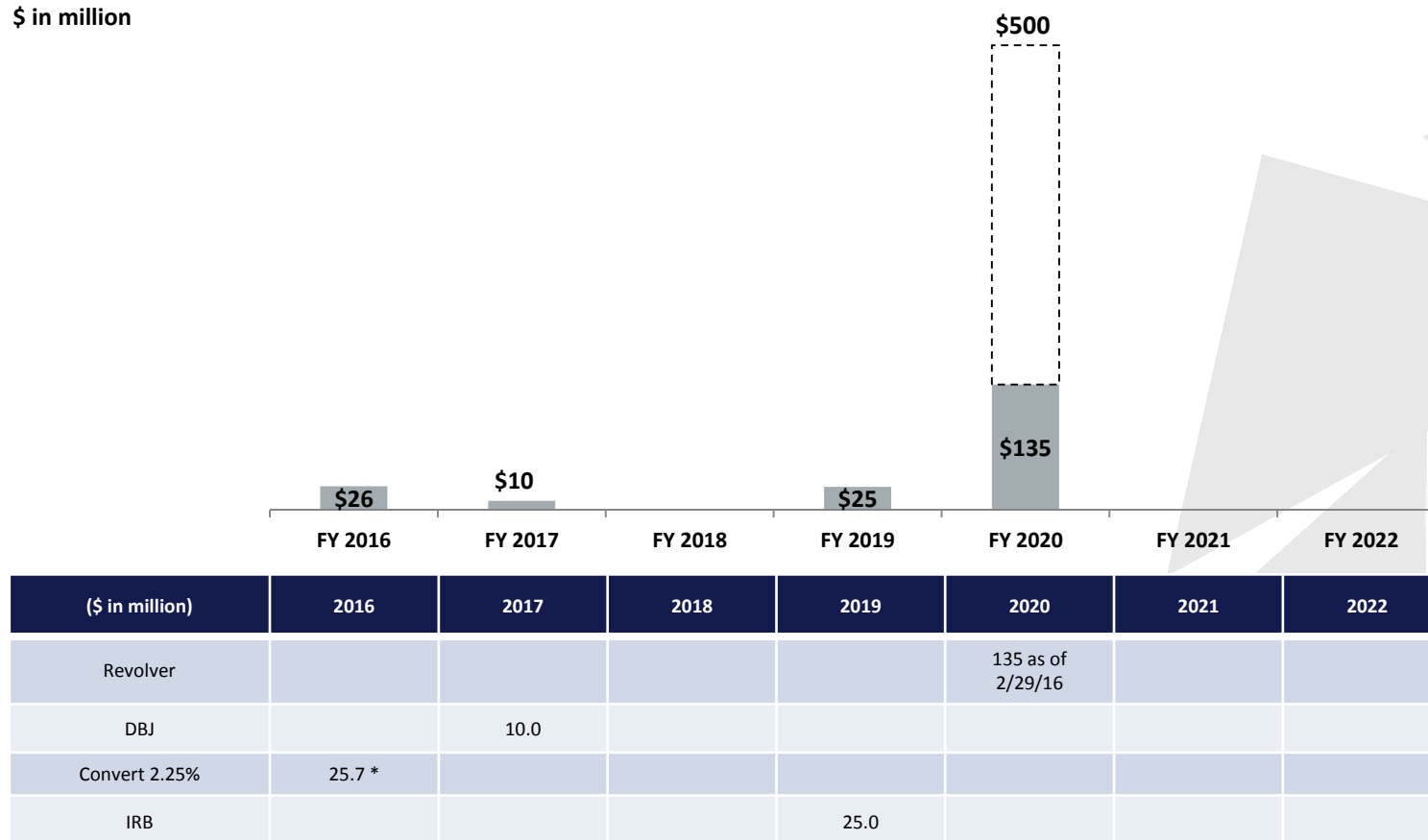
(\$ in million)	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
Total Debt	702.2	680.8	714.4	634.0	627.1	635.3	643.3	154.0	179.5	170.3	195.7
Cash	90.9	98.5	114.7	89.2	81.8	92.6	67.0	54.7	28.7	62.8	50.4
Available Liquidity	435.9	463.9	439.9	424.5	417.0	387.4	346.5	491.4	414.0	447.9	405.5

**Strong Delevering Trend**

# 3Q FY2016 Debt Composition

## Maturity Tower

\$ in million



## Modest Debt Retirement Profile

# Key Investment Highlights

- ⚙ Sharper focus on services businesses following recent transformation
- ⚙ Long-term aftermarket growth
- ⚙ Strong and deep relationships with key industry players
- ⚙ Time-proven, value-added service provider
- ⚙ Strong balance sheet with substantial available liquidity

**Commitment to Strong Shareholder Returns**

# OUR MISSION

To be the best at designing and delivering technical, operational and financial solutions to enhance the efficiency and competitiveness of our commercial aviation and government customers.

**DOING IT  
RIGHT**