
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): **November 8, 2018**

AAR CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

1-6263
(Commission File Number)

36-2334820
(IRS Employer Identification No.)

**One AAR Place
1100 N. Wood Dale Road
Wood Dale, Illinois 60191**
(Address and Zip Code of Principal Executive Offices)

Registrant's telephone number, including area code: **(630) 227-2000**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure

AAR CORP. management will be presenting at the Baird Global Industrial Conference on November 8, 2018 in Chicago, Illinois. Attached as Exhibit 99.1 are the slides to be used in the presentation.

The information furnished under Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.1 attached hereto shall not be deemed to be “filed” for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise stated in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

<u>Exhibit No.</u>	<u>Description</u>
99.1	Presentation slides to be used by AAR CORP.

EXHIBIT INDEX

Exhibit No.	Description
99.1	Presentation slides to be used by AAR CORP.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 8, 2018

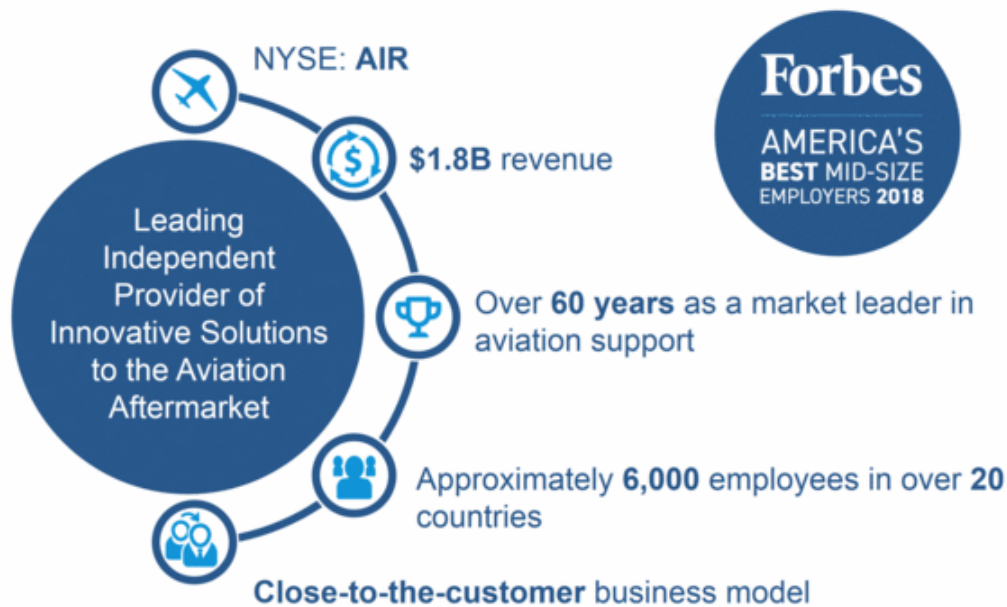
AAR CORP.

By: /s/ MICHAEL D. MILLIGAN
Michael D. Milligan
Vice President and Chief Financial Officer
(Principal Financial Officer)



Baird Global Industrial Conference

November 8, 2018



Our Solutions

Aviation Services



MRO SERVICES

- Airframe
- Landing gear systems
- Components
- Engineering



PARTS SUPPLY

- Serviceable and OEM factory-new parts
- Parts sale, exchange, loan and lease
- Engine solutions
- Aircraft sales and leasing
- OEM Solutions
- Consumables and expendables aggregator
- Online PAARTS™ Store



INTEGRATED SOLUTIONS

- Total fleet services
- Flight-hour support
- Contractor logistics support (CLS)
- Performance-based logistics (PBL)
- Government Owned, Contractor Operated (GOCO) programs

Expeditionary Services



MOBILITY

- Mobile tactical shelter systems
- Pallets & containers
- Integrated command & control centers



COMPOSITES

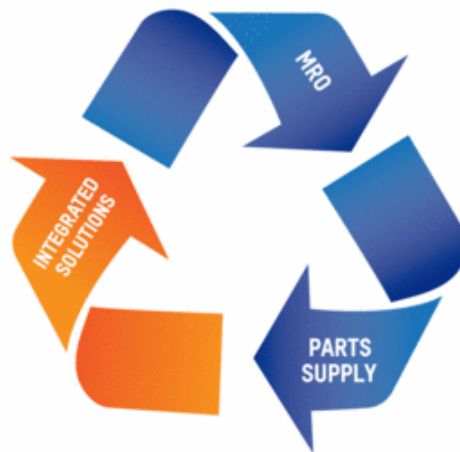
- Interior structures
- Flat panels
- Aerostructures

~67% Commercial, ~33% Government

Drive growth through best in class services within each discipline and leverage each to reinforce and grow the whole

Integrated Solutions

- Increase strategic relationship with airline MRO, OEMs and repair vendors through aggregated spend
- Fuel parts supply business
- Fund component repair capability development
- Long term contractual revenue



MRO & Expeditionary Services

- Strategic relationship with airlines
- Build technical repair knowledge and data collection
- Support integrated solutions with component repair
- Develop parts for internal and external consumption

Parts Supply

- Inventory pooling with programs
- Transactional data collection
- Strategic relationship with OEMs

Unique Value Proposition to Drive Growth and Pricing Power

Strong Industry Relationships

Airlines



Cargo Airlines



Regional Airlines



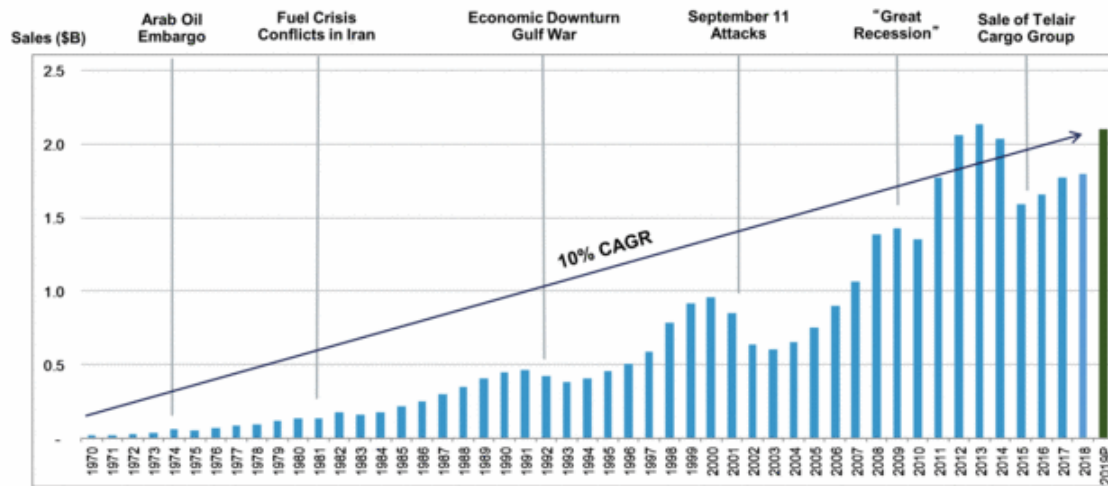
OEMs



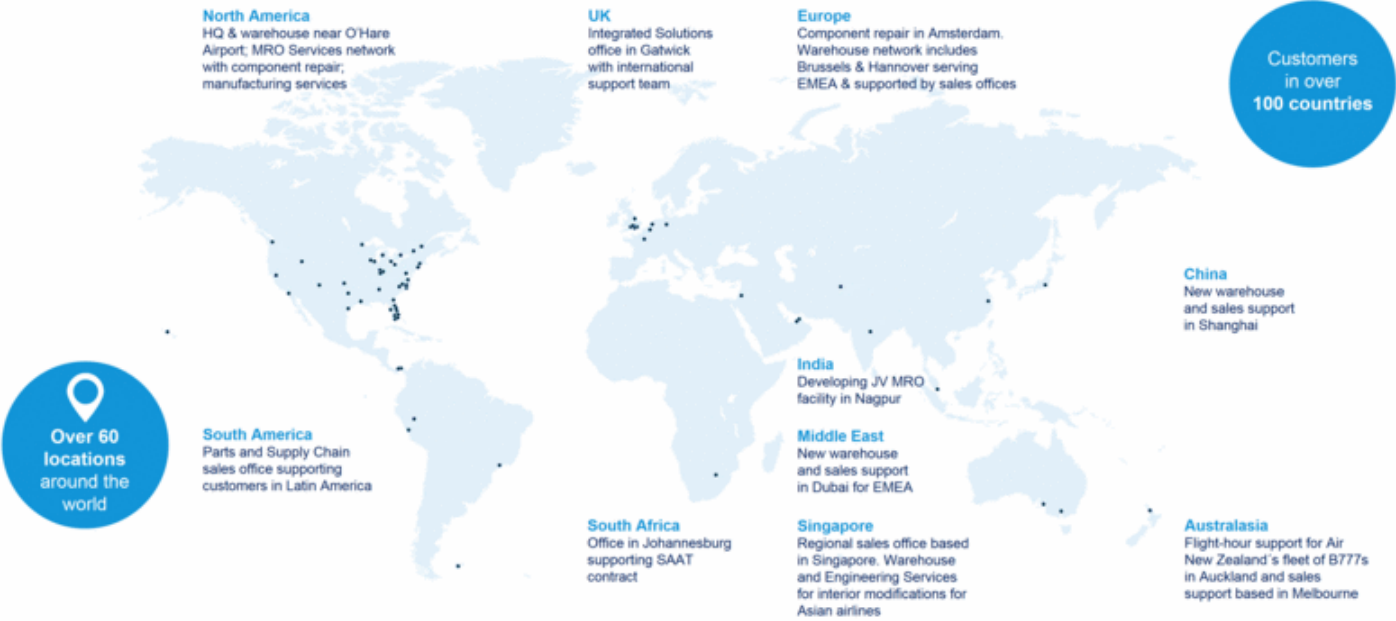
Government



Navigated Through Five Major Industry Cycles



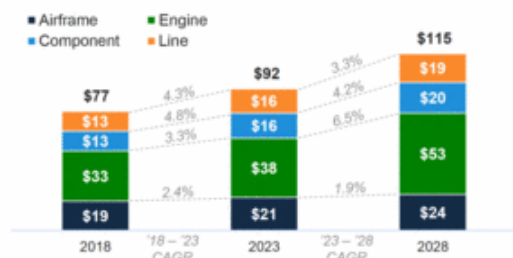
After Each Down Cycle, AAR Has Emerged as a Stronger Company



Fleet Size and Growth by Region



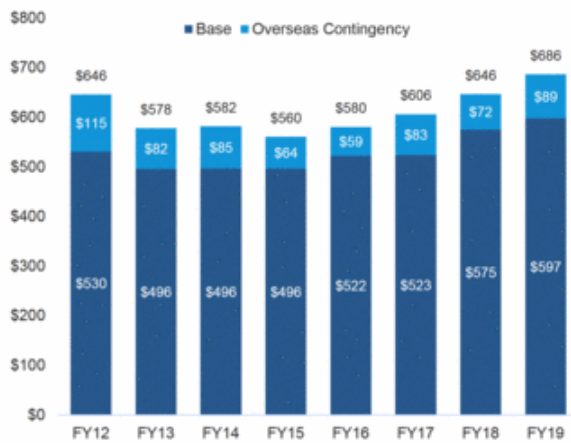
MRO Market (\$B)



Source: Oliver Wyman

- Fleet growing fastest in Asia, particularly China and India; additional infrastructure will be needed
- North America and Europe remain largest markets; aging fleet profile
- Aftermarket remains strong
- Aircraft deliveries globally driving retirements and growth in used serviceable materials
- Data generation from newer aircraft creating opportunities to better forecast MRO demand

U.S. Defense Budget (\$B)



- U.S. defense budget rebound continuing
- Geopolitical tensions remain high
- FY19 budget reflects power competition with China and Russia
- Emphasis on maintaining technological advantage
- Budgets in place and seeing near term spending increases

Financial Highlights

- Continued growth projected in revenue and earnings
- Leadership position in value-added Aviation Services markets
- Long-term favorable aftermarket growth trends
- Diverse global base of commercial and government customers
- Strong balance sheet with substantial available liquidity
- Strong growth in commercial and government integrated solutions
- Focus: Cash Flow Generation, Margin Improvement and ROIC

Commitment to Strong Shareholder Returns

Q1 FY19 Income Statement Highlights

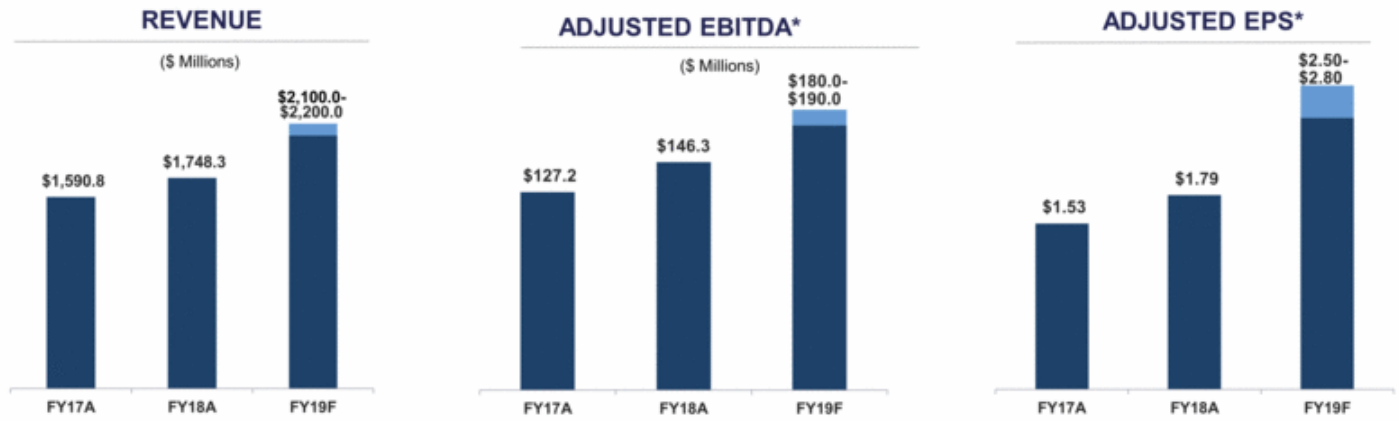
<i>in millions except EPS</i>	Q1 FY19	Q1 FY18	Variance
Sales	\$466.3	\$397.9	\$68.4
Gross Profit	\$71.2	\$61.6	\$9.6
% Margin	15.3%	15.5%	-0.2%
SG&A	\$48.8	\$44.5	\$4.3
% Margin	10.5%	11.2%	-0.7%
Operating Income	\$22.4	\$17.1	\$5.3
% Margin	4.8%	4.3%	0.5%
Income from Continuing Ops	\$18.9	\$11.0	\$7.9
Diluted EPS – Continuing Ops	\$0.54	\$0.32	\$0.22
Adj Diluted EPS – Continuing Ops*	\$0.54	\$0.33	\$0.21

- Revenue growth of 17.2% driven by parts supply and government programs partially offset by KC10 and MRO decline
- Gross profit margin decrease due to slower airframe maintenance activity
- Operating profit growth of 31% from \$17.1M to \$22.4M
- SG&A costs improved as % of sales from 11.2% to 10.5%
- EPS growth of 69% from \$0.32 per diluted share to \$0.54
- Cash flow use from continuing operations of \$32.9M
 - Supporting growth in parts supply and integrated solutions
- Average diluted shares up to 35.1M from 34.5M in the prior year
 - No repurchases in Q1 FY19



- Organic sales growth of 5%-10%
- Earnings per share growth of 10%-12%
- SG&A as % of sales to 10% or less
- 15% - 20% pretax ROIC on capital on new deals
- Year-over-year improvement in ROIC
- Working capital turnover of 3.5x – 4x
- Substantial availability & conservative leverage

Financial Overview



- Continue to experience strong sales in our parts supply and programs activities while heavy maintenance remains slower
- Q2 FY19 sequential sales and earnings growth expected to be mid to high single digits
- Affirming FY19 Guidance = Sales of \$2.1BN to \$2.2BN, Adjusted EBITDA of \$180M to \$190M, Adjusted EPS of \$2.50 to \$2.80
 - Representing year over year growth of 23% in Sales, 27% in Adjusted EBITDA and 48% in Adjusted EPS**

Q & A

Appendix

Non-GAAP Financial Measures

Adjusted diluted earnings per share from continuing operations and adjusted EBITDA are “non-GAAP financial measures” as defined in Regulation G of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We believe these non-GAAP financial measures are relevant and useful for investors as they provide a better understanding of our actual operating performance unaffected by the impact of severance charges and other items. When reviewed in conjunction with our GAAP results and the accompanying reconciliations, we believe these non-GAAP financial measures provide additional information that is useful to gain an understanding of the factors and trends affecting our business and provide a means by which to compare our operating performance against that of other companies in the industries we compete.

Adjusted EBITDA is income from continuing operations before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation and other items of an unusual nature including severance.

Pursuant to the requirements of Regulation G of the Exchange Act, we are providing the following tables that reconcile the above mentioned non-GAAP financial measures to the most directly comparable GAAP financial measures:

Non-GAAP Financial Measures

Adjusted diluted earnings per share from continuing operations	Q1 FY19	Q1 FY18	FY18	FY17
Diluted earnings per share from continuing operations	\$ 0.54	\$ 0.32	\$ 2.11	\$ 1.51
Deferred tax re-measurement from the Tax Cuts and Jobs Act	-	-	(0.41)	-
Severance and restructuring charges, net of tax	-	0.01	0.09	0.02
Adjusted diluted earnings per share from continuing operations	<u>\$ 0.54</u>	<u>\$ 0.33</u>	<u>\$ 1.79</u>	<u>\$ 1.53</u>

\$ in millions



AAR CORP. All rights reserved worldwide. Confidential and proprietary document.

Adjusted EBITDA	FY18	FY17
<i>In millions</i>		
Net Income	\$ 15.6	\$ 56.5
Loss (Income) from discontinued operations	58.1	(4.5)
Income tax expense	3.5	25.1
Other expense	0.9	-
Interest expense, net	7.9	5.2
Depreciation and intangible amortization	40.5	35.7
Early retirement and severance charges	4.5	0.8
Gain on asset disposal	-	(2.6)
Stock-based compensation	15.3	11.0
Adjusted EBITDA	<u>\$ 146.3</u>	<u>\$ 127.2</u>

\$ in millions