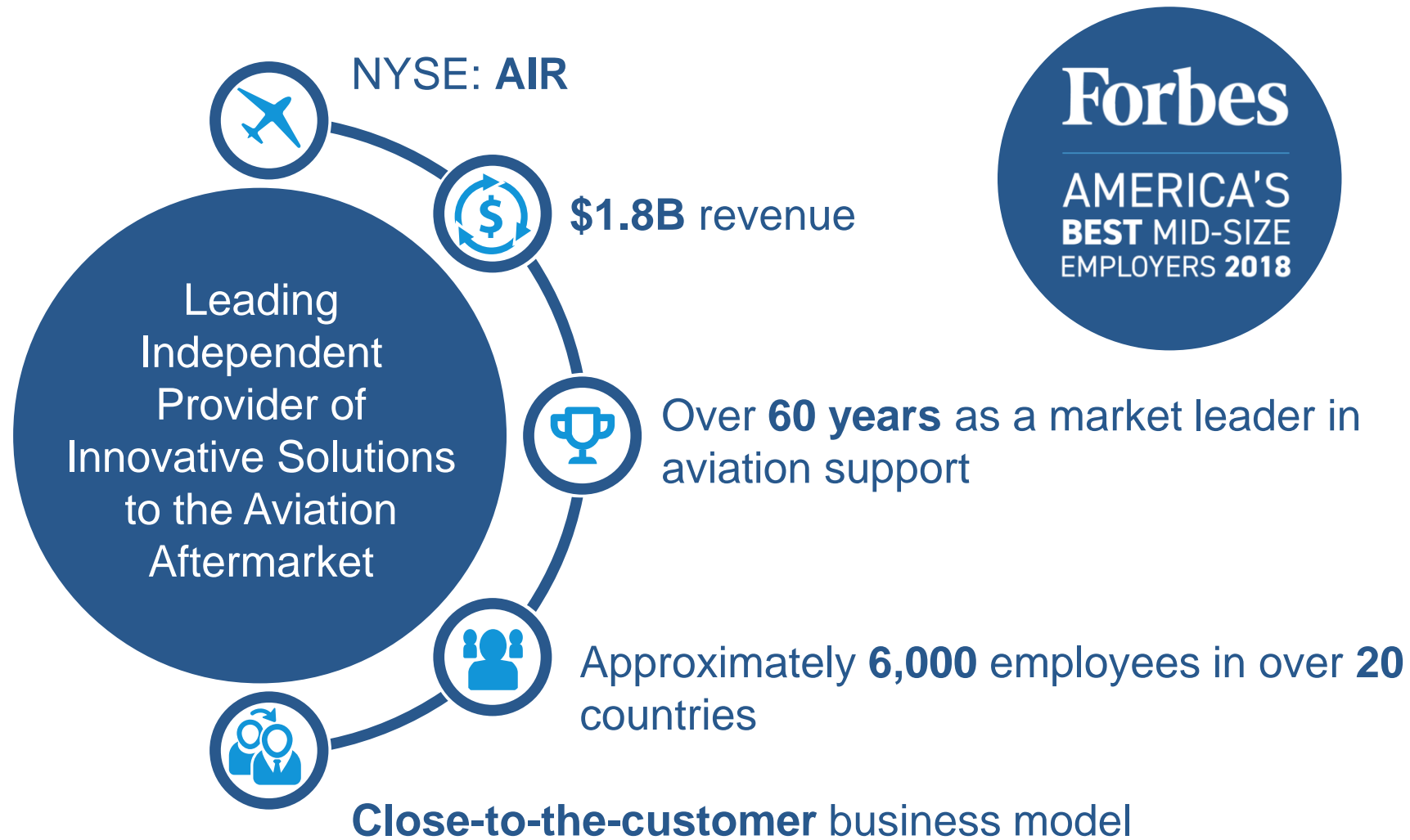


Baird Global Industrial Conference

November 8, 2018

Aviation Aftermarket Expert

Since 1955



Our Solutions

Aviation Services



MRO SERVICES

- Airframe
- Landing gear systems
- Components
- Engineering



PARTS SUPPLY

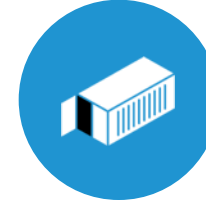
- Serviceable and OEM factory-new parts
- Parts sale, exchange, loan and lease
- Engine solutions
- Aircraft sales and leasing
- OEM Solutions
- Consumables and expendables aggregator
- Online **PAARTS™** Store



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

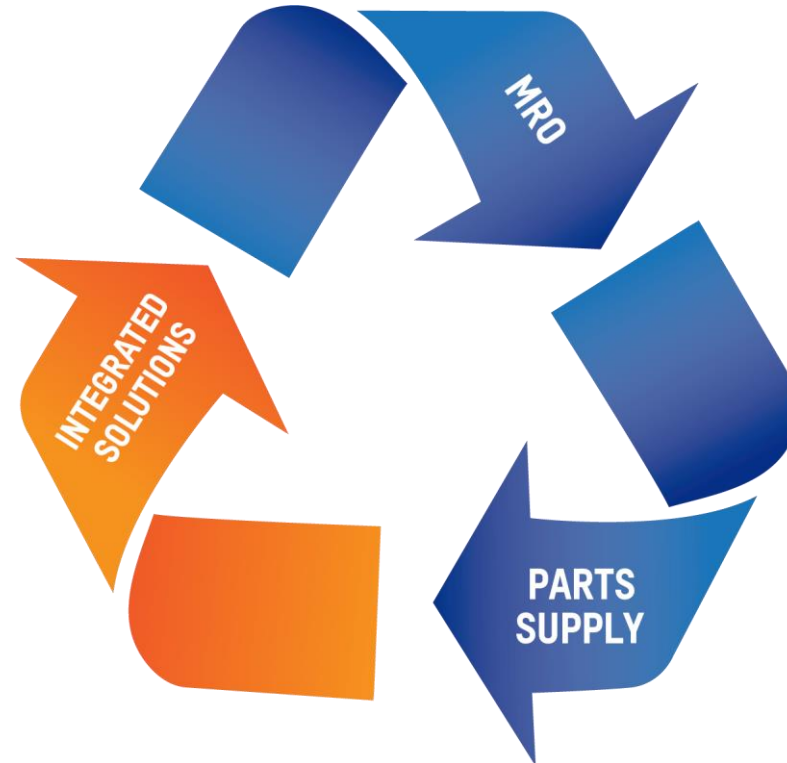
~67% Commercial, ~33% Government

Connected Business Strategy

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



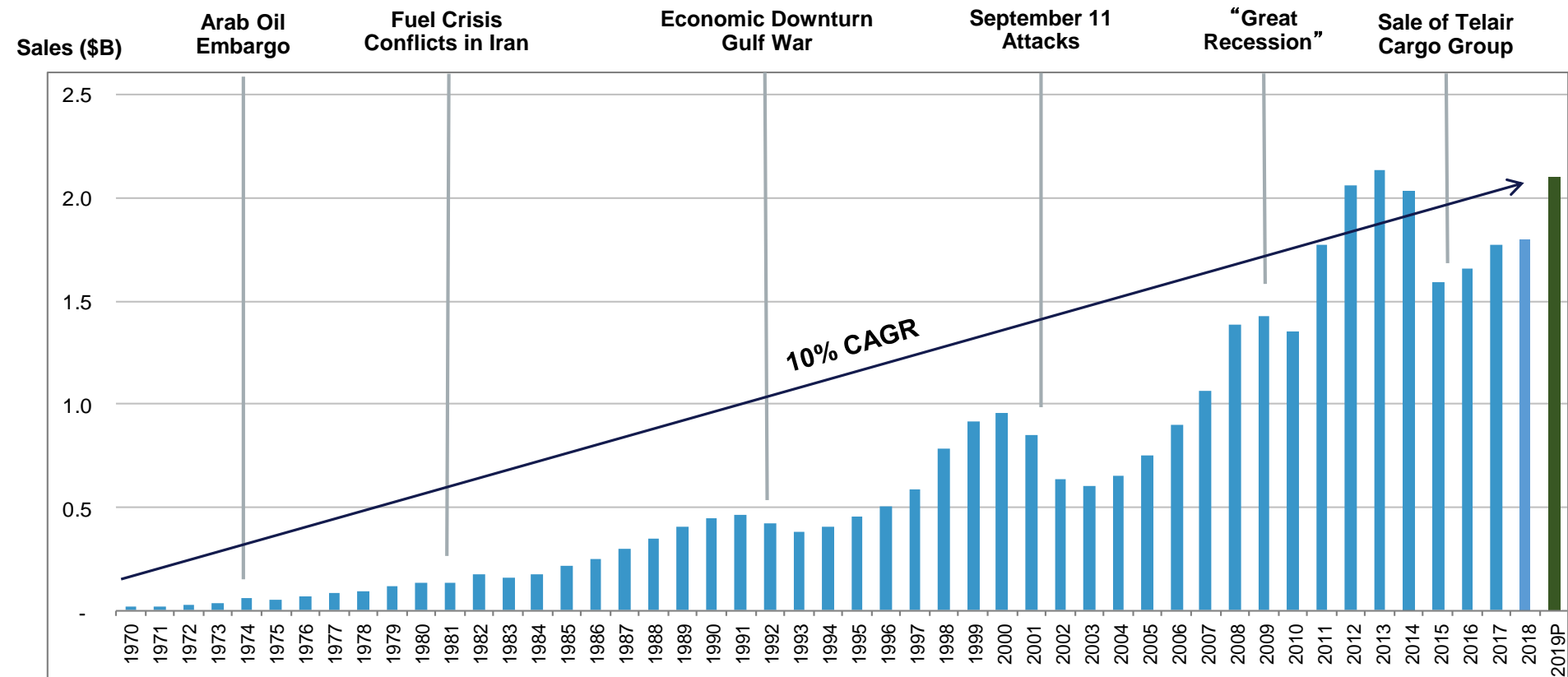
OEMs



Government

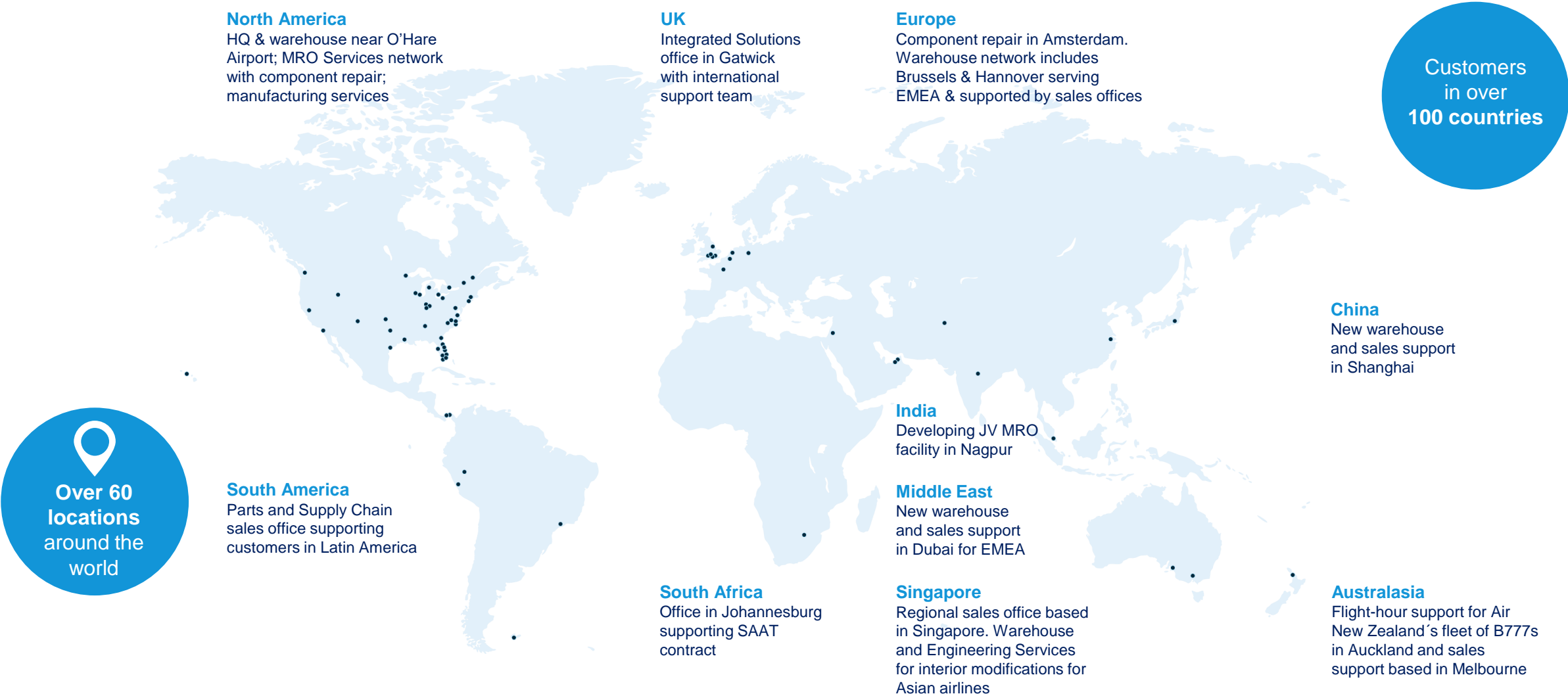


Navigated Through Five Major Industry Cycles



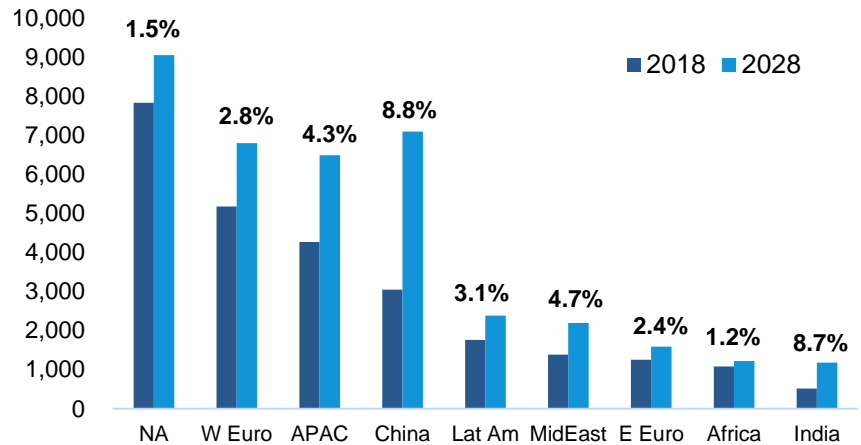
After Each Down Cycle, AAR Has Emerged as a Stronger Company

Global Expertise

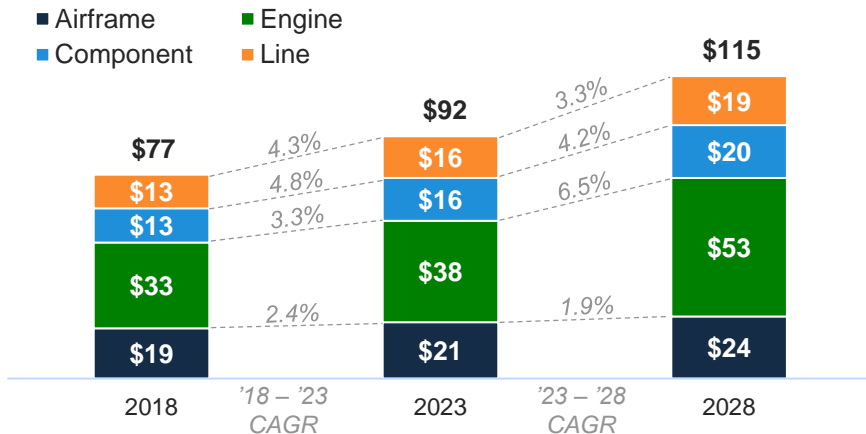


Commercial Market

Fleet Size and Growth by Region



MRO Market (\$B)

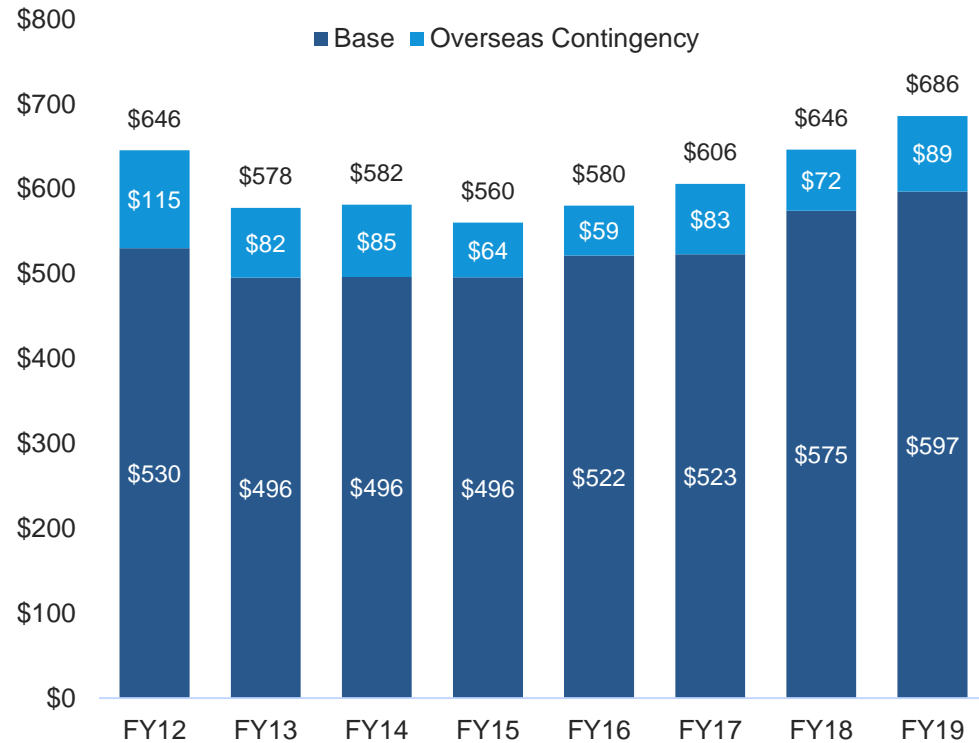


Source: Oliver Wyman

- 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 Spending

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
<i>% Margin</i>	<i>15.3%</i>	<i>15.5%</i>	-0.2%
SG&A	\$48.8	\$44.5	\$4.3
<i>% Margin</i>	<i>10.5%</i>	<i>11.2%</i>	-0.7%
Operating Income	\$22.4	\$17.1	\$5.3
<i>% Margin</i>	<i>4.8%</i>	<i>4.3%</i>	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

Long-Term Financial Goals

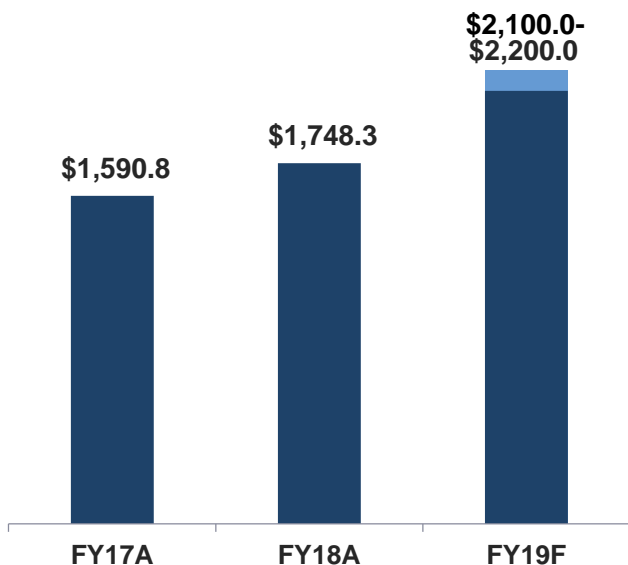


- Organic sales growth of 5%-10%
- Earnings per share growth of 10%-12%
- SG&A as % of sales to 10% or less
- 15% - 20% pretax ROIC on capital on new deals
- Year-over-year improvement in ROIC
- Working capital turnover of 3.5x – 4x
- Substantial availability & conservative leverage

Financial Overview

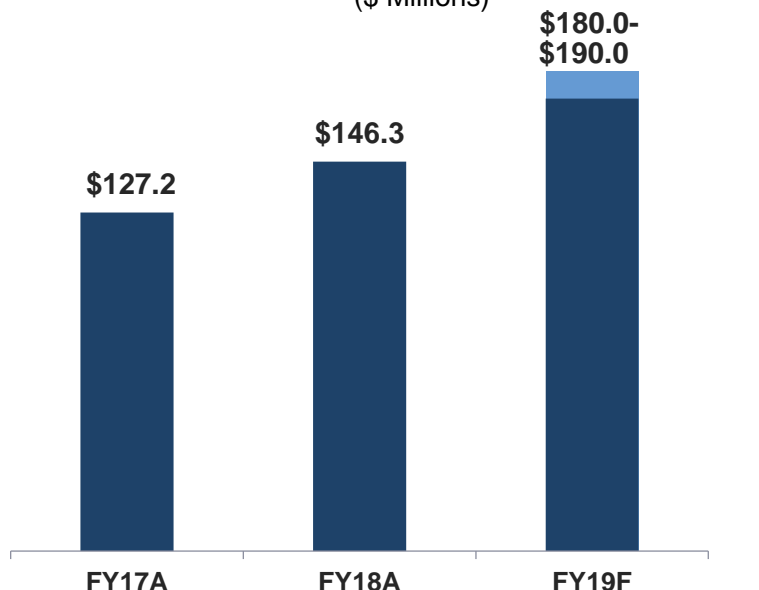
REVENUE

(\$ Millions)

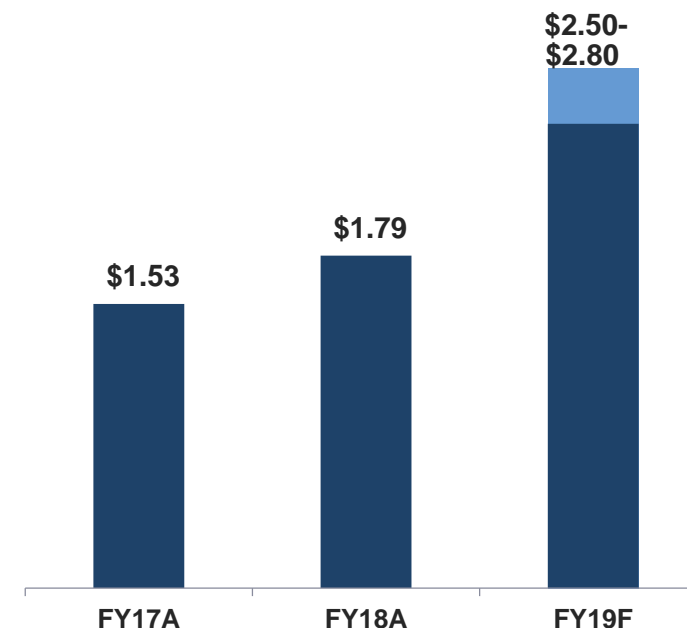


ADJUSTED EBITDA*

(\$ Millions)



ADJUSTED EPS*



- 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

Non-GAAP Financial Measures

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