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To better connect  
the world

# AAR CORP.

## Gabelli 2016 Aircraft Supplier Conference

New York City  
September 8, 2016

Timothy J. Romenesko, Vice Chairman & Chief Financial Officer  
Jason B. Secore, Vice President & Treasurer

*AAR Investor Day - October 19, 2016 New York City (RSVP [InvestorDay@aarcorp.com](mailto:InvestorDay@aarcorp.com))*

# 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, 2016. 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.

# Key Investment Highlights

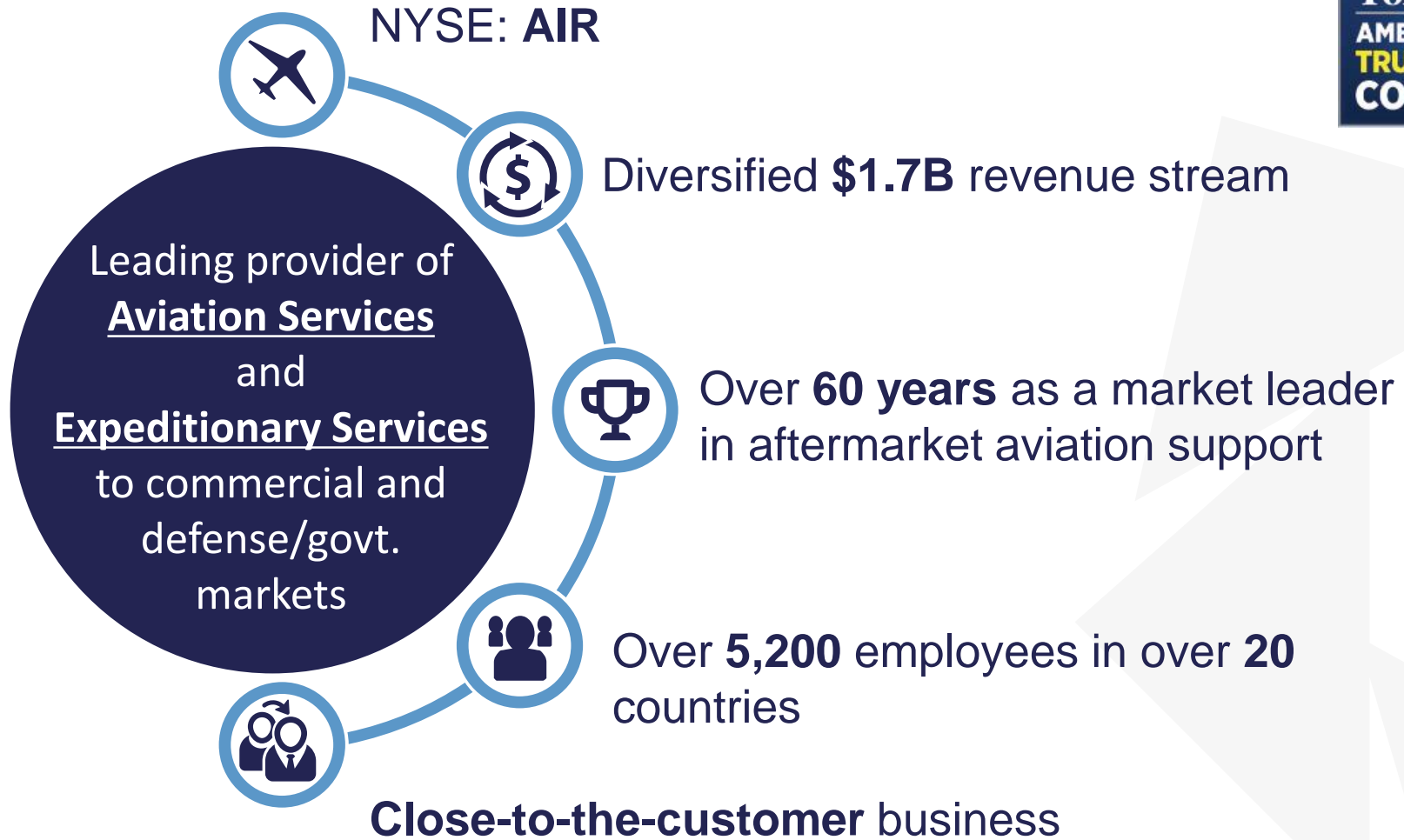
- ❖ Leadership positions in value-added services markets
  - Significant recent organic growth in Aviation Services segment (~85% of sales)
  - Market headwinds in Expeditionary Services segment (~15% of sales)
- ❖ Long-term favorable aftermarket growth trends
- ❖ Diversified, global base of commercial and government customers
- ❖ Fortress balance sheet with substantial available liquidity
- ❖ Focus on cash flow generation and operational efficiencies
- ❖ September 2016 award of INL/A Department of State contract

**Commitment to Strong Shareholder Returns**

# Company Overview

# Established Player Serving the Global Aviation Services Market

Forbes | 2014  
AMERICA'S MOST  
TRUSTWORTHY  
COMPANIES



# Company Overview

## Aviation Services (~85% of sales)

### Supply Chain

*~67% of segment*

Programs  
Distribution  
Trading

### MRO

*~33% of segment*

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



## Expeditionary Services (~15% of sales)

### 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 1,200 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

MRO

**#1 MRO**  
of the Americas

**5 million**  
Man hours

**850+**  
Aircraft maintained,  
repaired or  
overhauled

**Rockford**  
New 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



# INL/A Update

- ✿ On September 1, 2016 AAR's Airlift Group was awarded the Global Aviation Support Services contract for the Department of State Air Wing (INL/A)
- ✿ Airlift Group will be responsible for operating, maintaining, and provisioning a current fleet of 140 airplanes and helicopters operating around the world. The Department of State's fleet supports missions related to counternarcotics, counterterrorism, border security, law enforcement, and embassy transportation
- ✿ Operations are currently performed in Central Florida, Colombia, Peru, Pakistan, Afghanistan, and Iraq
- ✿ Potential duration for this contract is eleven years, including a six month phase-in
- ✿ Contract is IDIQ with maximum revenue of \$10 Billion
- ✿ No further update to guidance at this time

# Strong Industry Relationships

## Airlines



## OEMs



## Cargo & Leasing

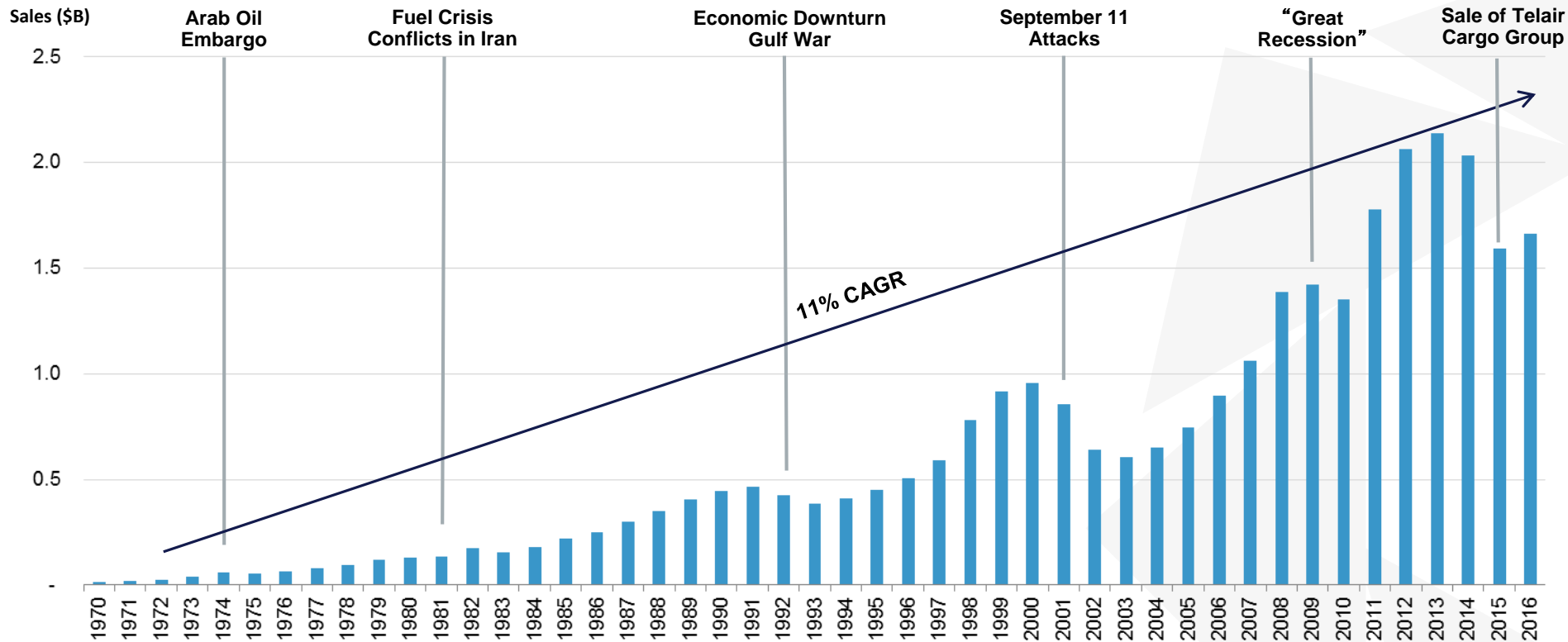


## Government



# Financial Performance

# Navigated Through Five Major Industry Cycles



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

# FY2016 Highlights

- ⚙ Sales of \$1.7 billion, up 4.3% from prior year
  - **\$108.9 million organic growth (8.3%) in Aviation Services**
  - **\$40.6 million decline (14.6%) in Expeditionary Services due to market headwinds**
- ⚙ Diluted EPS of \$1.16 per share from continuing operations
- ⚙ SG&A at 10.3% of sales, versus 10.8% in FY2015
- ⚙ Reduced interest expense from \$26.2M to \$6.1M as average debt outstanding declined
- ⚙ Ended the year with strong balance sheet and over \$400M in available liquidity
- ⚙ Returned \$193M to shareholders through dividends and share repurchases since May 2014
  - **>\$80M remaining under the Board authorized share repurchase plan**

**Strength in Earnings and Balance Sheet Position**

# FY2016 Income Statement Highlights

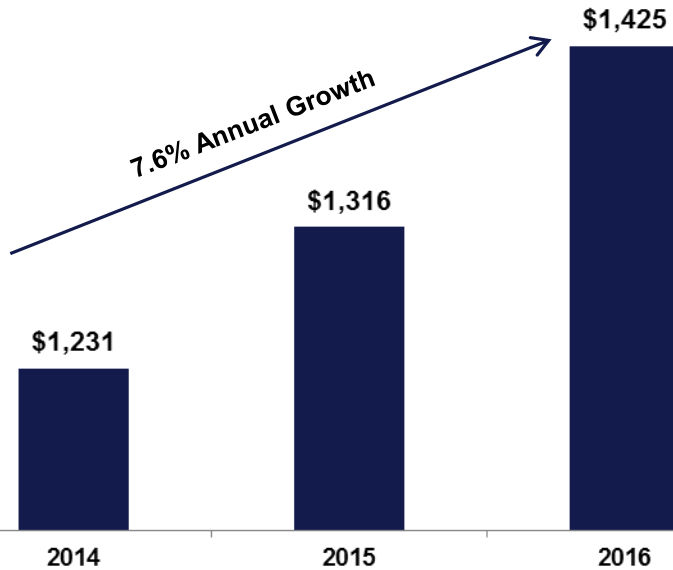
<i>in millions except EPS</i>	<b>FY 2016</b>	<i>Prior Year</i> <b>FY 2015</b>	<i>Variance</i> <i>Better / (Worse)</i>
<b>Sales</b>	<b>\$1,662.6</b>	\$1,594.3	\$68.3
<b>Gross Profit</b>	<b>\$236.9</b>	\$159.3	\$77.6
<i>% Margin</i>	<b>14.2%</b>	10.0%	4.3%
<b>SG&amp;A</b>	<b>\$170.8</b>	\$171.4	\$0.6
<i>% Margin</i>	<b>10.3%</b>	10.8%	0.5%
<b>Operating Income</b>	<b>\$65.8</b>	(\$11.9)	\$77.7
<i>% Margin</i>	<b>4.0%</b>	-0.7%	4.7%
<b>Net Interest Expense</b>	<b>\$6.1</b>	\$26.2	\$20.1
<b>Income Tax</b>	<b>\$18.8</b>	(\$28.5)	(\$47.3)
<b>Income from Continuing Ops.</b>	<b>\$40.5</b>	(\$54.5)	\$95.0
<b>Avg. Dil Shares</b>	<b>34.6</b>	39.4	4.8
<b>Diluted EPS - Continuing Ops</b>	<b>\$1.16</b>	(\$1.40)	\$2.56
<b>Total Net Income</b>	<b>\$47.7</b>	\$10.2	\$37.5
<b>Total EPS - Diluted</b>	<b>\$1.37</b>	\$0.24	\$1.13

**Growth and Margin Improvement vs. FY15**

# FY2016 Segment Financial Summary

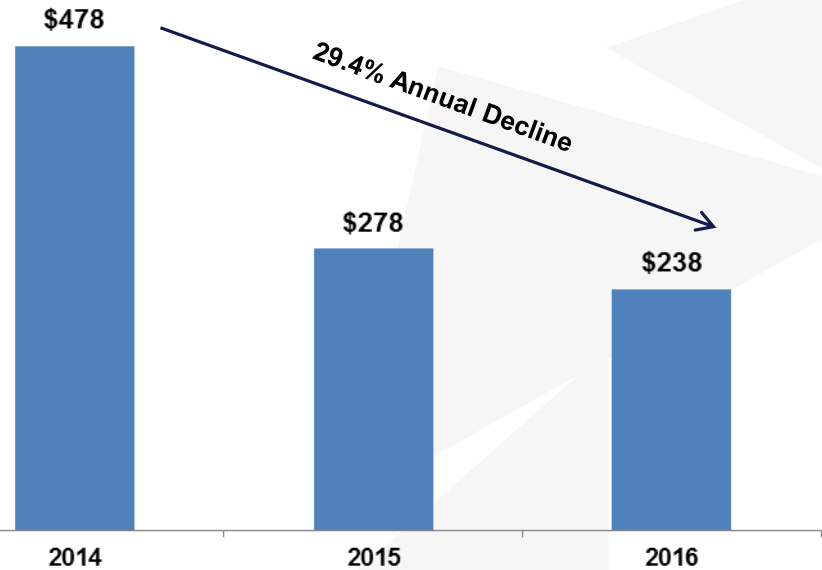
## Aviation Services (~85% of sales)

Sales (\$000)



## Expeditionary Services (~15% of sales)

\$478



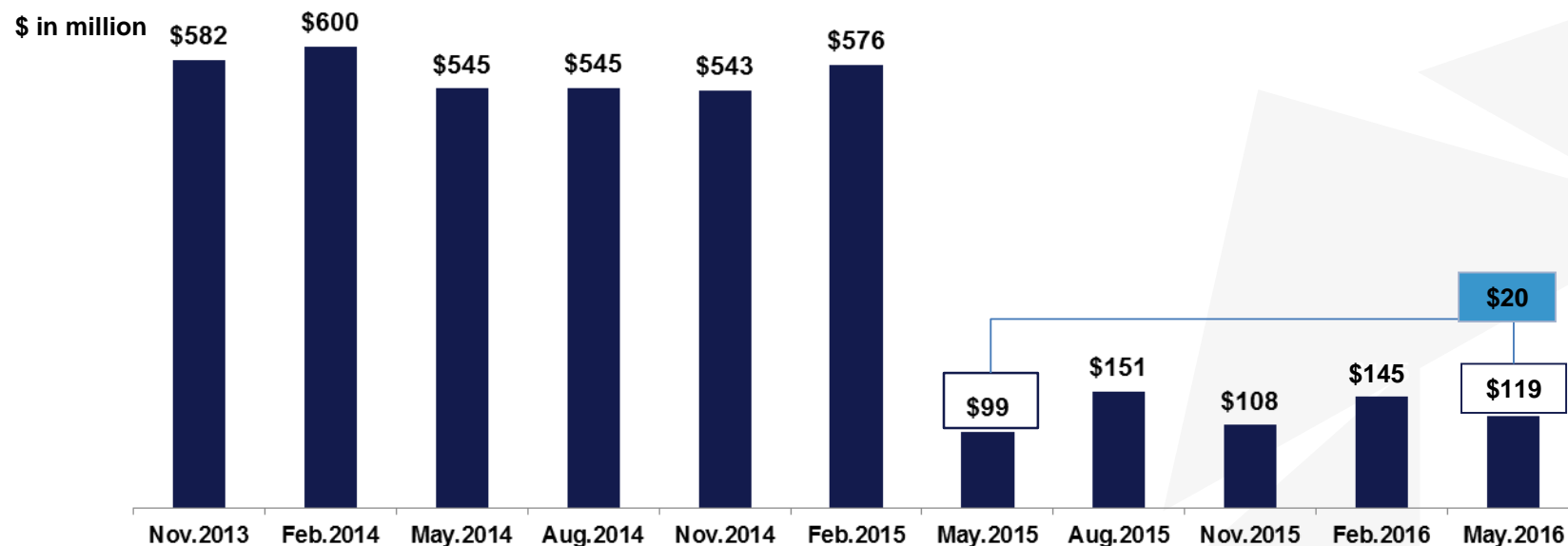
(\$000)	2014	2015	2016	2014	2015	2016
Gross Profit	173	144	230	116	16	7
Total Assets	931	919	945	424	388	367
D&A	26	29	26	37	25	24

**Strong Growth In Aviation Services Offset by Decline in Expeditionary Services**



# 4Q FY2016 Leverage & Liquidity Levels

## Net Debt Evolution



(\$ in million)	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Total Debt	680.8	714.4	634.0	627.1	635.3	643.3	154.0	179.5	170.3	195.7	150.1
Cash	98.5	114.7	89.2	81.8	92.6	67.0	54.7	28.7	62.8	50.4	31.2
Available Cash	463.9	439.9	424.5	417.0	387.4	346.5	491.4	414.0	447.9	405.5	413.3
Total Debt / LTM EBITDA	2.8x	3.0x	2.7x	3.3x	2.7x	3.2x.*	1.3x	1.6x	1.7x	1.9x	1.2x
Net Debt / LTM EBITDA	2.4x	2.5x	2.3x	2.9x	2.3x	2.9x*	0.8x	1.4x	1.1x	1.4x	1.0x

**Strong Delevering Trend**

# Fiscal Year 2017 Guidance

- ✿ Consolidated sales of \$1.7 billion to \$1.8 billion
- ✿ Diluted earnings per share from continuing operations of \$1.30 to \$1.40
  - **Midpoint represents 16.4% growth from FY16 diluted EPS from continuing operations of \$1.16**

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## 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**