



DOING IT RIGHT
To better connect
the world

AAR CORP.

Cowen 38th Annual Aerospace/Defense & Industrials Conference

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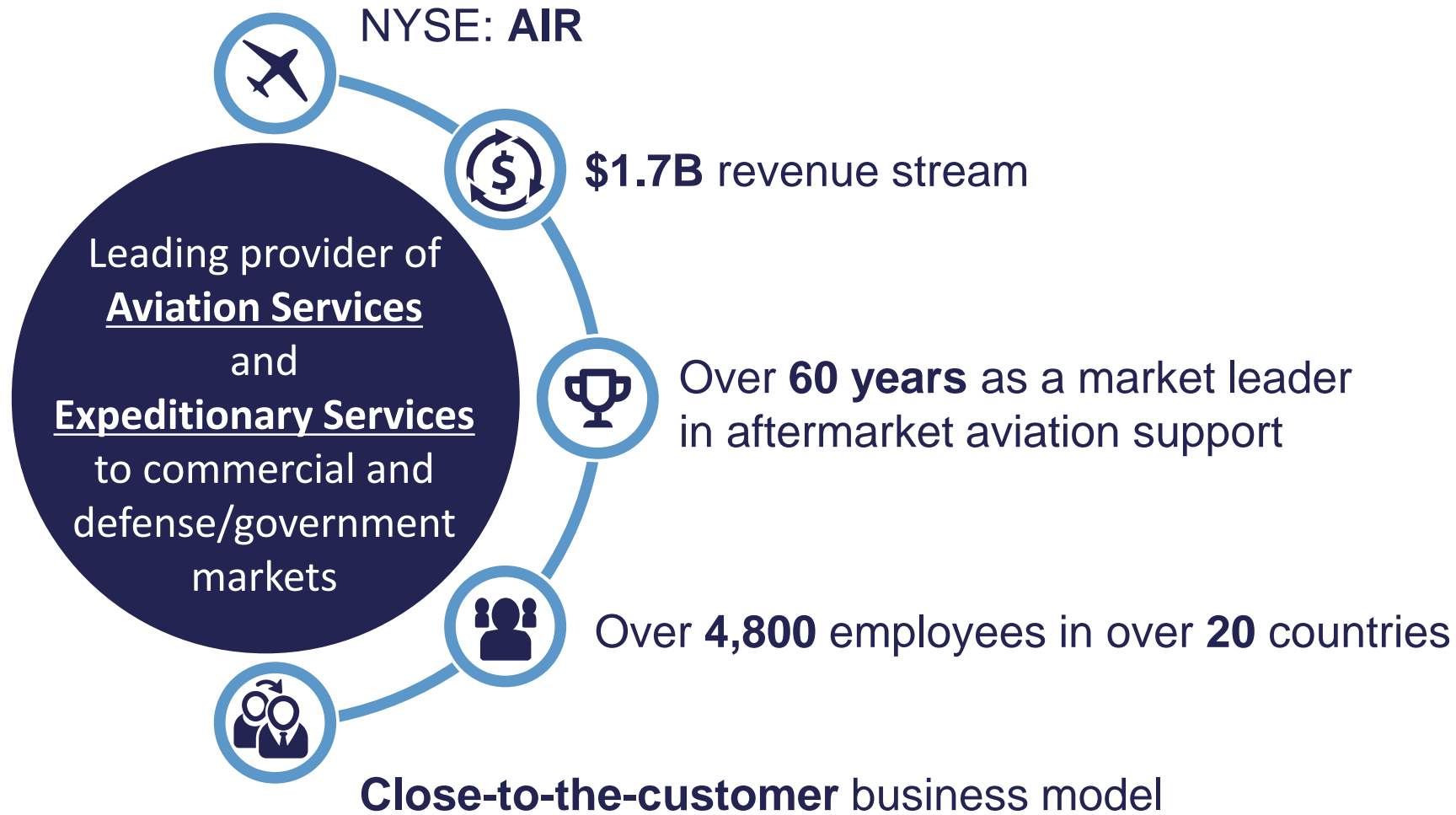
February 8, 2017

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.

Established Player Serving the Global Aviation Services Market

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



Key Investment Highlights

- ✿ Leadership positions in value-added services markets
- ✿ 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
 - Award upheld by GAO (protest resolved)
 - Incumbent suing US Government with decision expected mid-2017

Commitment to Strong Shareholder Returns

Company Overview

Aviation Services (~85% of sales)

Commercial 70% | Defense 30%

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)

Defense 84% | Commercial 16%

Airlift
~67% of segment

Fixed and Rotary Wing
Flight Operations, Maintenance, Logistics
Passengers, Cargo, Combi
Short Takeoff and Landing
Search and Rescue, NVG, Airdrop

Mobility
~33% of segment

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



Projected Increase in Sales and Earnings for FY2017

Aviation Services | Supply Chain

Programs

Comprehensive and innovative contracted solutions for supply chain management

- ▶ Over 1,300 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

Sales and marketing partner to extend OEM reach into the aftermarket

- ▶ 10+ exclusive OEM relationships covering 50+ product lines
- ▶ 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

Industry Leading IT Solutions

Aviation Services | MRO

Airframe Maintenance Facilities



Indianapolis



Miami



Oklahoma City



Duluth



Rockford



Lake Charles

#1 MRO
of the Americas

> 5 million
Man hours

850
aircraft maintained,
repaired or overhauled

Close to the Customer

Expeditionary Services

Airlift

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

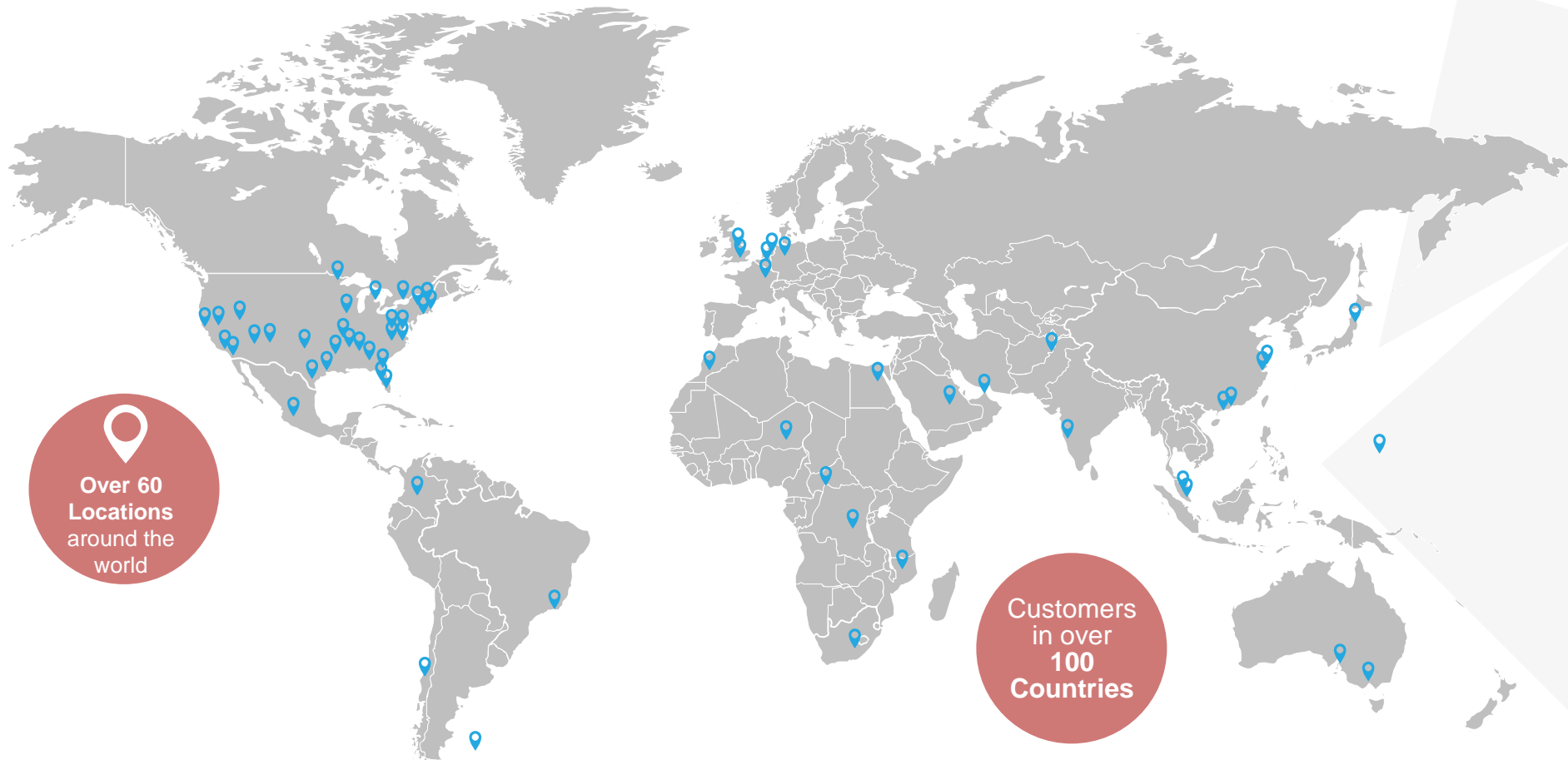


Mobility

- ▶ **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



AAR Global Presence



Strategically Located in Close Proximity to Key Customers

Strong Industry Relationships (Representative List)

Airlines



Cargo Airlines



Regional Airlines



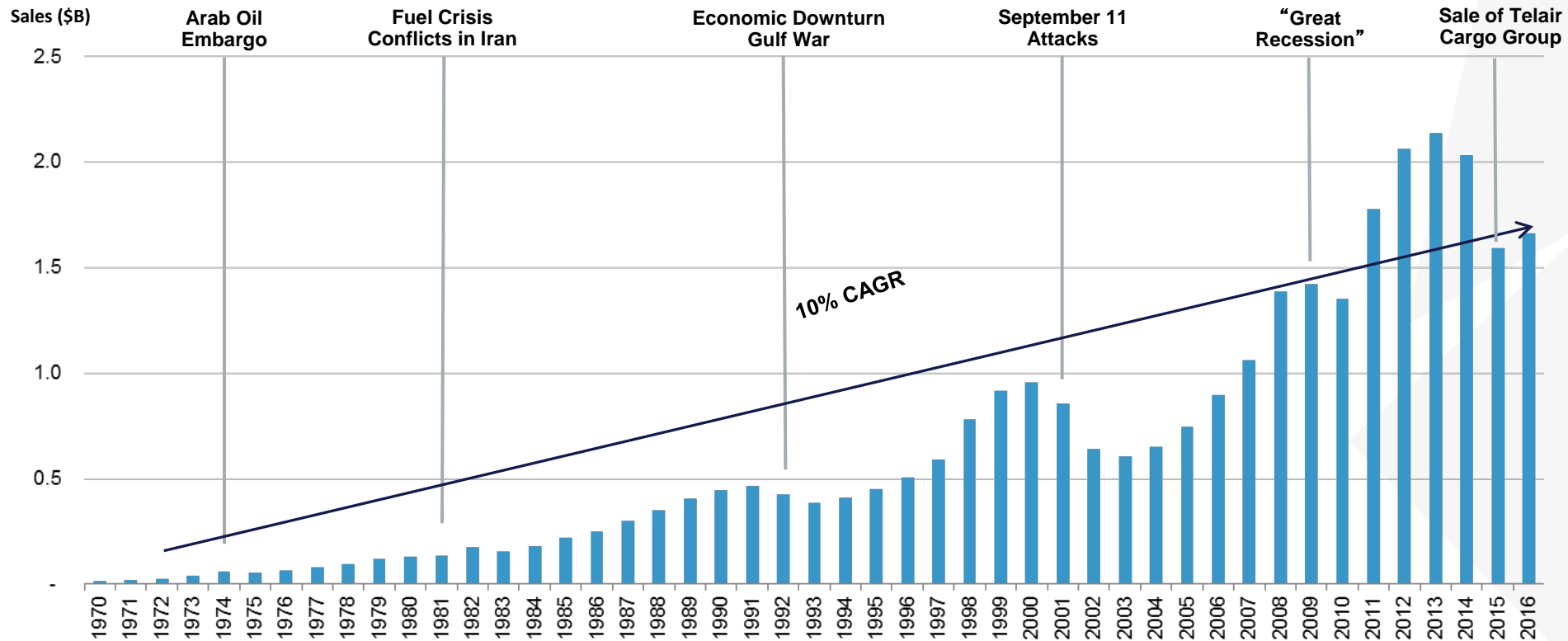
OEMs



Governments



Navigated Through Five Major Industry Cycles



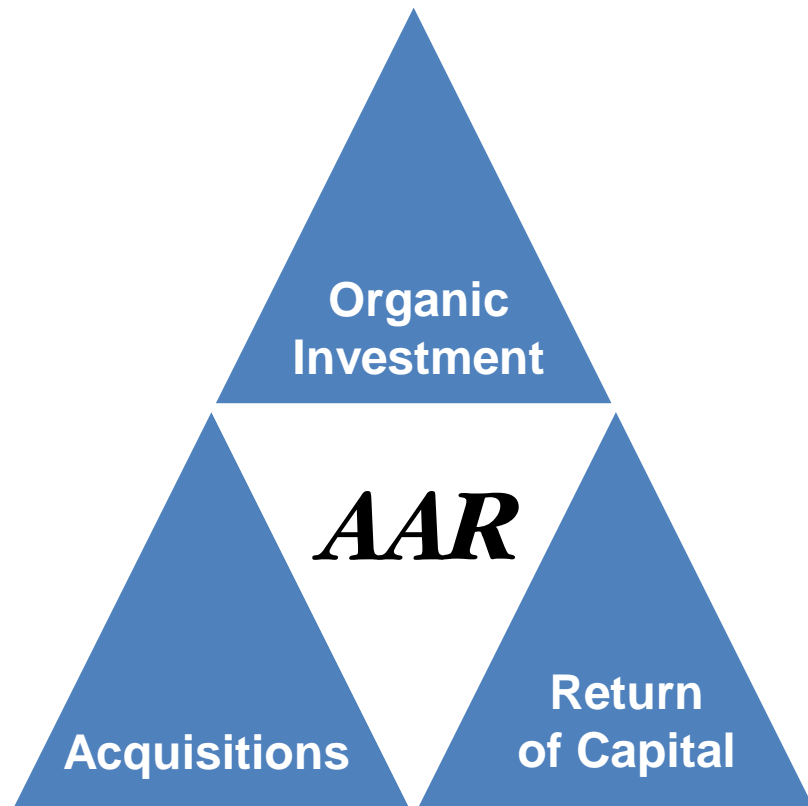
After Each Down Cycle, AAR Has Emerged as a Stronger Company

AAR Strong Financial Position



- ✦ Strong business fundamentals in Aviation Services
- ✦ INL/A award by Department of State
- ✦ Improved outlook for Expeditionary Services
- ✦ Strong balance sheet to support internal and external growth opportunities

Balanced Capital Allocation



- ❖ Organic growth through investment in new programs and opportunities
- ❖ Future growth through strategic acquisitions
- ❖ Committed to returning capital to shareholders (\$217M in dividends and share purchases since March 1, 2014)

Second Quarter FY2017 Highlights

- ✿ Sales were \$423.8M, reflecting the unwinding of KC10 program and reduced sales at unprofitable Lake Charles facility
- ✿ Gross Profit increased over prior year 15.6% vs. 13.7% in Q2 FY16
- ✿ Diluted EPS from continuing operations was \$0.35, exceeding last year by 35%
- ✿ Significant contract awards
 - 5 year flight hour component program with South African Airways valued up to \$125M
 - 17 year flight hour component program with Air New Zealand for nose-to-tail support of B777 aircraft
 - Long-term flight hour component program with Allegiant Air for support of A320 aircraft (Announced Q3)
- ✿ Opened the new, custom-built MRO facility in Rockford, Illinois

Commitment to Strong Shareholder Return

2Q FY2017 Segment Results

Aviation Services

<i>in millions</i>	2Q 2017	<i>Prior Year</i> 2Q 2016	<i>Variance</i> Better / (Worse)
Sales	\$346.7	\$359.6	(\$12.9)
Gross Profit	\$56.0	\$58.2	(\$2.2)
<i>% Margin</i>	16.2%	16.2%	0.0%

Expeditionary Services

<i>in millions</i>	2Q 2017	<i>Prior Year</i> 2Q 2016	<i>Variance</i> Better / (Worse)
Sales	\$77.1	\$71.9	\$5.2
Gross Profit	\$10.2	\$0.9	\$9.3
<i>% Margin</i>	13.2%	1.3%	11.9%

Key Financial Goals



- ❖ Organic sales growth of 5%-10%
- ❖ Earnings per share growth of 10%-12%
- ❖ SG&A as % of sales < 10%
- ❖ Year-over-year improvement in ROIC
- ❖ Working capital turnover of 3.5x – 4x
- ❖ Capacity for increase in leverage

Summary

<i>in millions except EPS</i>		Guidance	
	FY 2016	FY 2017	CHANGE
Sales	\$1,699	\$1,700 - \$1,800	↑ Up to 8%
Diluted EPS (Continuing Ops)	\$1.09	\$1.30 - \$1.40	↑ 19% - 28%

- ✧ Confirming FY17 guidance on sales and diluted EPS
- ✧ INL/A Award
- ✧ Continued strong momentum in Aviation Services, not withstanding loss of revenue with KC10
- ✧ Improving outlook in Expeditionary Services
- ✧ Continued focus on cash generation and operational efficiency

Share Price Outperformed Peers and S&P500

Share Performance

	LTM	Since FY17 YTD
AAR	68%	35%
Peers ⁽¹⁾	27%	15%
S&P 500	20%	9%

- Recent announcements have resulted in positive share price performance
 - INL/A award on 9/1/2016
 - Earnings higher than expectations
 - New contracts
- AAR has outperformed its peer group and the S&P 500 over the last twelve months and fiscal year-to-date