



AAR[®]

DOING IT RIGHT
To better connect
the world

AAR CORP.

Jefferies 2016 Industrials Conference

New York City
August 10, 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, 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

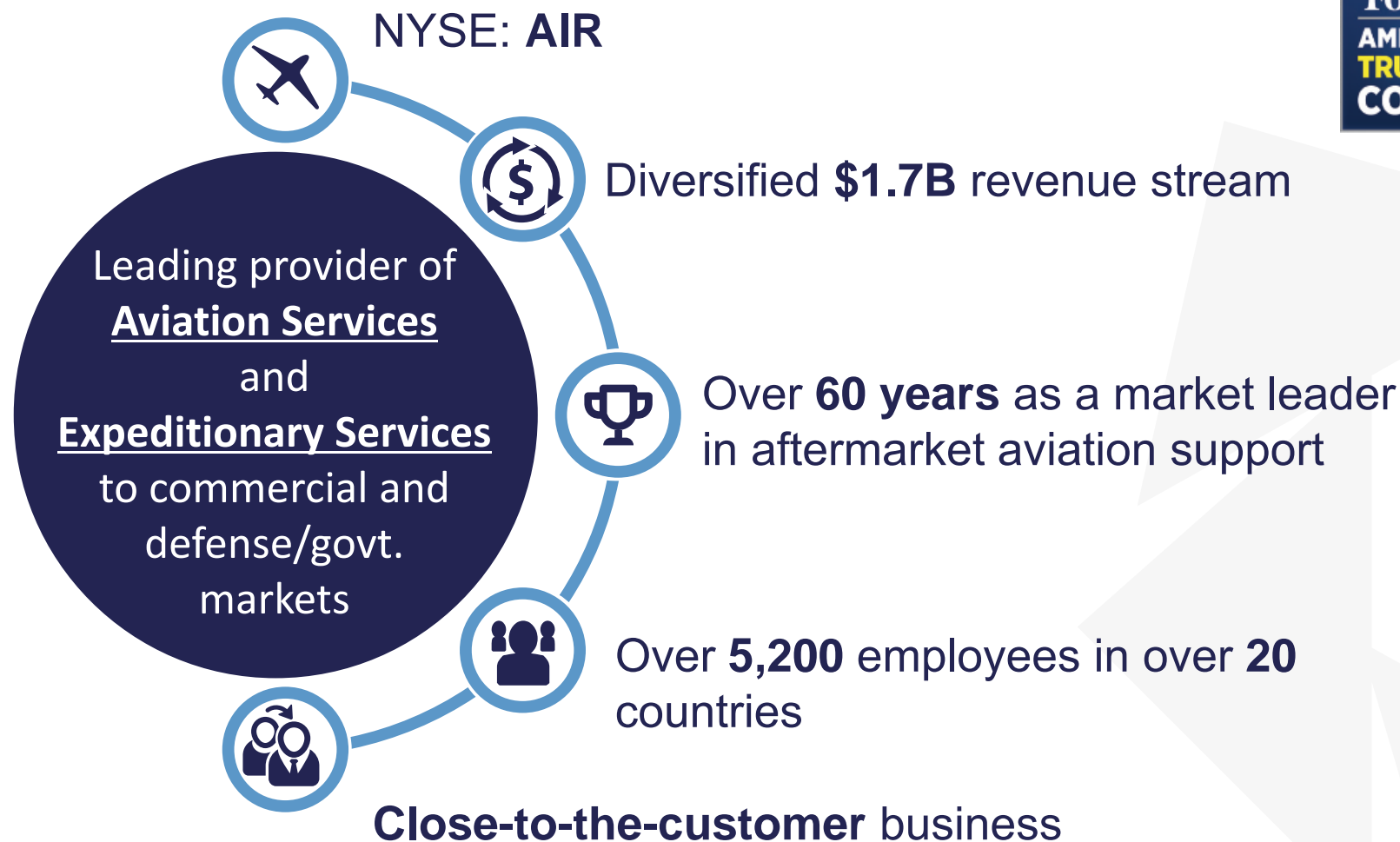
Commitment to Strong Shareholder Returns



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 1,100 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

850+
Aircraft maintained,
repaired or
overhauled

Rockford
6th 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



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Note: AAR announced closure of Hot Springs facility in July 2015.

Expeditionary Services

Airlift

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



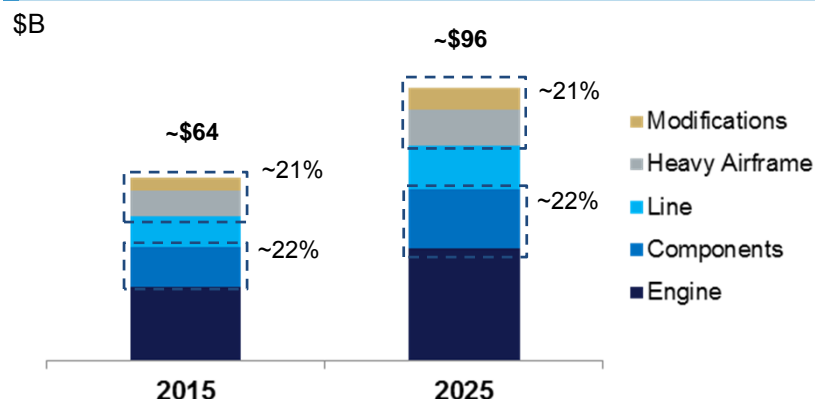
Mobility

- ▶ **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



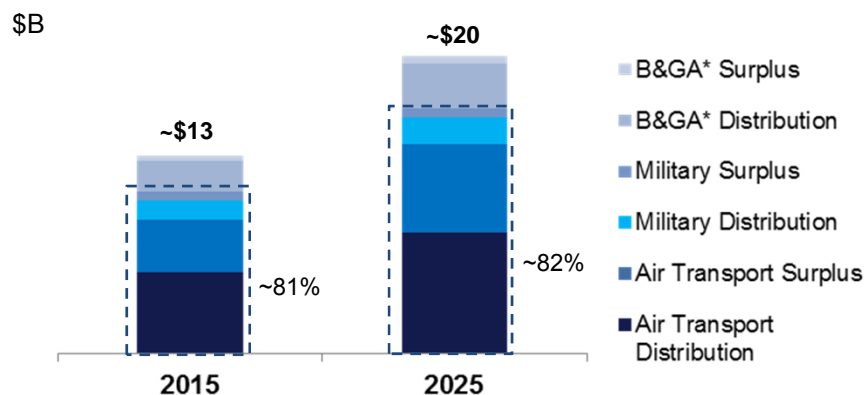
Macro Trend

- ▶ 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

Strong Industry Relationships

Airlines



OEMs



Cargo & Leasing



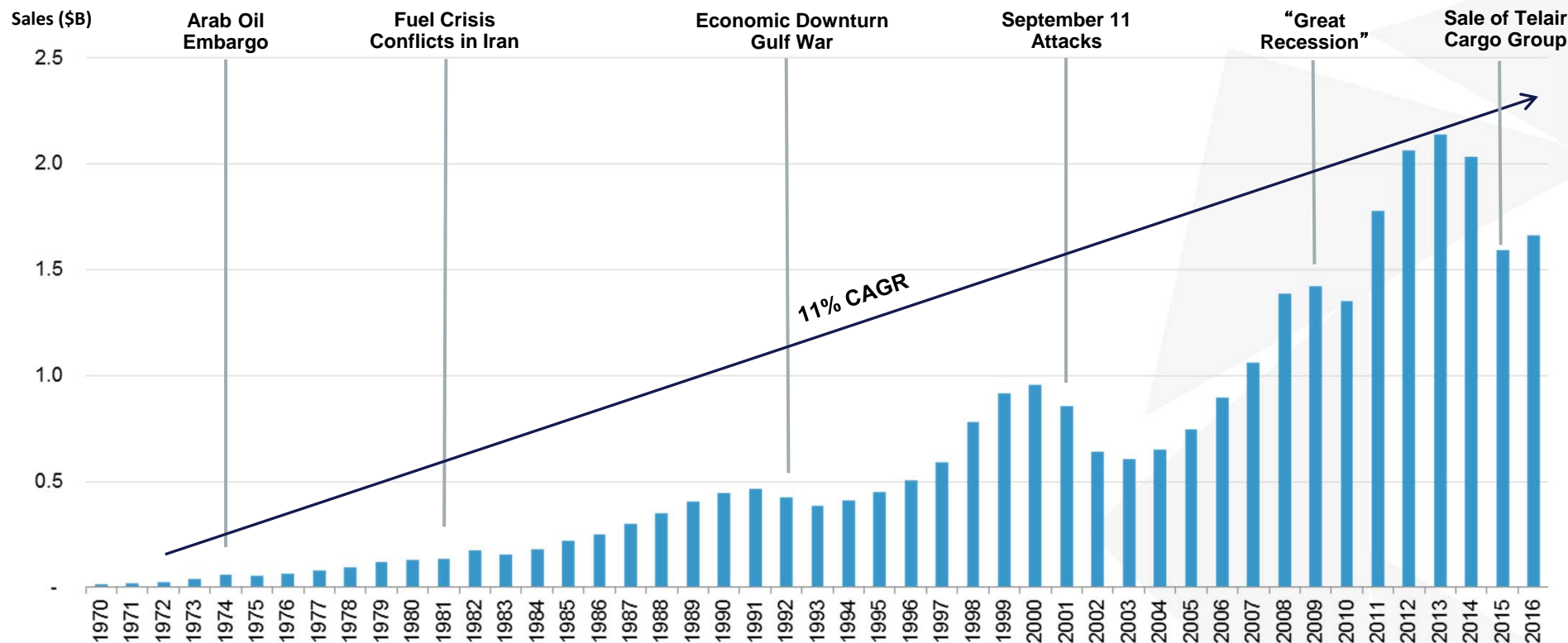
Government





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

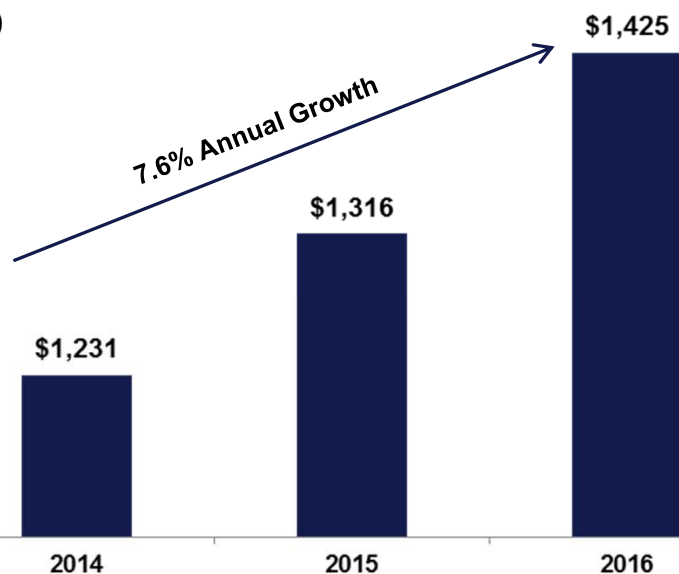
<i>in millions except EPS</i>	FY 2016	<i>Prior Year</i> FY 2015	<i>Variance</i> <i>Better / (Worse)</i>
Sales	\$1,662.6	\$1,594.3	\$68.3
Gross Profit	\$236.9	\$159.3	\$77.6
<i>% Margin</i>	14.2%	10.0%	4.3%
SG&A	\$170.8	\$171.4	\$0.6
<i>% Margin</i>	10.3%	10.8%	0.5%
Operating Income	\$65.8	(\$11.9)	\$77.7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

Growth and Margin Improvement vs. FY15

FY2016 Segment Financial Summary

Aviation Services (~85% of sales)

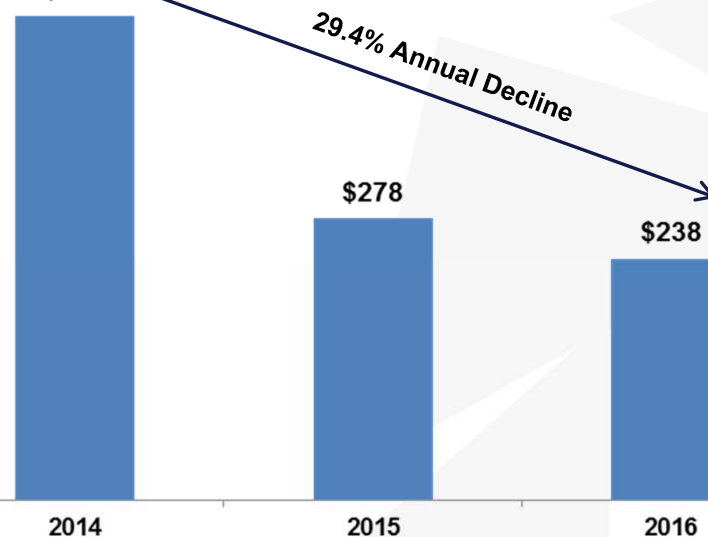
Sales (\$000)



Expeditionary Services (~15% of sales)

\$478

29.4% Annual Decline

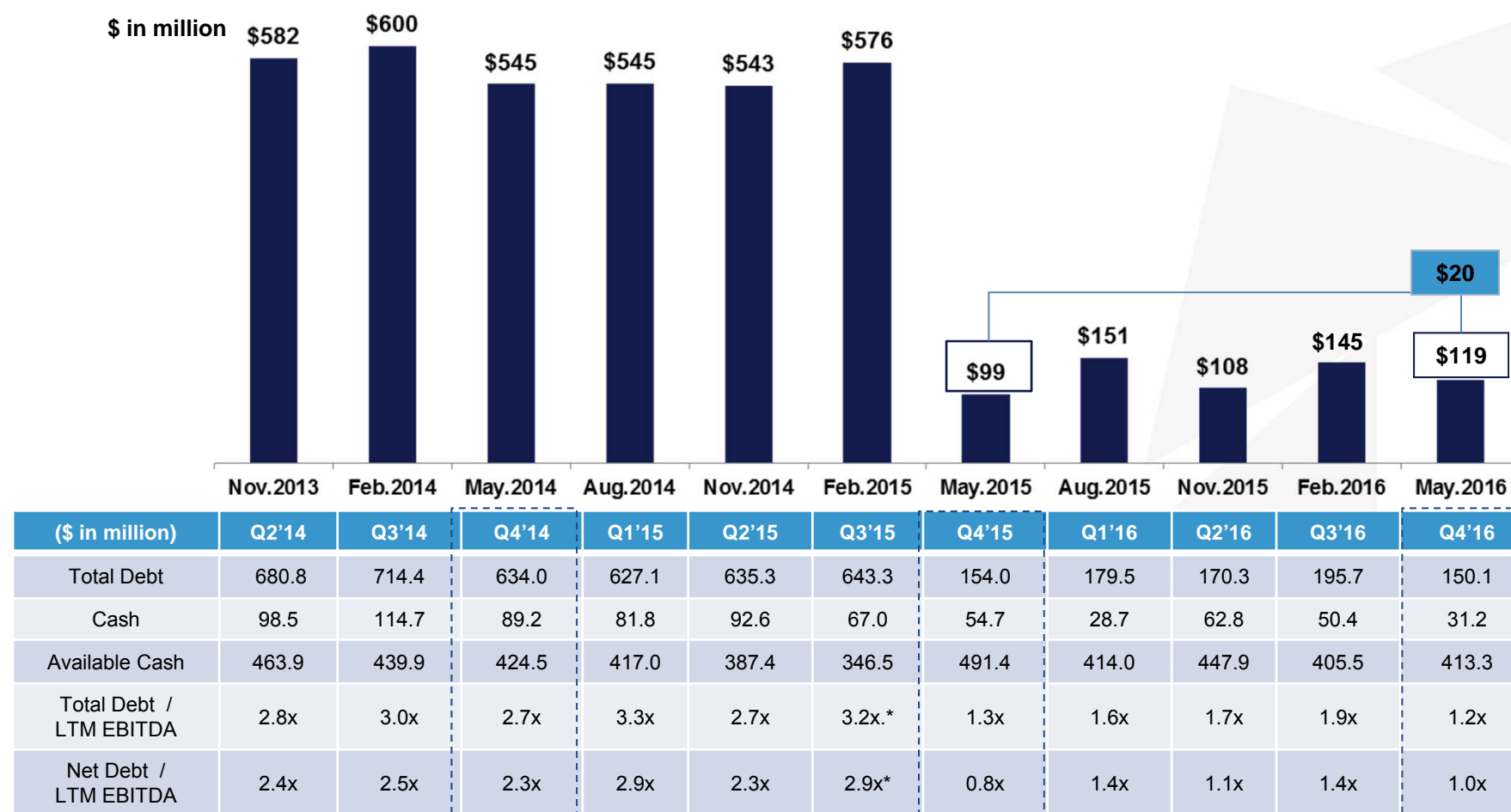


(\$000)	2014	2015	2016	2014	2015	2016
Gross Profit	173	144	230	116	16	7
Total Assets	931	919	945	424	388	367
D&A	26	29	26	37	25	24

Strong Growth In Aviation Services Offset by Decline in Expeditionary Services

4Q FY2016 Leverage & Liquidity Levels

Net Debt Evolution



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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Commitment to Strong Shareholder Returns

Mission

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.

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