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 most recent Form 10-K. 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.
Agenda

- Company and Strategy
- Market Overview and Position
- Operations:
  - Parts Supply: Trading
  - Parts Supply: OEM Solutions
  - Repair & Engineering
  - Integrated Solutions
- Digital Initiatives
- Financial Overview
- Closing Comments and Q&A
Company and Strategy

John Holmes
Aviation Services Market Expert
Since 1955

Leading independent provider of aviation services to commercial and government markets

NYSE: AIR

$2B revenue

65 years as a market leader in aviation support

Approximately 6,000 employees in over 20 countries

Close-to-the-customer business model
Company Overview

Aviation Services

- **Parts Supply**
  - Serviceable and OEM factory-new parts
  - Engine solutions, management, leasing and exchange
  - Aircraft sales and leasing
  - Online PAARTS™ Store

- **Repair & Engineering**
  - Airframe MRO
  - Component repair
  - Landing gear
  - Wheels and brakes
  - Engineering services

- **Integrated Solutions**
  - Flight hour-based component support
  - Contractor logistics support (CLS)
  - Performance-based logistics (PBL)

Expeditionary Services

- **Manufacturing**
  - Composites: structures and interiors
  - Mobility Systems: shelters, containers, pallets

65% Commercial and 35% Government
Our Values

QUALITY FIRST. SAFETY ALWAYS.

FIND A WAY. EVERY DAY.

MAKE MONEY. HAVE FUN.

IDEAS MATTER. THINK NEW. THINK AHEAD.

DO IT FAST. DO IT WELL.

BE HONEST. INSPIRE TRUST.

WORK AS ONE. BE INCLUSIVE.

OWN IT.
FY19 Highlights

• Organic sales growth of 17% from $1.75B to $2.05B

• Adjusted operating income growth of 24% from $90.5M to $111.8M

• Adjusted EPS from continuing operations growth of 36% from $1.73 per share to $2.36

• Implemented U.S. Air Force Landing Gear PBL and U.S. State Department WASS programs involving nearly 1,000 new employees and contractors

• Executed new and expanded distribution agreements with Safran, Woodward, BASF and Ontic

• Formed JV with Napier Park Global Capital to acquire and maximize returns on late-life commercial aircraft

*Well-Positioned Heading into FY20 and Beyond*
Financial Performance ($M)

Revenue and Growth

<table>
<thead>
<tr>
<th></th>
<th>FY16A</th>
<th>FY17A</th>
<th>FY18A</th>
<th>FY19A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$1,525</td>
<td>$1,591</td>
<td>$1,748</td>
<td>$2,052</td>
</tr>
<tr>
<td>Growth</td>
<td>4.3%</td>
<td>9.9%</td>
<td>17.4%</td>
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Adjusted Diluted EPS from Continuing Operations

<table>
<thead>
<tr>
<th></th>
<th>FY16A</th>
<th>FY17A</th>
<th>FY18A</th>
<th>FY19A</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>$1.27</td>
<td>$1.45</td>
<td>$1.73</td>
<td>$2.36</td>
</tr>
<tr>
<td>Growth</td>
<td>10.5%</td>
<td>9.5%</td>
<td>10.9%</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted Operating Income and Margin

<table>
<thead>
<tr>
<th></th>
<th>FY16A</th>
<th>FY17A</th>
<th>FY18A</th>
<th>FY19A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted OEI</td>
<td>$77.8</td>
<td>$80.5</td>
<td>$90.5</td>
<td>$111.8</td>
</tr>
<tr>
<td>Margin</td>
<td>5.1%</td>
<td>5.1%</td>
<td>5.2%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Invested Capital and Adjusted Pretax ROIC

<table>
<thead>
<tr>
<th></th>
<th>FY16A</th>
<th>FY17A</th>
<th>FY18A</th>
<th>FY19A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested Capital</td>
<td>$739</td>
<td>$851</td>
<td>$983</td>
<td>$1,023</td>
</tr>
<tr>
<td>Adjusted Pretax ROIC</td>
<td>10.5%</td>
<td>9.5%</td>
<td>9.2%</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

See the Appendix for reconciliations of non-GAAP financial measures.
Corporate Strategy

**$0 to $2B**

- **Entrepreneurial**
  - Drive connected businesses that reinforce collective growth prospects
- **Nimble**
  - Expand margins through differentiated capabilities / intellectual property
- **Portfolio**
  - Utilize data and digital solutions to improve offerings and efficiency
  - Leverage independence to offer OEM/airline alternative
  - Increase international presence
  - Attract, empower and deploy exceptional, entrepreneurial talent

**Be the Leading Independent Aviation Services Provider Globally**

**$2B+**

- Fewer, more integrated businesses
- Intellectual property
- Predictable revenue
- Scale, global
- Entrepreneurial
Connected Businesses Model

Integrated businesses leveraged to reinforce and grow the whole

**Integrated Solutions**
- Strategic relationships with airlines, MROs, OEMs and repair vendors
- Fuel parts supply business
- Fund component repair capability development
- Long-term contracts / predictable revenue

**Parts Supply**
- Transactional data collection
- Exclusive relationships with OEMs and customers
- Inventory pooling with programs

**Repair & Engineering**
- Strategic relationships with airlines
- Technical repair knowledge and data collection
- Develop parts for internal and external consumption

**Unique Value Proposition**
Differentiated Capabilities and Predictable Revenue

**Parts Supply**
- Exclusive aftermarket parts supply contracts
- Exclusive new parts OEM distribution contracts
- Long-term new parts supply contracts with comm’l and gov’t customers
- Digital channels to market

**Repair & Engineering**
- Long-term contractual maintenance relationships
- Proprietary (DER) repair development and utilization
- PMA utilization
- OEM partnerships and licensing

**Integrated Solutions**
- Long-term contracts with government and commercial customers
- Increase internal repair content
- More PMA/DER usage and partnerships
# AAR Investment Highlights

1. Supportive macroeconomic environment with strong global aviation aftermarket growth and robust government spending expected

2. Leading aftermarket parts supplier distinctly positioned to benefit from market dynamics

3. Largest independent aerospace distributor of OEM factory-new parts leveraging exclusive relationships and unique sales channels

4. #1 Americas MRO footprint enables integrated services model

5. Integrated solutions offering well-positioned for continued growth in both government and commercial markets

6. Strong balance sheet supports continued investments in growth and/or increased capital return to shareholders

**Unique Combination of Integrated Services Leveraging Our Independent Market Position**
Market Overview and Position

Chris Jessup
Commercial Aviation Services Market Perspective

- Projected 10-year global air traffic CAGR of 5%, fueling fleet and aftermarket growth
- Fleet growth led by narrow-bodies
- Continued strong demand forecast for legacy engine materials (8% 10-year real CAGR)
- Airlines continuing to seek integrated component solutions

Global commercial fleet

Source: Oliver Wyman Global Commercial Air Transport Fleet Forecast; Airbus Global Market Forecast
Commercial Aviation Services Market Growth by Region

- **Europe**: $21Bn (2019), $27Bn (2029), 2% CAGR
- **North America**: $20Bn (2019), $24Bn (2029), 2% CAGR
- **Asia (ex. China)**: $17Bn (2019), $24Bn (2029), 3% CAGR
- **China**: $7Bn (2019), $18Bn (2029), 10% CAGR
- **Rest of World**: $16Bn (2019), $22Bn (2029), 3% CAGR

Source: Oliver Wyman Global Commercial Air Transport Fleet Forecast; Scenario variables: Economic growth, passenger traffic, fuel prices and interest rates; real dollars not adjusted for inflation
Government Aviation Services Market Perspective

- Global defense spending at highest level since Cold War
- U.S. DoD spending moderating but still expect ~3-5% near-term growth
- International spend increasing ~5% per year
- U.S. Government shifting towards IDIQs and longer term contracts
- Increasing U.S. Government interest in commercial best practices

**Strong Global Government Budget Environment**
AAR’s Global Expertise and Reach

North America
HQ and warehouse near O’Hare; airframe MRO network; component and LG repair; manufacturing services

UK
Regional sales and Integrated Solutions offices

Europe
Component repair in Amsterdam; warehouse network includes Brussels and Hannover serving EMEA and supported by sales offices

Middle East
Warehouse and sales support in Dubai for EMEA

China
Warehouse and sales support

India
Developing JV MRO facility in Nagpur

Singapore
Regional sales office; warehouse and engineering services

South America
Parts Supply and Integrated Solutions sales office supporting customers in Latin America

Australasia
Flight-hour and sales support in Auckland and Melbourne

Over 60 locations around the world

Customers in over 100 countries

~40% of Commercial Sales Outside the U.S.
## AAR’s Strong Industry Relationships

<table>
<thead>
<tr>
<th>Airlines</th>
<th>Cargo Airlines</th>
<th>OEMs</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIR CANADA</td>
<td>ATLAS AIR</td>
<td>AIRBUS</td>
<td>[Logo]</td>
</tr>
<tr>
<td>AIR NEW ZEALAND</td>
<td>ATSG</td>
<td>BOMBARDIER</td>
<td>[Logo]</td>
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<tr>
<td>Alaska</td>
<td>DHL</td>
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<td>China Eastern Airlines</td>
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<td>UPS</td>
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<td>flydubai</td>
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<td>Hawaiian Airlines</td>
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<tr>
<td>Jet2.com</td>
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<td>Pratt &amp; Whitney</td>
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<td>Kenya Airways</td>
<td></td>
<td>Raytheon</td>
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<td>Lufthansa</td>
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<tr>
<td>Southwest</td>
<td></td>
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</tr>
<tr>
<td>United</td>
<td></td>
<td></td>
<td>[Logo]</td>
</tr>
</tbody>
</table>

### Regional Airlines

- Air Wisconsin
- Endeavor Air
- flybe
- Hungarian Airlines
- Mesa Airlines
- SkyWest
Parts Supply: Trading

Sal Marino
Trading: Key Messages

1. Largest independent aftermarket aircraft and engine parts supplier

2. Market demand for used parts continues at record levels due to continued increase of engine shop visits

3. Expertise to achieve maximum value of aircraft and engines through entire life cycle

4. Industry reputation for “Doing it Right” and “Close to the Customer” business model
Trading: At a Glance

Key offerings

• Part supply solutions

• Engine management

• Aircraft and engine sales & leasing

• 24/7 Aircraft-on-Ground (AOG) support

Product Sales

Engine and Airframe

Customers / Partners
## Trading: Value Proposition

<table>
<thead>
<tr>
<th>AAR Value Proposition</th>
<th>Customer Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extensive offering of aftermarket aircraft and engine parts</td>
<td>Substantial savings over OEM prices</td>
</tr>
<tr>
<td>Worldwide inventory locations</td>
<td>Reduced inventory / lead time</td>
</tr>
<tr>
<td>Understanding customer quality expectations</td>
<td>Delivering valuable KPIs</td>
</tr>
<tr>
<td>Doing business digitally</td>
<td>Ease of transacting</td>
</tr>
</tbody>
</table>

### Mission

Be the most sought-after supplier to airlines, MROs and leasing companies
Trading Case Study: Narrow-Body Engine Asset Sales and Leasing

- AAR manages all repairs and exclusive part replacement during overhaul; 65% of engine overhaul cost is in parts
- 22,000 CFM56-5B/7B (A320/737NG) and 7,000 V2500-A5 (A320 family) in service
- 60% of CFM56-7B fleet have not had their first overhaul
- Currently 50% of fleet under OEM/PBH control
- Costs to repair CFM engines expected to double over next decade due to part prices increasing ~6-9% / year

### Engine Shop Visits

<table>
<thead>
<tr>
<th>Year</th>
<th>CFM56-5B</th>
<th>CFM56-7B</th>
<th>V2500-A5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>842</td>
<td>1,016</td>
<td>951</td>
</tr>
<tr>
<td>2020</td>
<td>1,842</td>
<td>1,016</td>
<td>951</td>
</tr>
<tr>
<td>2021</td>
<td>1,842</td>
<td>1,016</td>
<td>951</td>
</tr>
<tr>
<td>2022</td>
<td>850</td>
<td>1,066</td>
<td>1,224</td>
</tr>
<tr>
<td>2023</td>
<td>1,733</td>
<td>1,066</td>
<td>1,224</td>
</tr>
<tr>
<td>2024</td>
<td>1,816</td>
<td>1,098</td>
<td>1,036</td>
</tr>
<tr>
<td>2025</td>
<td>1,897</td>
<td>1,036</td>
<td>1,036</td>
</tr>
</tbody>
</table>

Source: IBA

- **AAR Acquires a Used Engine**
  - Work scope engine
  - Induct engine for repair

- **AAR Contracts a Shop**
  - Inspect/recertify parts onsite
  - AAR routes parts out for repair
  - Parts unrepairable and scrap

- **Contract Shop Disassembles**
  - Parts that are inspected/repaired
  - Scrap replacement by AAR
  - Test cell & certification

- **AAR Sale / Lease**
  - $53M
  - $120M
Trading: Strategic Growth Plan

**Strategic Priorities**

**Grow contractual business**
- Expand existing programs
- CFM56-5B/7B and V2500 opportunities

**Global leader in AOG services**
- Continue to build AOG desk
- Enhance digital interface with customers

**Expand engine trading**
- Proactively repair engines for sale / lease
- Parts readily available to reduce turn time

**Key Initiatives**
Parts Supply: OEM Solutions

Eric Young
OEM Solutions: Key Messages

1. Well-positioned to benefit from system OEM challenges due to OEM alternatives and next-gen platform growth

2. Largest, independent aerospace distributor of engineered products with commercial and government capabilities

3. Differentiated system OEM-centric “sales as a service” business model

4. Significant growth opportunities with existing AAR OEM partners
OEM Solutions: At a Glance

Key offerings

- Global commercial distribution
- U.S. Government distribution
- Direct sales to foreign militaries
- Consumables and expendables supply chain solutions

Key OEM Partners

- Unison
- EATON
- Collins Aerospace
- Pratt & Whitney
- Northrop Grumman
- Safran
- Ametek
- LORD Aerospace Products
- SPP
- BASF
- United
- Lufthansa Technik
- Delta TechOps
- Ministry of Defense
- China Southern Airlines

250,000 unique part numbers sold to over 2,500 unique customers

Commercial and Government
## OEM Solutions: System OEM Value Proposition

<table>
<thead>
<tr>
<th>AAR Value Proposition</th>
<th>OEM Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>OEM sales force multiplier</td>
<td>Enhance strategy and sales</td>
</tr>
<tr>
<td>Stock globally</td>
<td>Reduced inventory / lead time</td>
</tr>
<tr>
<td>Customer service</td>
<td>Reduced overhead. Simplify processes</td>
</tr>
<tr>
<td>Large stocking PO’s</td>
<td>Procurement &amp; production proficiency</td>
</tr>
</tbody>
</table>

**Mission**
Enhance OEMs’ aftermarket growth while reducing overhead and invested capital
**OEM Solutions Case Study: Safran Award**

**OEM Dynamics:**
- Competitive PMA and surplus threats
- Limited stocking locations
- Varied sales reach among certain geographies
- Limited sales reach among repair shops
- Limited e-commerce sales capabilities

**Differentiated AAR Solution:**
- Independent with platform agnostic position and no conflicts of interest
- Analytics-driven sales opportunity targeting approach
- 10 global stocking locations, 100+ sales people with even global coverage
- Existing broad reach across repair shops with ability to bundle exclusive offerings with existing portfolio
- E-commerce capabilities reflecting real-time inventory positions

**Objective**
Enhance Safran’s customer service, market share and sales leveraging AAR’s scale, focus and independence
OEM Solutions: Strategic Growth Plan

**Strategic Priorities**

**Expand existing OEM relationships**
- Product lines
- Geographies

**Establish new OEM relationships**
- Sales-as-a-service value proposition
- Leverage existing AAR touchpoints

**Develop new channels of growth**
- Asia growth
- Foreign military
- Online sales (PAARTS™ Store)

**Key Initiatives**
Repair & Engineering

Brian Sartain
Repair & Engineering: Key Messages

1. Unique breadth of capabilities across all major platforms
2. Largest MRO network in the Americas leveraging the AAR portfolio
3. Generating intellectual property in MRO
4. Industry leading Career Pathway Programs developing the most qualified workforce
Repair & Engineering: Overview

Employees 3,600

Sites 14

- #1 MRO in Americas
- 600+ Landing gears
- 3,000+ Aircraft Maintenance Technicians
- >5.5M Man Hours
- 950+ Aircraft
- 30+ ATA Chapters
- 25,000+ Components Repaired

<table>
<thead>
<tr>
<th>Oklahoma City</th>
<th>Indianapolis</th>
<th>Miami</th>
<th>Duluth</th>
<th>Rockford</th>
<th>Trois-Rivières</th>
<th>Windsor</th>
<th>New York</th>
<th>Amsterdam</th>
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</thead>
<tbody>
<tr>
<td>Narrow body &amp; regional MRO</td>
<td>Narrow &amp; wide body MRO</td>
<td>Narrow &amp; wide body MRO</td>
<td>Narrow body MRO</td>
<td>Narrow body MRO</td>
<td>Narrow body &amp; regional MRO</td>
<td>Narrow &amp; wide body MRO</td>
<td>Commercial &amp; military component repair</td>
<td>Commercial &amp; military component repair</td>
</tr>
<tr>
<td>300,000 SF</td>
<td>1.1 million SF</td>
<td>226,000 SF</td>
<td>188,000 SF</td>
<td>200,000 SF</td>
<td>150,000 SF</td>
<td>143,000 SF</td>
<td>150,000 SF</td>
<td>80,000 SF</td>
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</table>
**Repair & Engineering: Value Proposition**

<table>
<thead>
<tr>
<th>AAR Value Proposition</th>
<th>Customer Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large flexible network</td>
<td>Customer focused solutions that leverage AAR capabilities</td>
</tr>
<tr>
<td>Independently developed proprietary repairs</td>
<td>Flexible solutions providing lowest cost to our customers</td>
</tr>
<tr>
<td>Digital / technology investments</td>
<td>Customer facing solutions and efficiency</td>
</tr>
<tr>
<td>Vertical capabilities to support legacy fleets</td>
<td>One stop shop for all processes leading to best in class support</td>
</tr>
</tbody>
</table>

**Mission**
Provide cost-effective, independent third party MRO service for airframe and landing gear
Repair & Engineering Case Study: Leveraging the AAR Portfolio

Integrated portfolio of services as a competitive advantage

- **Our portfolio of services offers unique value proposition**
  - Engine surplus
  - High value landing gear assets
  - Engineering services

- **Deep customer relationships as an airframe MRO**
  - Combining multiple services
  - Coordinated maintenance scheduling

- **Optimized monetization of assets for partners and shareholders**
  - Highest value package to the customer
  - Harvesting value utilizing best trading business in the industry

[Diagram showing the process of AAR Airframe MRO Services, Surplus parts, Repair of Surplus parts, Sell parts through trading, and Shareholder value]
Repair & Engineering Case Study: Hangar Technology

Explore utilization of emerging technology in MRO facilities to drive efficiencies

- **Augmented reality (AR)**
  - Remote expert / leverage skilled labor pool
  - Remote collaboration with engineers
  - Reduce potential quality escapes

- **Drones**
  - Reduce induction time
  - Create digital trail of completed work

- **Paperless hangar**
  - Creation of digital routine and non-routine task cards
  - Integration of labor, skill set and material requisitions
  - Increase production efficiencies

*15% mechanic efficiency increase*
Repair & Engineering: Strategic Growth Plan

**Strategic Priorities**

- Leverage AAR portfolio as a competitive advantage
- Digital and proprietary innovations
- MRO employer of choice

**Key Initiatives**

- Services as value with partner airlines
- Flexible network delivering all AAR solutions
- Only company with this breadth of offerings
- Maximize customer profitability
- Paperless hangar
- DER and PMA utilization
- Automated aircraft inspection
- Reduced turnaround time
- EAGLE Career Pathway Program
- Enhanced recruiting / retention
- Improved throughput / efficiencies
- Expanded man-hour capacity
Integrated Solutions

Nick Gross
# Integrated Solutions: Key Messages

1. Largest independent provider of component support services

2. Global footprint supporting 46 discrete commercial and government fleet types

3. Integrator of AAR and third-party services to government and commercial customers

4. Increasing share of a large and growing market
**Integrated Solutions: At a Glance**

**Commercial:** Flight-hour-based component support | **Government:** Contractor Logistics Support, supply chain management

<table>
<thead>
<tr>
<th>Planning</th>
<th>Supply Management</th>
<th>Repair Cycle Mgmt</th>
<th>Technical Engineering</th>
<th>Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inventory and materials planning</td>
<td>• Aggregated and leveraged company-wide spend</td>
<td>• Integrated processes, tools and people</td>
<td>• Removal history and reliability databases</td>
<td>• Total Solutions across all lines of maintenance</td>
</tr>
<tr>
<td>• Tight linkages to customer operations planning</td>
<td>• Center-led with on-site coordination and control</td>
<td>• Balanced mix of front- and back-office personnel</td>
<td>• On-staff engineers (DERs)</td>
<td>• Integrated quality and supply maintaining configuration and traceability</td>
</tr>
<tr>
<td>• Shared, pragmatic graduate personnel</td>
<td>• Real-time supplier management tool</td>
<td>• Active tools to increase time on wing and reduce life cycle cost</td>
<td>• Configuration management support</td>
<td>• Deployable field teams including downed aircraft recovery</td>
</tr>
</tbody>
</table>

**“Tailored, deployable, scalable”**

- 46 commercial & government fleets
- 37 countries
- 250,000 repair transactions
- $4B government assets managed
- 55% of IS-G workforce cleared
## Integrated Solutions: Value Proposition

<table>
<thead>
<tr>
<th>AAR Value Proposition</th>
<th>Customer Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close to the customer business model</td>
<td>Proactively ensures uninterrupted support and resolve problems</td>
</tr>
<tr>
<td>Strategically located logistics network</td>
<td>Quick response with reduced inventory / lead time</td>
</tr>
<tr>
<td>Global footprint of 36,000 pre-qualified vendors</td>
<td>Immediate supply chain support with enduring resiliency</td>
</tr>
<tr>
<td>Unified cross-functional program management</td>
<td>Responsive, scalable solutions with 360° perspective and input</td>
</tr>
</tbody>
</table>

**Mission**
Premier provider of global aviation sustainment services, leveraging the full spectrum of AAR’s capabilities with a strong commitment to “Doing it Right”
Integrated Solutions Case Study: USAF Landing Gear PBL Transition

*Privatize legacy commodity sustainment to drive cost savings and improve availability*

**Revitalize**
- Increase approved sources and competition amidst obsolete supply chain
- Develop technology and capability to sustain product lines for 15 years
- Reverse engineer parts no longer available

**Optimize**
- Create real-time web-based tracking & management tools integrated with USAF systems
- Develop an agile, responsive, and scalable supply chain

**Commercialize**
- Diversify sources of repair including partnering with USAF depot to increase capacity
- Utilize market and reliability data to achieve increased performance and deliver data to Air Force systems
- Make long term investments and establish long term supplier contracts above and beyond Air Force budget restrictions
Integrated Solutions: Strategic Growth Plan

**Strategic Priorities**

- Market leading provider of Contractor Logistics Support to the USG
  - Leverage and build past performance record
  - Identify, develop and retain top talent with direct platform knowledge
  - Build on existing IDIQs

- Enhance and grow commercial programs
  - Continue to build out scalable infrastructure
  - Leverage digital tools to drive efficiency
  - Focus BD on scalable fleets

- Further integrate full spectrum of AAR’s capabilities across IS
  - Strengthened capabilities and credibility
  - Bring commercial best practices to the USG
  - Internal capability analysis across all programs
Digital Initiatives

John Holmes
Digital Strategy

Transform the way AAR interacts with and serves its customers

Support existing AAR products and services
- **eCommerce**: Buy, sell, exchange and repair parts
- **Asset & Data Sharing**: Pool assets, share data, open source analytical tools
- **Mobile Applications**: Available any time, any where

Develop, market and sell new standalone services

Develop new digital products and services
- **Technology**: software, advanced data analytics, network-based solutions
- **Simple, intuitive** user experience
- **Focus on “underserved” areas** (e.g., repair management, electronic task cards, advanced analytics)
Selected Digital Offerings

**PAARTS™ Store**
*E-commerce portal*
- >1 million parts available online
- Factory-new parts from >30 OEMs
- Overhauled, serviceable and repairable parts
- Immediate purchase and checkout

**AIRvolution™**
*Parts repair management software*
- Cloud-based solution for aircraft component repair management
- Maximizes repair cycle efficiencies and reduces operational costs
- Integrates with existing systems

**AARIVE®**
*Self-service portal*
- Online self-service tool for flight-hour component support customers
- Access to pool parts, required paperwork ahead of part shipment and tracking of orders in real time

~$25M of Sales from Digital Initiatives
Financial Overview

Sean Gillen
Key Messages

1. Strong historical performance and continued supportive macroeconomic environment

2. Continued opportunity for growth, new business wins and increased market penetration

3. Disciplined capital allocation framework and strong balance sheet expected to drive shareholder value

4. Continued growth expected in revenue and earnings
Historical Financial Performance ($M)

Revenue and Growth

- FY16A: $1,525
- FY17A: $1,591 (4.3% growth)
- FY18A: $1,748 (9.9% growth)
- FY19A: $2,052 (17.4% growth)

Adjusted Diluted EPS from Continuing Operations

- FY16A: $1.27
- FY17A: $1.45 (14.2% growth)
- FY18A: $1.73 (19.3% growth)
- FY19A: $2.36 (36.4% growth)

Adjusted Operating Income and Margin

- FY16A: $77.8 (5.1% margin)
- FY17A: $80.5 (5.1% margin)
- FY18A: $90.5 (5.2% margin)
- FY19A: $111.8 (5.4% margin)

Invested Capital and Adjusted Pretax ROIC

- FY16A: $739 (10.5% ROIC)
- FY17A: $851 (9.5% ROIC)
- FY18A: $983 (9.2% ROIC)
- FY19A: $1,023 (10.9% ROIC)

See the Appendix for reconciliations of non-GAAP financial measures.
Key Long-Term Financial Targets

- Organic sales growth of 5%-10%
- Earnings per share growth of 10%-12%
- SG&A as % of sales to 10% or less
- Year-over-year improvement in working capital turnover and ROIC
- Max leverage of 3.5x EBITDA
Capital Allocation Framework

**Maintain Flexible Balance Sheet**
- Current leverage of 0.7x net debt / Adjusted EBITDA; S&P BB+ credit rating
- Maintain conservative, low cost and flexible balance sheet
- Max leverage ratio of 3.5x EBITDA

**Organic Investment to Drive Growth**
- Support new business wins in Parts Supply and Integrated Solutions
- Investment in attractive assets for Parts Supply, especially Engine Parts
- New / enhanced capabilities in MRO

**Opportunistic Acquisitions**
- Adherence to strategic filters and financial criteria
- Focused on expanding contractual revenue
- Increase intellectual property in portfolio

**Return to Shareholders**
- Maintain dividend of $0.075 per share per quarter
- Initiated $250M Share Repurchase Program in July 2017; repurchased $23.4M
- Remaining authorization of $226.6M
M&A Approach

**Strategic Focus Areas**
- Value-added / IP-enabled parts platforms
- Differentiated component repair capability
- Enhanced scale and OEM relationships in distribution
- Integrated Solutions scale and gov't past performance
- Unique digital / data tools

**Criteria**
- Accelerates strategic priorities vs. organic tactics
- Growth and/or margin accretive
- After-tax IRR exceeds target’s WACC
- Max leverage of 3.5x within 12 months*

* Exclusive of one-time integration costs and inclusive of cost synergies
## FY20 – Financial Guidance

<table>
<thead>
<tr>
<th>P&amp;L Metrics</th>
<th>FY20 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$2.1 to $2.2 Billion</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$2.45 – $2.65</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Metrics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A % of Sales</td>
<td>~ 10.5%</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>24%</td>
</tr>
</tbody>
</table>
Closing Comments

John Holmes
Summary

• End markets healthy and growing

• Unique combination of integrated aftermarket offerings

• $10.2B business development pipeline

• Talented and motivated leadership team

• Strong balance sheet

• Continuing to execute on strategy to drive margins and scale

Leading Independent Aviation Services Provider Globally
Appendix
**Non-GAAP Financial Measures**

Adjusted operating income, adjusted diluted earnings per share from continuing operations, adjusted return on invested capital, adjusted EBITDA, and net debt 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 certain 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. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. Adjusted EBITDA is income from continuing operations before interest income (expense), other income (expense), income taxes, depreciation and amortization, stock-based compensation and other items of an unusual nature. These non-GAAP measures exclude items of an unusual nature including but not limited to certain income tax benefits, severance, restructuring costs, facility repositioning costs impairment charges, and significant customer bankruptcies.

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 EPS from Continuing Operations

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted EPS from continuing operations</td>
<td>$1.30</td>
<td>$1.51</td>
<td>$2.11</td>
<td>$2.40</td>
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<tr>
<td>Deferred tax re-measurement from Tax Reform</td>
<td>-</td>
<td>-</td>
<td>(0.41)</td>
<td>-</td>
</tr>
<tr>
<td>State income tax benefit</td>
<td>-</td>
<td>-</td>
<td>(0.06)</td>
<td>(0.15)</td>
</tr>
<tr>
<td>Recognition of previously reserved income tax benefits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0.19)</td>
</tr>
<tr>
<td>Other income tax benefits</td>
<td>(0.07)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Customer bankruptcy charge, net of tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.27</td>
</tr>
<tr>
<td>Gain on asset disposal, net of tax</td>
<td>-</td>
<td>(0.08)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Facility repositioning and impairment costs, net of tax</td>
<td>0.02</td>
<td>-</td>
<td>-</td>
<td>0.02</td>
</tr>
<tr>
<td>Severance and restructuring charges, net of tax</td>
<td>0.02</td>
<td>0.02</td>
<td>0.09</td>
<td>0.01</td>
</tr>
<tr>
<td><strong>Adjusted Diluted EPS from Continuing Operations</strong></td>
<td><strong>1.27</strong></td>
<td><strong>1.45</strong></td>
<td><strong>1.73</strong></td>
<td><strong>2.36</strong></td>
</tr>
</tbody>
</table>

### Adjusted Return on Invested Capital

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
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<tbody>
<tr>
<td>Operating income</td>
<td>$75.5</td>
<td>$82.3</td>
<td>$86.0</td>
<td>$98.3</td>
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<tr>
<td>Customer bankruptcy charge</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12.4</td>
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<tr>
<td>Gain on asset disposal</td>
<td>-</td>
<td>(2.6)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Facility repositioning and impairment costs</td>
<td>1.0</td>
<td>-</td>
<td>-</td>
<td>0.9</td>
</tr>
<tr>
<td>Severance and restructuring charges</td>
<td>1.3</td>
<td>0.8</td>
<td>4.5</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Adjusted operating income</strong></td>
<td><strong>77.8</strong></td>
<td><strong>80.5</strong></td>
<td><strong>90.5</strong></td>
<td><strong>111.8</strong></td>
</tr>
<tr>
<td>Invested capital</td>
<td>739.0</td>
<td>851.0</td>
<td>983.0</td>
<td>1,023.0</td>
</tr>
<tr>
<td><strong>Adjusted return on invested capital</strong></td>
<td><strong>10.5%</strong></td>
<td><strong>9.5%</strong></td>
<td><strong>9.2%</strong></td>
<td><strong>10.9%</strong></td>
</tr>
</tbody>
</table>
Non-GAAP Financial Measures (Cont’d)

### Adjusted EBITDA

<table>
<thead>
<tr>
<th>Description</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$7.5</td>
</tr>
<tr>
<td>Loss from discontinued operations</td>
<td>76.6</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>4.9</td>
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<tr>
<td>Other expense, net</td>
<td>0.8</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>8.5</td>
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<tr>
<td>Depreciation and intangible amortization</td>
<td>42.8</td>
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<tr>
<td>Customer bankruptcy charge</td>
<td>12.4</td>
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<tr>
<td>Severance charges</td>
<td>0.2</td>
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<tr>
<td>Facility repositioning costs</td>
<td>0.9</td>
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<tr>
<td>Stock-based compensation</td>
<td>13.5</td>
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<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>168.1</strong></td>
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### Net Debt to Adjusted EBITDA

<table>
<thead>
<tr>
<th>Description</th>
<th>5/31/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total debt</td>
<td>$142.9</td>
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<tr>
<td>Less: Cash and cash equivalents</td>
<td><em>(21.3)</em></td>
</tr>
<tr>
<td>Net debt</td>
<td>121.6</td>
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<tr>
<td>Adjusted EBITDA for fiscal 2019</td>
<td>168.1</td>
</tr>
<tr>
<td><strong>Net debt to adjusted EBITDA</strong></td>
<td><strong>0.72</strong></td>
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