AAR CORP.

Cowen and Company
37th Annual Aerospace/Defense & Transportation Conference

February 4, 2016
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, 2015. 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.
Company Overview
Established Player Serving the Global Aviation Services Market

Leading provider of:
► Aviation Services
► Expeditionary Services

to commercial and defense / govt. markets

► NYSE: AIR
► $1.7B revenue
► Over 60 years as a market leader in aviation support
► Over 4,500 employees in over 20 countries
► Customer-centric business model
Sold Telair Cargo Group – Telair Europe, Nordisk and U.S. Cargo loading manufacturing units
- Transaction value = $733 million
- Net Proceeds greater than $600 million (after cash taxes and expenses)
- Pre-tax gain of approximately $225 million

Discontinued Operations of Precision Systems Manufacturing
- Recorded impairment charges of $55 million in FY2015
- Sale process ongoing and expected to be finalized in FY2016

Recapitalization
- Redeemed $325 million 7.25% High Yield Notes
  - $45.6 million make-whole premium
  - $23.6 million in annual interest cost savings
- Refinanced revolving credit facility
- Improved credit ratings
  - S&P upgraded AAR Corp. to BB+, with stable outlook
- Received Board authorization for $250 million share repurchase
  - Completed Dutch Tender in May 2015 for $133.5 million
- Reduction of approximately 20% of corporate costs
Path to “New” AAR | Rationale for Transactions

Repositions AAR as an industry-leading aviation services company:

- Streamlined operations
- Renewed focus on higher-margin activities
- Delivering best-in-class services to customers

Value for AAR’s shareholders:

- Unlocked significant capital to pay down high-cost debt and repurchase shares
- Positions the Company to invest in long-term growth in its core services business

Simpler and More Focused Company
Company Overview

Aviation Services ~$1.4B

- **Aftermarket Parts Supply**
  - Supply chain programs
  - Distribution
  - Trading
  - Repair management
- **MRO**
  - Aircraft maintenance and modifications
  - Component repair
  - Landing gear and wheels and brakes repair
  - Engineering services

Expeditionary Services ~$0.3B

- **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 and special mission projects

- Commercial and government end-markets
- Government end-markets
# Aviation Services | Aftermarket Parts Supply

## Supply Chain Programs

- **Power by the hour / Rotable**
  - 1,000+ aircraft supported from 50 locations
  - Over 250,000 ROs / year
- **Expendable**
  - 200,000+ annual shipments
  - 155,000 part numbers supported
  - Over 900 customers worldwide

## Distribution

- **Sales of OEM new parts to:**
  - Commercial aviation
  - Defense aviation
- **50+ OEM distributorships**
- **20,000+ line items available**

## Parts Trading

- > 1 million parts stocked (airframe and engine)
- Offices and stocking locations in 12 countries
- Sales, exchanges, leases, consignments

## Repair Management

- **Objective to lower repair costs and shorten repair cycle**
- **Primary services:**
  - Repair and warranty management
  - Supplier and contract management
  - Strategic sourcing
- **Manage $750M of spend for 4,000+ aircraft**
## Airframe Maintenance Facilities

<table>
<thead>
<tr>
<th>Location</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oklahoma City</td>
<td>- Regional &amp; Narrow body 300,000 sf in six hangars&lt;br&gt;- Full airframe paint capabilities</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>- Narrow &amp; Wide body 1.1 Million sf in 10 hangars&lt;br&gt;- Full airframe paint capabilities</td>
</tr>
<tr>
<td>Miami</td>
<td>- Narrow &amp; Wide body 226,000 sf in three hangars&lt;br&gt;- Full airframe paint capabilities</td>
</tr>
<tr>
<td>Duluth</td>
<td>- Regional &amp; Narrow body 80,000 sf open hangar floor space&lt;br&gt;- Full airframe paint capabilities</td>
</tr>
<tr>
<td>Lake Charles</td>
<td>- Narrow and Wide body&lt;br&gt;- Capable of handling aircraft as large as A380&lt;br&gt;- 520,000 sf facility in six hangars</td>
</tr>
</tbody>
</table>

### MRO
- **#1 MRO of the Americas**
- **5 million Man hours**
- **1,082 aircraft maintained, repaired or overhauled**

### Landing Gear & Component Services
- **120,000sf Landing Gear facility**
- **>300 Landing Gear Customers**
- **250,000sf Component Services facilities**
- **>10,000 High-value serviced components**

*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
- Opening of Lake Charles low-cost facility

Parts Distribution & Surplus Parts Market

- Single-digit growth
- Deferred aircraft retirement in response to lower oil prices
- Next-generation aircraft

AAR Impact/ Response

- AAR taking market share
- Pipeline of opportunities
- Plans to build capabilities

* B & GA = Business and General Aviation
Source: ICF International

Denotes AAR market presence
Strong Customer Relationships

Airlines

OEMs

Cargo & Leasing

Government

U.S. DoD
U.S. Marshals Service
U.K. MoD
Colombian Air Force
NATO
Financial Performance
Navigated Through Five Major Industry Cycles

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

Sales ($B)

Arab Oil Embargo
Fuel Crisis Conflicts in Iran
Economic Downturn Gulf War
September 11 Attacks
“Great Recession”
Sale of Telair Cargo Group

11% CAGR

2Q FY2016 Highlights

- Sales of $423.8 million, up 5.1% from prior year
  - $33.7 million growth (10.3%) in Aviation Services
  - $13.2 million decline (17.1%) in Expeditionary Services

- Diluted EPS of $0.30 per share from continuing operations

- Gross profit % decline from 16.7% to 14.1% year-over-year due primarily to lower sales in Expeditionary Services

- SG&A at 10.0% of sales, versus 10.4% in Q1
  - Further improvement will come from increasing sales

- Generated $47.7 million in operating cash flow

- Reduced net debt by $43.4 million in the quarter
### 2Q FY2016 Income Statement Highlights

<table>
<thead>
<tr>
<th></th>
<th>2Q 16</th>
<th>Prior Year (PY)</th>
<th>Prior Quarter (PQ)</th>
<th>Variance Better / (Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>$423.8</td>
<td>$403.3</td>
<td>$377.8</td>
<td>$20.5 / $46.0</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$59.9</td>
<td>$67.2</td>
<td>$54.5</td>
<td>($7.3) / $5.4</td>
</tr>
<tr>
<td><strong>% Margin</strong></td>
<td>14.1%</td>
<td>16.7%</td>
<td>14.4%</td>
<td>(2.5%) / 0.3%</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>$42.5</td>
<td>$40.1</td>
<td>$39.4</td>
<td>($2.4) / ($3.1)</td>
</tr>
<tr>
<td><strong>% Margin</strong></td>
<td>10.0%</td>
<td>9.9%</td>
<td>10.4%</td>
<td>0.1% / 0.4%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$17.3</td>
<td>$27.7</td>
<td>$14.8</td>
<td>($10.4) / $2.5</td>
</tr>
<tr>
<td><strong>% Margin</strong></td>
<td>4.1%</td>
<td>6.9%</td>
<td>3.9%</td>
<td>(2.8%) / 0.2%</td>
</tr>
<tr>
<td><strong>Net Interest Expense</strong></td>
<td>$1.5</td>
<td>$6.5</td>
<td>$1.9</td>
<td>$5.0 / $0.4</td>
</tr>
<tr>
<td><strong>Income Tax</strong></td>
<td>$5.3</td>
<td>$7.3</td>
<td>$4.4</td>
<td>$2.0 / ($0.9)</td>
</tr>
<tr>
<td><strong>Income from Continuing Ops.</strong></td>
<td>$10.4</td>
<td>$13.9</td>
<td>$8.2</td>
<td>($3.5) / $2.2</td>
</tr>
<tr>
<td><strong>Avg. Dil Shares</strong></td>
<td>34.6</td>
<td>39.1</td>
<td>35.1</td>
<td>4.5 / 0.5</td>
</tr>
<tr>
<td><strong>Diluted EPS - Continuing Ops</strong></td>
<td>$0.30</td>
<td>$0.35</td>
<td>$0.23</td>
<td>($0.05) / $0.07</td>
</tr>
<tr>
<td><strong>Total Net Income</strong></td>
<td>$8.0</td>
<td>$15.2</td>
<td>$22.9</td>
<td>($7.2) / ($14.90)</td>
</tr>
<tr>
<td><strong>Total EPS - Diluted</strong></td>
<td>$0.23</td>
<td>$0.38</td>
<td>$0.65</td>
<td>($0.15) / ($0.42)</td>
</tr>
</tbody>
</table>

**Significant Top-Line Growth**

![AAR Celebrating 60 Years](image)
## 2Q FY2016 Leverage & Liquidity Levels

### Net Debt Evolution

<table>
<thead>
<tr>
<th>Month</th>
<th>Q4’13</th>
<th>Q1’14</th>
<th>Q2’14</th>
<th>Q3’14</th>
<th>Q4’14</th>
<th>Q1’15</th>
<th>Q2’15</th>
<th>Q3’15</th>
<th>Q4’15</th>
<th>Q1’16</th>
<th>Q2’16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Debt</td>
<td>708.6</td>
<td>702.2</td>
<td>680.8</td>
<td>714.4</td>
<td>634.0</td>
<td>627.1</td>
<td>635.3</td>
<td>643.3</td>
<td>154.0</td>
<td>179.5</td>
<td>170.3</td>
</tr>
<tr>
<td>Cash</td>
<td>75.3</td>
<td>90.9</td>
<td>98.5</td>
<td>114.7</td>
<td>89.2</td>
<td>81.8</td>
<td>92.6</td>
<td>67.0</td>
<td>54.7</td>
<td>28.7</td>
<td>62.8</td>
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<tr>
<td>Available Cash</td>
<td>417.5</td>
<td>435.9</td>
<td>463.9</td>
<td>439.9</td>
<td>424.5</td>
<td>417.0</td>
<td>387.4</td>
<td>346.5</td>
<td>491.4</td>
<td>414.0</td>
<td>447.9</td>
</tr>
<tr>
<td>Total Debt / LTM EBITDA</td>
<td>2.9x</td>
<td>2.9x</td>
<td>2.8x</td>
<td>3.0x</td>
<td>2.7x</td>
<td>3.3x</td>
<td>2.7x</td>
<td>3.2x*</td>
<td>1.3x</td>
<td>1.6x</td>
<td>1.4x **</td>
</tr>
<tr>
<td>Net Debt / LTM EBITDA</td>
<td>2.6x</td>
<td>2.5x</td>
<td>2.4x</td>
<td>2.5x</td>
<td>2.3x</td>
<td>2.9x</td>
<td>2.3x</td>
<td>2.9x*</td>
<td>0.8x</td>
<td>1.4x</td>
<td>0.9x **</td>
</tr>
</tbody>
</table>

* Credit metrics temporarily higher due to pending High Yield Notes redemption.
** Based on annualized last 6 months of EBITDA

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### Strong Deleveraging Trend

[Notes on the graph and table are relevant to understanding the data.]
**2Q FY2016 Debt Composition**

**Maturity Tower**

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<tbody>
<tr>
<td>Revolver</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBJ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Convert 2.25%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>IRB</td>
<td></td>
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</tr>
</tbody>
</table>

($ in million)  

- Revolver: 105 as of 11/30/15
- DBJ: 10.0
- Convert 2.25%: 25.3 *
- IRB: 25.0

**Modest Debt Retirement Profile**

* $25.3 million remaining balance of converts will be retired on March 1, 2016, with available cash and liquidity
Key Investment Highlights

- Sharper focus on services businesses following recent transformation
- Long-term aftermarket growth
- Strong and deep relationships with key industry players
- Time-proven, value-added service provider
- Strong balance sheet with substantial available liquidity

Commitment to Strong Shareholder Returns
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.