Gabelli 2016 Aircraft Supplier Conference

New York City
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AAR Investor Day - October 19, 2016 New York City (RSVP InvestorDay@aarcorp.com)
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

- **NYSE: AIR**
- **Leading provider of Aviation Services and Expeditionary Services to commercial and defense/govt. markets**
- **Diversified $1.7B revenue stream**
- **Over 60 years as a market leader in aftermarket aviation support**
- **Over 5,200 employees in over 20 countries**
- **Close-to-the-customer business**

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AAR®
Doing it Right
To better connect the world
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
<table>
<thead>
<tr>
<th>Programs</th>
<th>Distribution</th>
<th>Parts Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive and innovative contracted solutions for supply chain management</td>
<td>Supplier of factory-new aftermarket OEM parts to commercial and defense customers</td>
<td>Buying, selling, exchanging, and leasing overhauled airframe and engine parts</td>
</tr>
<tr>
<td>▶ Over 1,200 aircraft under long-term Power-by-the-Hour (PBH) support</td>
<td>▶ 50+ OEM distributorships</td>
<td>▶ &gt; 1 million parts stocked</td>
</tr>
<tr>
<td>▶ Inventory owned by customer or part of AAR pool</td>
<td>▶ 20,000+ line items available</td>
<td>▶ Aircraft and engine end-of-life solutions</td>
</tr>
<tr>
<td>▶ Reduce maintenance spend; improve turn times</td>
<td>▶ Stocking locations around the world</td>
<td>▶ Inventory consignments</td>
</tr>
<tr>
<td></td>
<td>▶ Independent – no OEM or Airline affiliation</td>
<td>▶ Technical services including inspections and work scoping for repairs</td>
</tr>
</tbody>
</table>
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
- >10,000 High-value serviced components

**Landing Gear & Component Services**
- 120,000sf Landing Gear facility
- >300 Landing Gear Customers
- 250,000sf Component Services facilities

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
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
- Aeromexico
- Air Canada
- Air France
- Alaska Airlines
- British Airways
- Cathay Pacific
- China Airlines
- Delta
- ExpressJet
- Kenya Airways
- Lufthansa
- Singapore Airlines
- Southwest Airlines
- United

OEMs
- Airbus
- Bombardier
- Boeing
- Eaton
- Gulfstream
- Honeywell
- Liebherr
- Lockheed Martin
- Northrop Grumman
- Raytheon
- Sikorsky

Cargo & Leasing
- FedEx
- UPS
- DHL
- ILFC

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

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

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

**Growth and Margin Improvement vs. FY15**

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

**Variance**

- Better / (Worse)

This table highlights the growth and margin improvement vs. FY15 for various income statement components.
FY2016 Segment Financial Summary

Aviation Services (~85% of sales)

- Sales ($000): $1,231, $1,316, $1,425
- Annual Growth: 7.6%

Expeditionary Services (~15% of sales)

- Sales ($000): $478, $278, $238
- Annual Decline: 29.4%

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<tbody>
<tr>
<td>Gross Profit</td>
<td>173</td>
<td>144</td>
<td>230</td>
<td>116</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>Total Assets</td>
<td>931</td>
<td>919</td>
<td>945</td>
<td>424</td>
<td>388</td>
<td>367</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>26</td>
<td>29</td>
<td>26</td>
<td>37</td>
<td>25</td>
<td>24</td>
</tr>
</tbody>
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Strong Growth In Aviation Services Offset by Decline in Expeditionary Services
## 4Q FY2016 Leverage & Liquidity Levels

### Net Debt Evolution

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</tr>
</thead>
<tbody>
<tr>
<td>Total Debt</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>
<td>195.7</td>
<td>150.1</td>
</tr>
<tr>
<td>Cash</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>
<td>50.4</td>
<td>31.2</td>
</tr>
<tr>
<td>Available Cash</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>
<td>405.5</td>
<td>413.3</td>
</tr>
<tr>
<td>Total Debt / LTM EBITDA</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>1.7x</td>
<td>1.9x</td>
<td>1.2x</td>
</tr>
<tr>
<td>Net Debt / LTM EBITDA</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>1.1x</td>
<td>1.4x</td>
<td>1.0x</td>
</tr>
</tbody>
</table>

### Strong Deleveraging Trend

* Credit metrics temporarily higher due to pending High Yield Notes redemption.
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.