AAR CORP.

Cowen 38th Annual Aerospace/Defense & Industrials Conference

Timothy J. Romenesko, Vice Chairman and CFO
Jason B. Secore, Vice President and Treasurer
Sarah L. Flanagan, CFO of Aviation Services

New York City
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

- **NYSE:** AIR
- **$1.7B revenue stream**
- **Over 60 years** as a market leader in aftermarket aviation support
- **Over 4,800 employees in over 20 countries**
- **Close-to-the-customer** business model

Leading provider of **Aviation Services** and **Expeditionary Services** to commercial and defense/government markets.
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
## Company Overview

### Aviation Services (~85% of sales)

**Commercial 70% | Defense 30%**

<table>
<thead>
<tr>
<th>Supply Chain</th>
<th>MRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>~67% of segment</td>
<td>~33% of segment</td>
</tr>
</tbody>
</table>

- Programs
- Distribution
- Trading
- Aircraft maintenance and modifications
- Component repair
- Landing gear and wheels and brakes repair
- Engineering services

### Expeditionary Services (~15% of sales)

**Defense 84% | Commercial 16%**

<table>
<thead>
<tr>
<th>Airlift</th>
<th>Mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>~67% of segment</td>
<td>~33% of segment</td>
</tr>
</tbody>
</table>

- Fixed and Rotary Wing
- Flight Operations, Maintenance, Logistics
- Passengers, Cargo, Combi Short Takeoff and Landing
- Search and Rescue, NVG, Airdrop
- Pallets, containers, shelter systems, and accessories
- Support services
- Special mission projects

## Projected Increase in Sales and Earnings for FY2017
Aviation Services | Supply Chain

<table>
<thead>
<tr>
<th>Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comprehensive and innovative contracted solutions for supply chain management</strong></td>
</tr>
<tr>
<td>► Over 1,300 aircraft under long-term Power-by-the-Hour (PBH) support</td>
</tr>
<tr>
<td>► Inventory owned by customer or part of AAR pool</td>
</tr>
<tr>
<td>► Reduce maintenance spend; improve turn times</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales and marketing partner to extend OEM reach into the aftermarket</strong></td>
</tr>
<tr>
<td>► 10+ exclusive OEM relationships covering 50+ product lines</td>
</tr>
<tr>
<td>► 20,000+ line items available</td>
</tr>
<tr>
<td>► Stocking locations around the world</td>
</tr>
<tr>
<td>► Independent – No OEM or Airline affiliation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parts Trading</th>
</tr>
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<tbody>
<tr>
<td><strong>Buying, selling, exchanging, and leasing overhauled airframe and engine parts</strong></td>
</tr>
<tr>
<td>► &gt; 1 million parts stocked</td>
</tr>
<tr>
<td>► Aircraft and engine end-of-life solutions</td>
</tr>
<tr>
<td>► Inventory consignments</td>
</tr>
<tr>
<td>► Technical services including inspections and work scoping for repairs</td>
</tr>
</tbody>
</table>

Industry Leading IT Solutions
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

![Airlift Image](image)

#### 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

![Mobility Image](image)
AAR Global Presence

Strategically Located in Close Proximity to Key Customers

Over 60 Locations around the world

Customers in over 100 Countries
Strong Industry Relationships (Representative List)

**Airlines**
- AeroMexico
- Air Canada
- Alaska Airlines
- Delta
- Southwest Airlines
- United
- British Airways
- China Airlines
- FedEx
- United Technologies
- Honeywell
- Eaton
- SkyWest

**Cargo Airlines**
- Cargo Airlines
- DHL
- UPS
- Boeing
- Lockheed Martin
- Northrop Grumman

**OEMs**
- Airbus
- Bombardier
- Boeing
- Raytheon

**Governments**
- United States
- Republic of Colombia
- United Nations
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)
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
### 2Q FY2017 Segment Results

#### Aviation Services

<table>
<thead>
<tr>
<th></th>
<th>in millions</th>
<th>2Q 2017</th>
<th>Prior Year 2Q 2016</th>
<th>Variance Better / (Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
<td>$346.7</td>
<td>$359.6</td>
<td>($12.9)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td></td>
<td>$56.0</td>
<td>$58.2</td>
<td>($2.2)</td>
</tr>
<tr>
<td>% Margin</td>
<td></td>
<td>16.2%</td>
<td>16.2%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

#### Expeditionary Services

<table>
<thead>
<tr>
<th></th>
<th>in millions</th>
<th>2Q 2017</th>
<th>Prior Year 2Q 2016</th>
<th>Variance Better / (Worse)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
<td>$77.1</td>
<td>$71.9</td>
<td>$5.2</td>
</tr>
<tr>
<td>Gross Profit</td>
<td></td>
<td>$10.2</td>
<td>$0.9</td>
<td>$9.3</td>
</tr>
<tr>
<td>% Margin</td>
<td></td>
<td>13.2%</td>
<td>1.3%</td>
<td>11.9%</td>
</tr>
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</table>
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

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

<table>
<thead>
<tr>
<th>in millions except EPS</th>
<th>FY 2016</th>
<th>Guidance FY 2017</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$1,699</td>
<td>$1,700 - $1,800</td>
<td>Up to 8%</td>
</tr>
<tr>
<td>Diluted EPS (Continuing Ops)</td>
<td>$1.09</td>
<td>$1.30 - $1.40</td>
<td>19% - 28%</td>
</tr>
</tbody>
</table>
Share Price Outperformed Peers and S&P500

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

<table>
<thead>
<tr>
<th>Share Performance</th>
<th>LTM</th>
<th>Since FY17 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR</td>
<td>68%</td>
<td>35%</td>
</tr>
<tr>
<td>Peers(1)</td>
<td>27%</td>
<td>15%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>20%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: IR Insight.
(1) S&P Aerospace and Defense Select Industry Index
(2) Market data as of February 3, 2017