

# Pathway to Equity Growth

May 2016

# Safe Harbor Statement and Non-GAAP Financial Measures

## **Forward-Looking Statements**

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are based on management's beliefs and assumptions, current expectations, estimates and projections. These statements are only predictions and are not guarantees of future events or results. Such statements are subject to known and unknown risks, uncertainties and assumptions, certain of which are beyond LMI Aerospace's ability to control or predict. Accordingly, actual results may differ materially from the forward-looking statements contained in this presentation. For example, statements concerning future benefits of LMI Aerospace's integration and cost savings initiatives, exposure to key aerospace platforms and their production rates, target opportunities, as well as LMI Aerospace's financial condition, possible or expected results of operations, including targeted financial returns, commercialization of new products, growth opportunities and plans of Management, are all forward-looking statements. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date hereof. LMI Aerospace disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to place undue reliance on these forward-looking statements. For more information about the risks, uncertainties and assumptions LMI Aerospace faces that may affect forward-looking statements, see the company's Annual Report on Form 10-K filed for the year ended December 31, 2015, and in subsequent reports filed or to be filed with the Securities and Exchange Commission, which can be found on the LMI Aerospace website at <http://ir.lmiaerospace.com/sec.cfm>.

## **Non-GAAP Financial Measures**

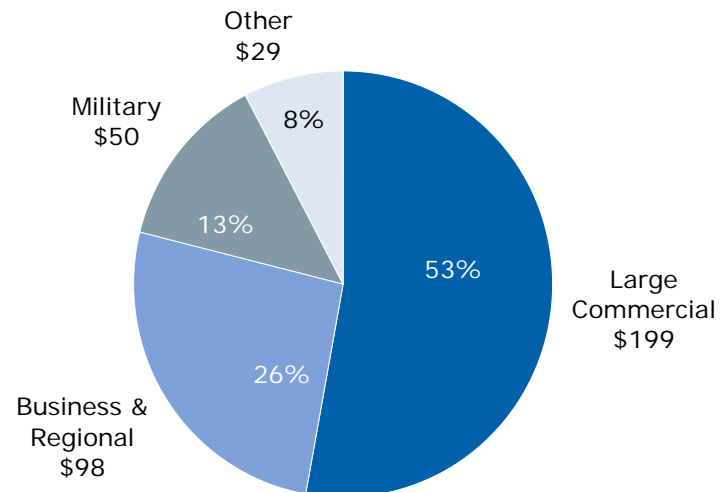
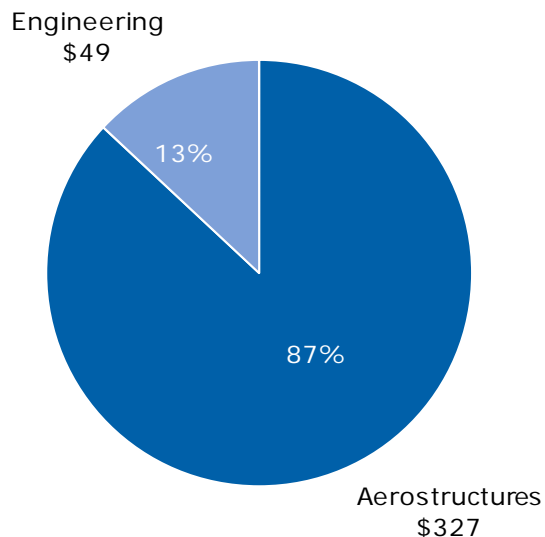
This presentation may include references to EBITDA and Adjusted EBITDA, which are not calculated under standards or rules that comprise U.S. GAAP. Such measures are referred to as non-GAAP measures. Companies may calculate non-GAAP measures differently. These measures should not be viewed as a substitute for those determined in accordance with U.S. GAAP. A reconciliation to the most comparable GAAP measure for EBITDA and Adjusted EBITDA can be found on the LMI Aerospace website at <http://ir.lmiaerospace.com/sec.cfm>.

# LMI Aerospace | Company Snapshot

- LMI Aerospace designs and manufactures complex aerospace structural assemblies, structures, components and kits
- Strategically positioned on key commercial, business jet and military platforms from Boeing, Gulfstream, Sikorsky and other top OEMs
- Commercial aerospace industry production and backlog at record levels
- Aerostructures supply agreements are generally sole-source and long-term
- Platform transitions have allowed LMI to increase shipset values on growing platforms
- Cost savings and customer base diversification have returned Engineering Services to profitability

## 2015 Total Revenue: \$376.3 Million

*(\$ in millions, prior to intercompany eliminations)*



# Pathway to Equity Growth

## 1. Revitalized management & board with deep industry expertise

- Strong management team with 120 years combined industry expertise
- Three new directors including a new Chairman
- Significant board & management stock ownership (17.6%)

## 2. Accelerating Aerostructures growth with expanded aircraft content

- Substantial content wins on 737 MAX; anticipate significant production rate increases in 2017 & beyond
- Share gains on other marquee platforms: G500/600 & 787
- Prospects for content growth on 777X

## 3. Driving Aerostructures operational excellence

- Reorganized operations around Centers of Excellence: Assembly & Machining; Fabrication, Processing & Composites
- Ongoing production & overhead cost reductions
- Investing in capital equipment & ERP system to support growth

## 4. Reinvigorating Engineering Services revenue growth & profitability

- Plan to diversify customer base working – growth in new customers including Tiers 1s & airlines
- Partnering U.S. & Sri Lanka engineers to provide lower cost point for customers
- 2015 cost reductions helped return segment to profitability in 2016 & expect to see continued profitability

## 5. Prioritizing cash flow & deleveraging

- \$48 million free cash flow over last two years
- Targeting to improve leverage ratio from 5.4x in 2015 to ~3.0x by end of 2018

## 6. Significant opportunity for value creation

- Strong outlook on revenues
- Earnings and deleveraging should drive equity value growth

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# Strong Leaders & Directors with Deep Industry Expertise



## **Daniel Korte, CEO**

- Joined in March 2014
- 30+ years aerospace experience
- Prior: President of Rolls-Royce's \$4B Defense Aerospace business; VP of Boeing's \$5B Global Strike Systems business



## **Joseph DeMartino, COO**

- Joined in August 2014
- 30+ years aerospace experience
- Prior: Exec. VP of Aerospace Structures, GKN Aerospace



## **Brian Olsen, President Engineering Services**

- Appointed to lead Engineering Services in February 2015
- 34+ years aerospace experience
- Prior: Exec. Director of Business Development, LMI



## **Cliff Stebe, CFO**

- Became CFO in November 2013
- 6 years aerospace experience
- Prior: Corporate Controller, LMI (from 2010); Senior Manager, PricewaterhouseCoopers



## **David Wright, VP – Corporate & Business Development**

- Rejoined in 2016
- 20 years aerospace experience
- Prior: VP of Business Development, Omada; Exec. Director of BD, LMI

## 120 Years Aerospace & Defense Experience

### **DIRECTORS SINCE 2014**

- **Gerald Daniels, Chairman** – Formerly Chief Executive and Vice Chairman, Engineered Support Systems; and Chief Executive, Boeing Military Aircraft and Missile Systems
- **Gregory Summe** – Managing Partner of Glen Capital Partners LLC, which owns 11% of LMI; formerly Vice Chairman of Global Buyout, The Carlyle Group; Chairman and CEO of PerkinElmer Inc.; President of AlliedSignal (now Honeywell) jet engines and AlliedSignal General Aviation Avionics
- **Steven Schaffer** – Formerly Vice President of Supplier Management at Boeing overseeing all outside production for Boeing Commercial Airplanes

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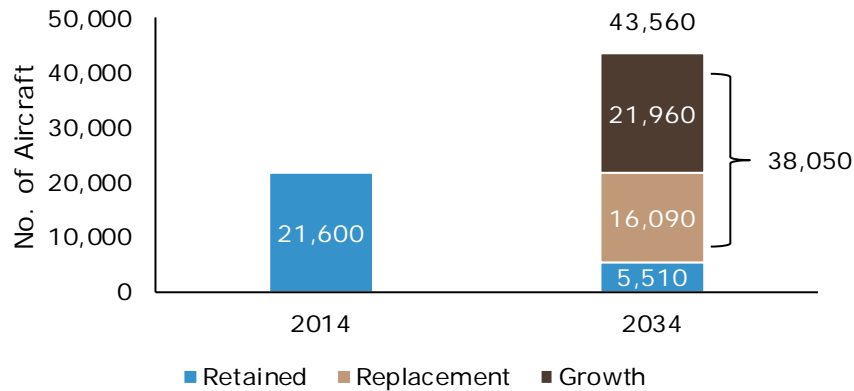
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# Solid Outlook for Commercial and Business Jet Markets

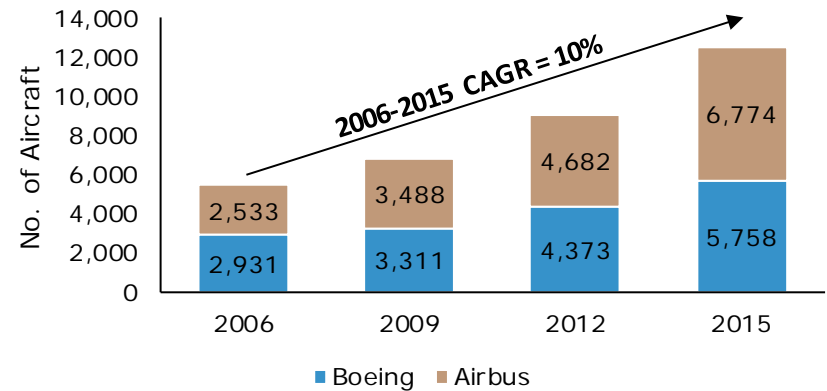
## Passenger jet fleet expected to double

Global Passenger Jet Fleet



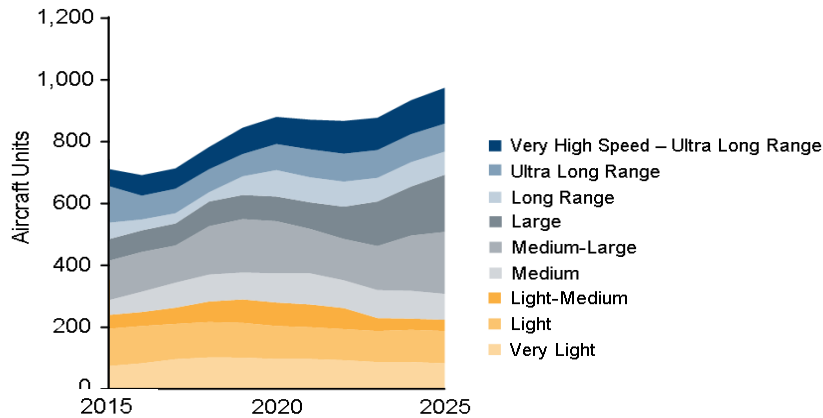
## OEM backlogs at all-time high

OEM Backlogs



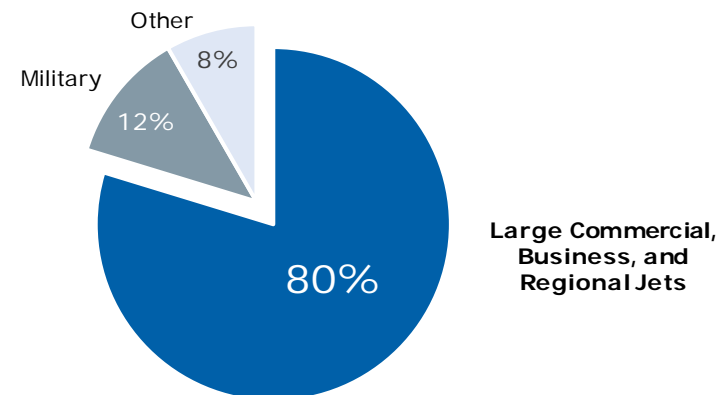
## Business jet market is expected to grow

Business Jet Outlook



## LMIA is 80% exposed to growing markets

LMIA 2015 Aerostructures Revenue

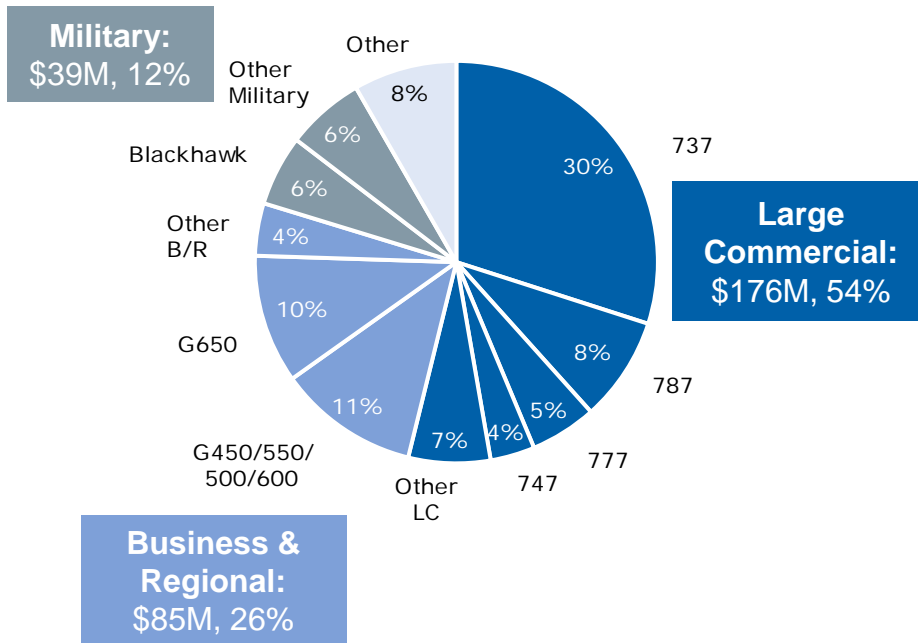




# Strong Aerostructures Position on Leading Growth Platforms

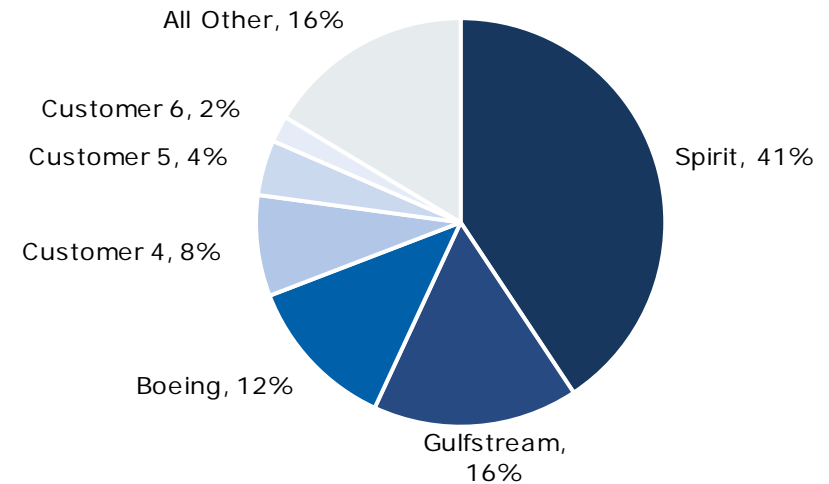
## "Heart of the market" platform exposure

2015 Aerostructures Revenue by Platform



## Deep relationships with leading customers

2015 Aerostructures Revenue by Customer



**Right Platforms ■ Right Customers**

# Aerostructures is Well-positioned on Next-generation Large Commercial Platforms

**Based on current wins: ~15% CAGR with growth taking off in 2017**



## Boeing 737 & 737 MAX

- Grew share 75% on 737 MAX
- Leading-edge, cockpit crew floor, bulkhead structure, wheel-well assemblies, hard-metal pylon details



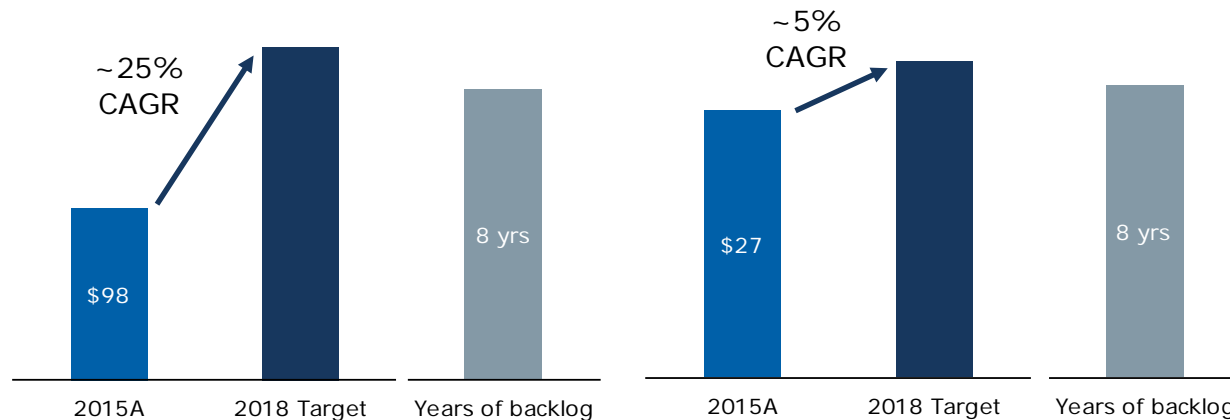
## Boeing 787

- Fuselage assemblies, electronic racks, structural sheet metal, machined components



## Boeing 777X

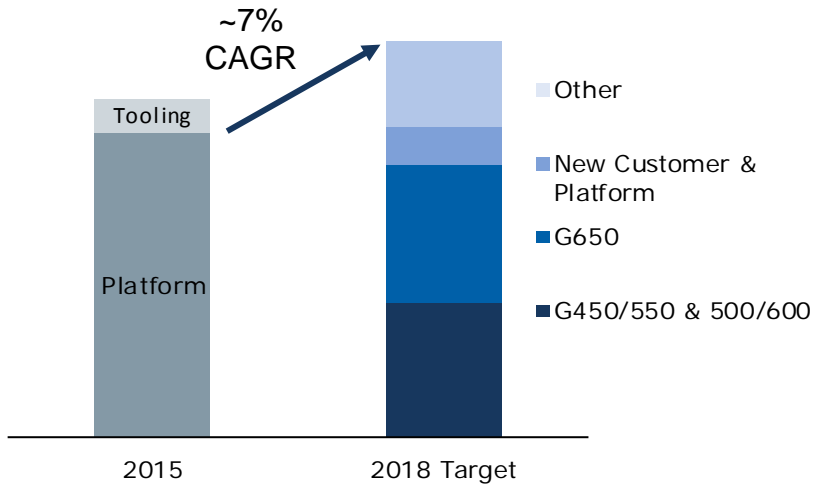
- Next opportunity



(\$ in millions)

Note: Years of backlog based on current deliveries

# Aerostructures has Grown Share at Gulfstream & Winning Content with New Business & Regional Jet Customers



## Based on current wins:

- 3% Total CAGR
- 7% Platform CAGR



### Gulfstream 450/550 and 500/600

- Growing 500/600 backlog
- Leading edge assemblies, bonded fuselage skins, structural sheet metal

**LMI grew 500/600 share +59% over legacy platforms**



### Gulfstream 650

- Strong backlog
- Leading-edge assemblies and components, fuselage and wing skins, structural sheet metal

**Solid content with opportunities**

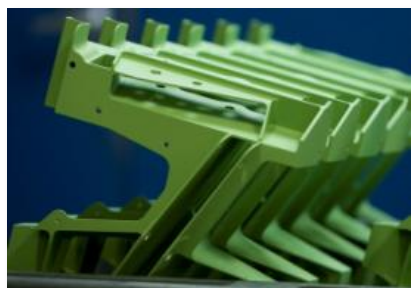
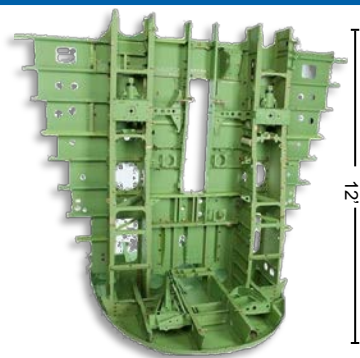


### New customer, new platform

- Flaps, vanes, ailerons and pylons

# Superior Aerostructures Capabilities Across 2 Centers of Excellence

## Assembly & Machining



- Simple to large & complex
- Flight surfaces
- Composite assembly
- Electro-mechanical
- Kitting
- High-speed 3,4,5 axis
- Dedicated cell systems
- Hard and soft metal
- Large and long structures
- Lights-out operations

## Fabrication, Processing & Composites

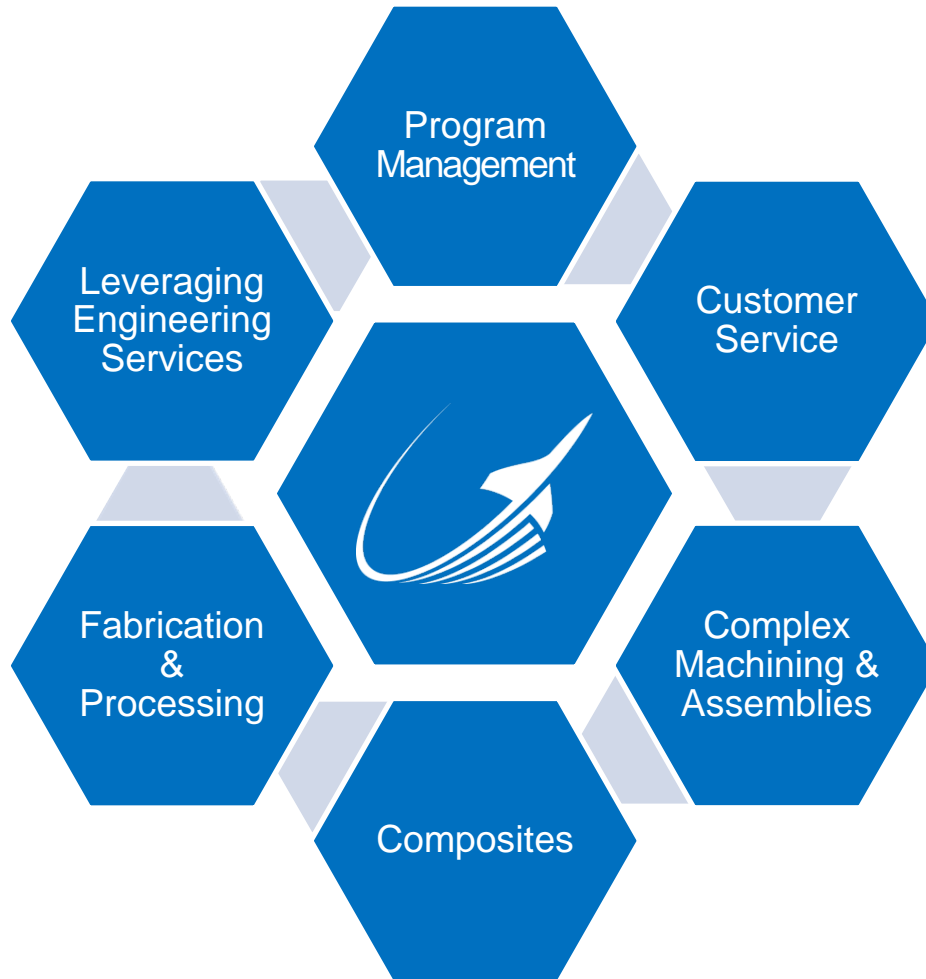


- Large panel stretch pressing
- Brake forming
- Hydro forming
- Large extrusion stretch
- Processing

# Why Aerostructures is Winning Share?

**Integrated Full-service Provider**

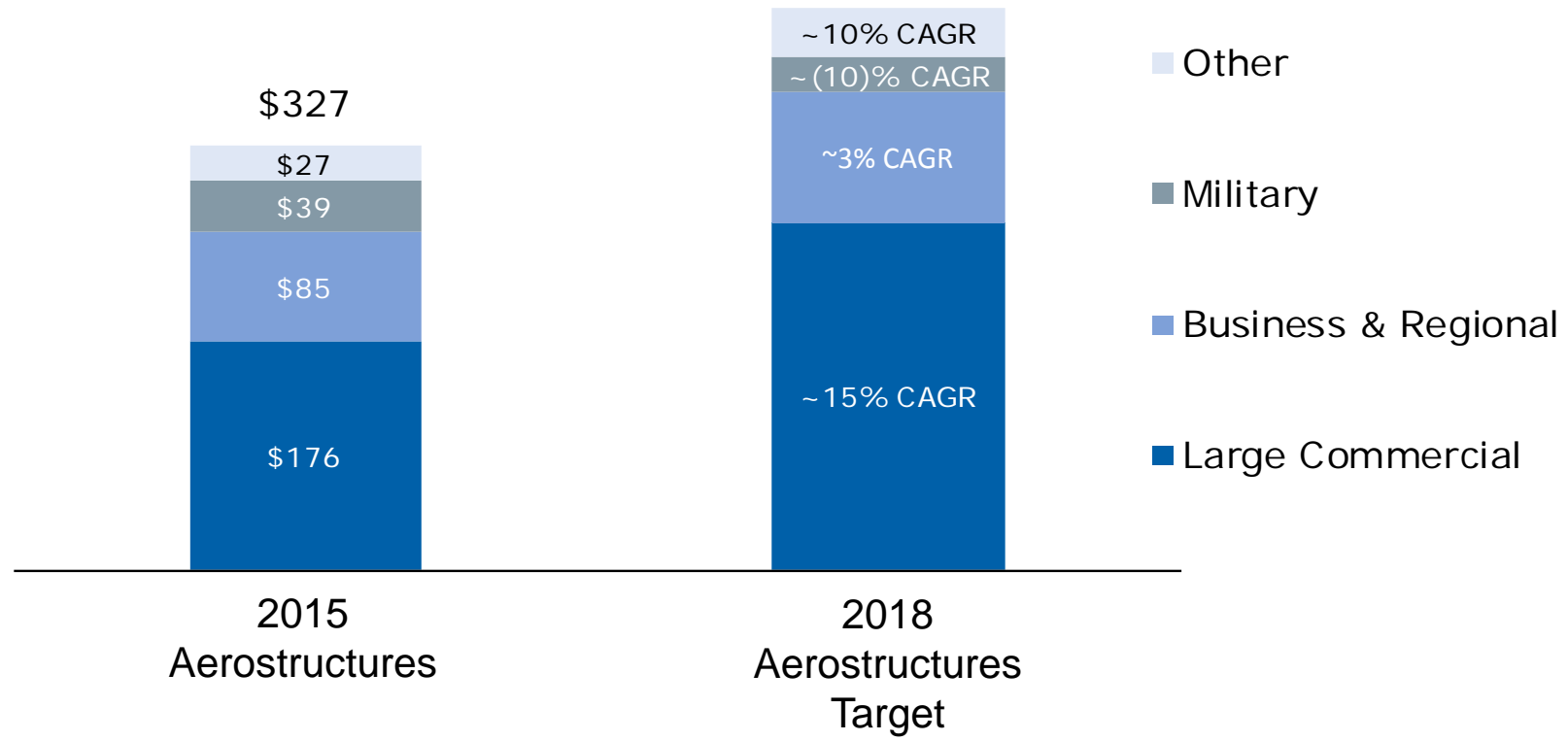
**With:**



- Efficient operations
  - Vertically integrated
  - Nonunion
  - Access to low-cost geography
  - Lean culture
- Industry-leading delivery and quality performance
- Close proximity to customers
- Deep customer relationships
- Strong customer-service reputation

# High Visibility to Meaningful Aerostructures Revenue Growth

**10%+ CAGR**



(\$ in millions)

# Pathway to Equity Growth

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**2. Accelerating Aerostructures growth with expanded aircraft content**

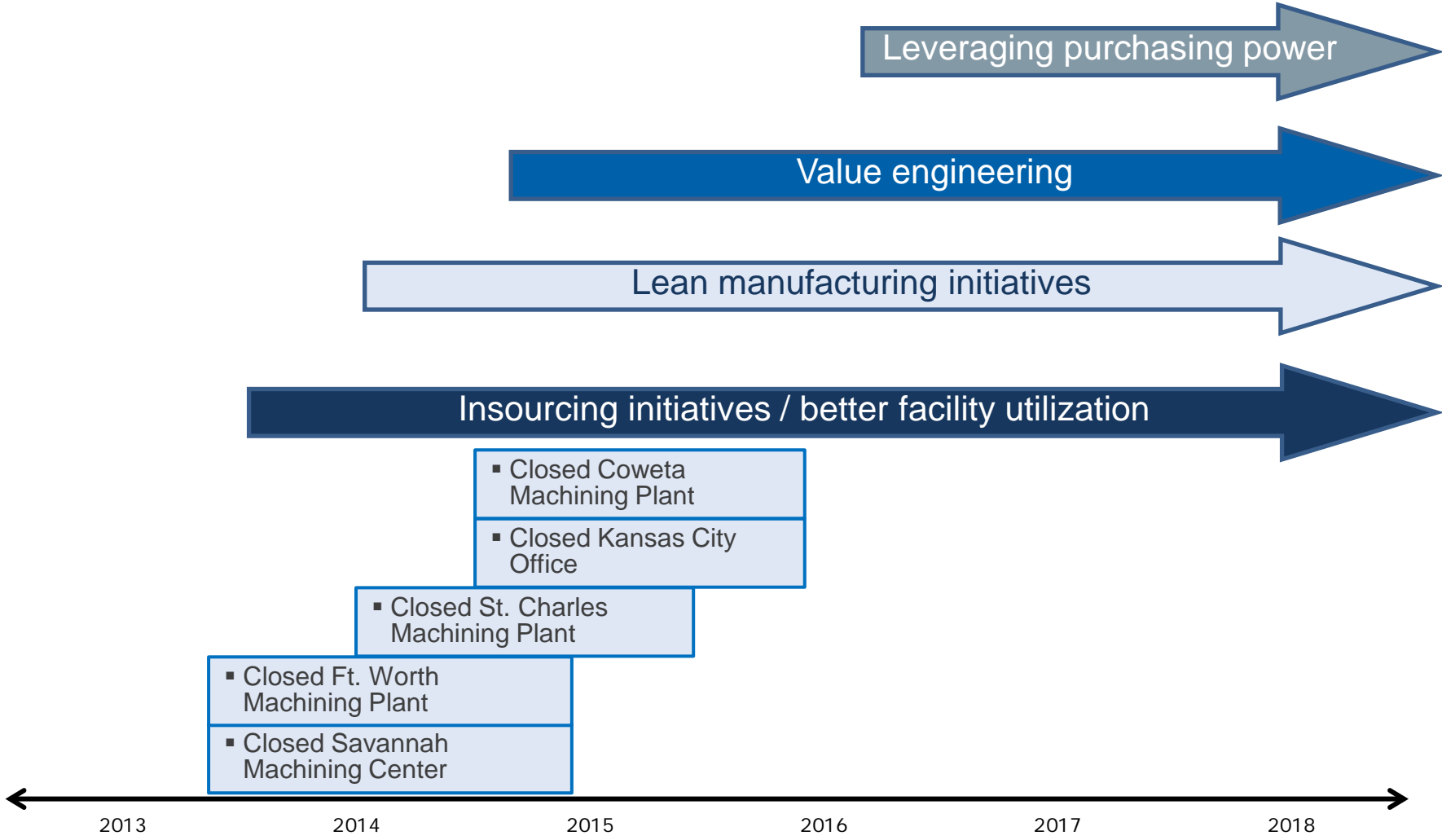
**3. Driving Aerostructures operational excellence**

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# Aerostructures Cost Improvement Initiatives



**Targeting Margin Expansion through 2018**



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# Plan to Diversify Engineering Customer Base is Working

- **Growth in new customers including Tiers 1s & airlines helping stabilize sales over past 5 quarters** – increasing opportunities in diverse sectors

**MILITARY**  
Sierra Nevada Corp  
Lockheed Martin  
Raytheon  
Northrop Grumman



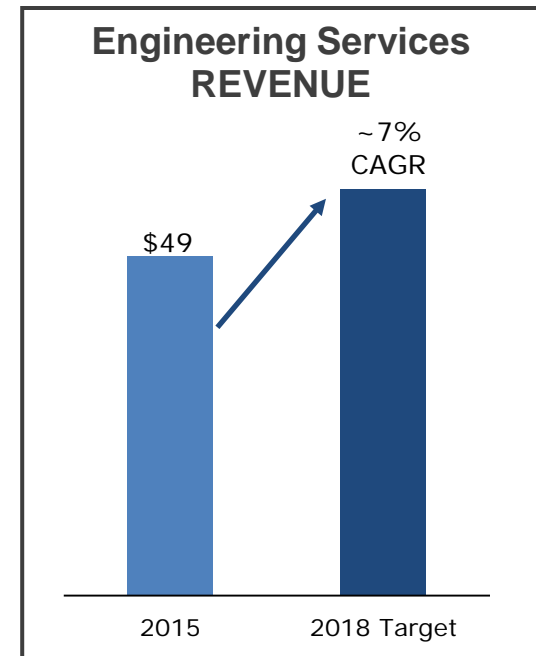
**SPACE**  
Orbital ATK  
Virgin Galactic



**AFTERMARKET**  
GoGo  
American Airlines  
NORDAM



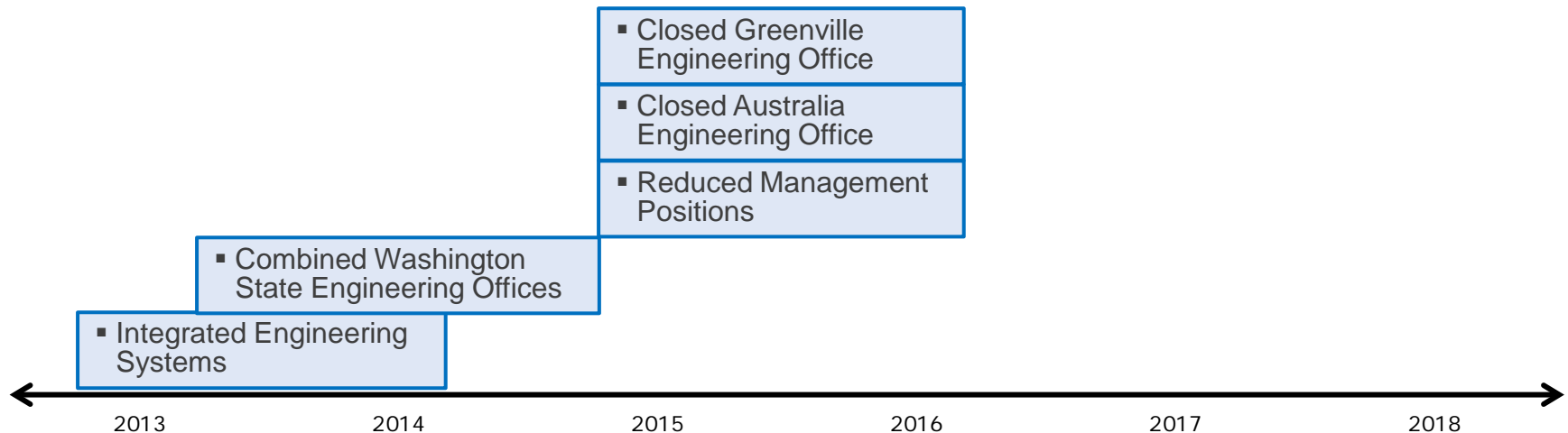
- **Partnering U.S. & Sri Lanka engineers to provide lower cost point for customers**
  - Larger scale support for anchor OEM and Tier 1 customers
  - Development of Sri Lanka engineering team for scalability



# Engineering Services Cost-savings Actions

- **2015 cost reductions helped return segment to profitability in 4Q2015 and expect to see continued profitability**
  - Right sized the business
  - Improved integration and efficiency in all areas of the business

Drive high resource utilization



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# Prioritizing Cash Flow & Deleveraging

## Product Inventory Initiatives

- Improved demand planning
- Improved production discipline
- Working toward just-in-time material delivery, including vendor consignments
- Scrap-reduction initiatives
- **25-day improvement in inventory turns<sup>1</sup> since 2013, developing further opportunities**

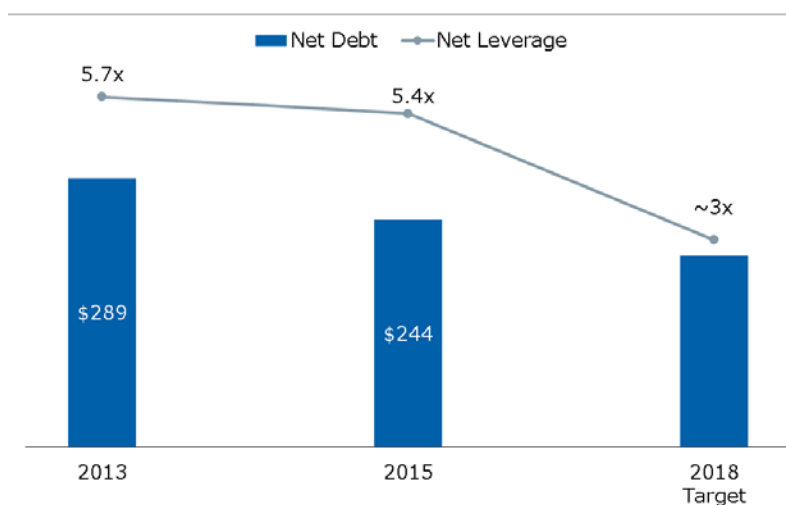
## A/R and A/P Initiatives

- Using payment-card program to extend terms
- **Using supplier terms to offset customer demands**
- Minimizing growth in net DSO and DPO spread

## Cash-focused Culture

- **Free cash flow is key component of annual incentive compensation for executive leadership and plant GMs**
- High ROIC hurdles for capital spending
- Frequent review of cash flow
- Daily monitoring of cash transactions

## Net Debt



(\$ millions)

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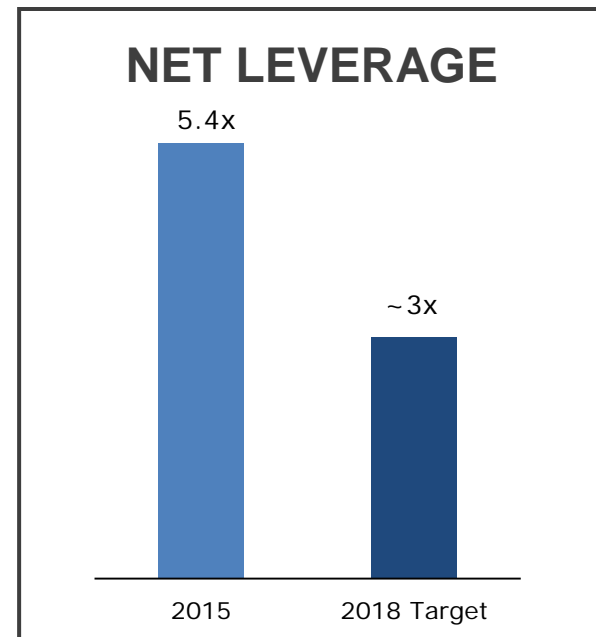
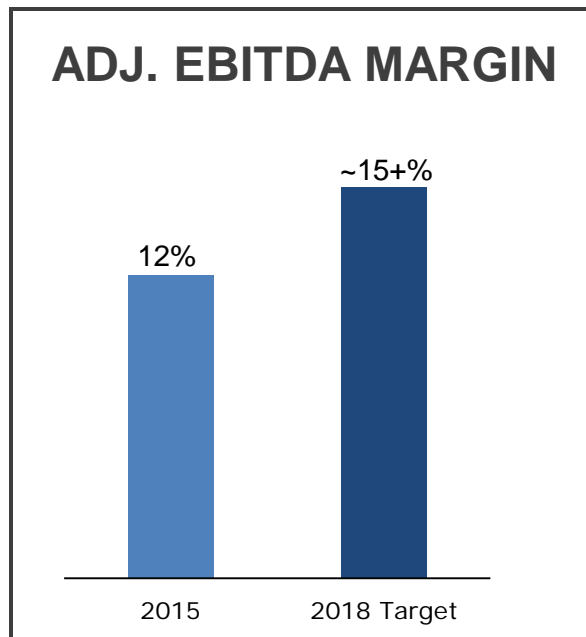
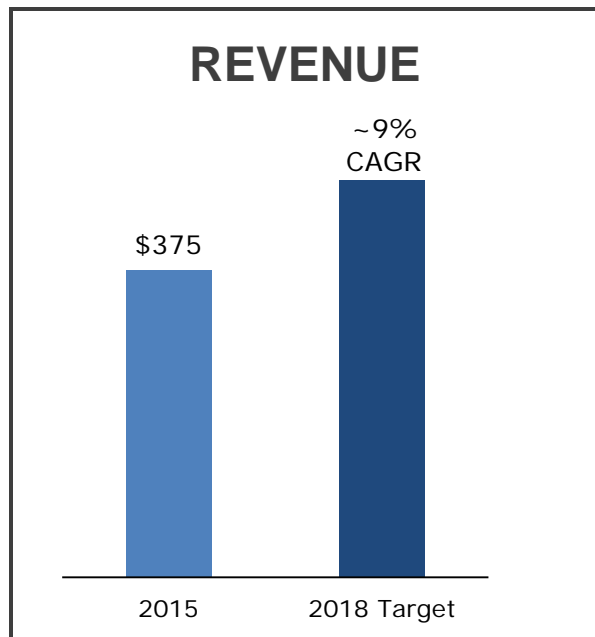
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# Significant Opportunity for Value Creation



**Anticipated Strong Revenue Growth and Earnings Combined with Deleveraging**

(\$ in millions)

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