



**AIR INDUSTRIES GROUP**

(NYSE American: AIRI)

[www.airindustriesgroup.com](http://www.airindustriesgroup.com)



**TAGLICH BROTHERS INVESTOR CONFERENCE  
MAY 2022**

# Safe Harbor Statement



Except for the historical information contained herein, the matters discussed in this presentation contain forward-looking statements. The accuracy of these statements is subject to significant risks and uncertainties. Actual results could differ materially from those contained in the forward-looking statements. See the Company's SEC filings on Forms 10-K and 10-Q for important information about the Company and related risks.

EBITDA is used as a supplemental liquidity measure because management finds it useful to understand and evaluate results, excluding the impact of non-cash depreciation and amortization charges, stock based compensation expenses, and nonrecurring expenses and outlays, prior to consideration of the impact of other potential sources and uses of cash, such as working capital items. This calculation may differ in method of calculation from similarly titled measures used by other companies.

# About Air Industries Group (AIRI)



- Tier 1 Manufacturer of Aerospace and Defense Precision Assemblies and Components for Mission Critical Applications
- Prime Contractor to U.S. Department of Defense
- Important, Diverse and Stable Customers and Platforms:
  - 5 Major Customers; 5 Major Platforms
- Growth Strategy Focused on:
  - Increasing range/complexity/size of products
  - Optimizing operations
  - Strategic investments in new equipment
  - Earnings leverage: sales growth drives disproportionate increases in income
  - Executing strategy to reach \$10M in EBITDA

# Locations & Competencies



**Strategic Locations = Access to OEMs, Deep Talent Pool, Skilled Labor, Suppliers**

**2 Facilities**  
**150,000 Square Feet**  
**205** 🧑🧑🧑🧑🧑  
**80% Military**



**BARKHAMSTED, CT**  
***Turbine Engine Components***

- Jet Engine Components
- Ground Power Turbines
- Helicopter Assemblies
- Special Processes – *New Initiative!*



**BAY SHORE, NY**  
***Complex Machining***

- Landing & Arresting Gear
- Flight Safety Controls
- Aircraft Structural Assemblies
- Helicopter Assemblies



# Mission-Driven, Experienced Team



## Our Mission

- Understanding the needs of our customers and translating those needs into daily actions that drive us to meet or exceed customer expectations.

## Our History

- For over 80 years, we have supported the progress of our nation's defense and commercial aviation sectors.

## Our People

- The people of Air Industries pursue our mission with pride, integrity, and a passion for excellence.
- Experienced management team.
- Highly skilled workforce.

## Our Centers of Excellence

- *Complex Machining* – Air Industries Machining and Nassau Tool Works subsidiaries.
- *Turbine Engine* – Sterling Engineering Corporation subsidiary.
- Both Centers of Excellence are certified to the latest industry specifications: AS9100:D and ISO 9001:2015.

# Where We Started



## **2017**

- Angry Customers...30% of backlog “*past-due*”
- Angry Vendors... Accounts Payable \$10M; 80 “*days-of-sales*”
- Angry Bank...9.5% interest rate, extortionate fees, \$3.6M interest expense
- Debt Burden...\$26+M
- Non-performing subsidiaries...Net Loss of \$22M!

## **2018 - 2020**

- Disposed of three non-performing subsidiaries
- Consolidated Long Island factories, closed headquarters
- Restored Customer Relationships, greatly improved on-time performance, dramatic reduction in “*past-due*” product.
- Restored Vendor Relationships, reduced Accounts Payable, now 36 days of sales
- New credit facility, reducing interest expense by nearly 2/3rds to \$1.3M
- Managed the Covid disruption

# Where We Are, and Where We Are Going



## **2021**

- Record growth in revenue, gross profit, contained expenses = strong profitability.
- Massive investment in new equipment – continuing today.
- Significant expansion of business development activity – with the Covid reopening.

## **2022 – Immediate Priorities**

- Focus on replicating proven LI growth strategy at Sterling Engineering facility in Connecticut.
- Transfer of production from Long Island to Sterling – potential for increased sales and significant profit through the absorption of overhead.
- Success to-date: New business awards from both traditional Jet Engine business and new customers – notably Sikorsky CH-53K – a new customer for Sterling and a new platform for AIRI.

# How We Get from \$6M to \$10M in EBITDA



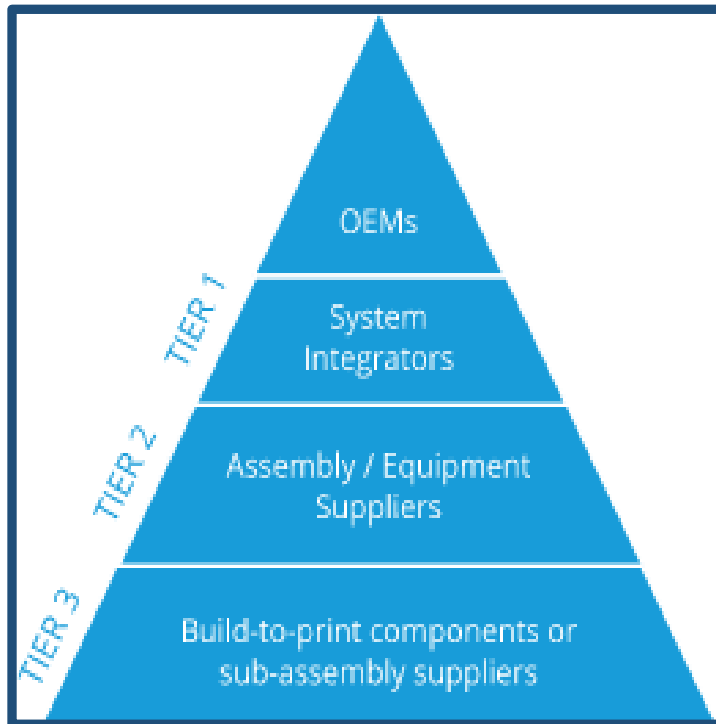
- *Vertically Integrate Processing – Underway Now*
  - Reduced reliance on outside firms, control and cost benefits
  - Painting, Assembly, Heat Treating, Grinding, Non-Destructive Testing are first targets
- *Expand Sterling Engineering's business*
  - New equipment to expand capabilities
  - Capitalize on new contracts (LTAs) and platforms – notably Sikorsky
- *Expand Licensing Products*
  - Eliminate middle-men, develop closer connection with customer, increase margins
  - F-18 license in hand, E2-D under consideration
- *Seek Aftermarket Opportunities*
  - Seek overseas military sales; F-18 and E2-D in particular
  - Bring Maintenance Repair and Overhaul (MRO) in-house
- *Acquisitions – Two goals:*
  - Add new aerospace customers and/or new platforms – not more of the same.
  - Move beyond aircraft to submarines, other naval vessels, army vehicles, missiles, electronics, or...



# The Aerospace Industry



The Aerospace Industry is arranged in Tiers – with products becoming increasingly complex for ultimate delivery to Original Equipment Manufacturers. Air Industries' business is primarily Tier One and Two.

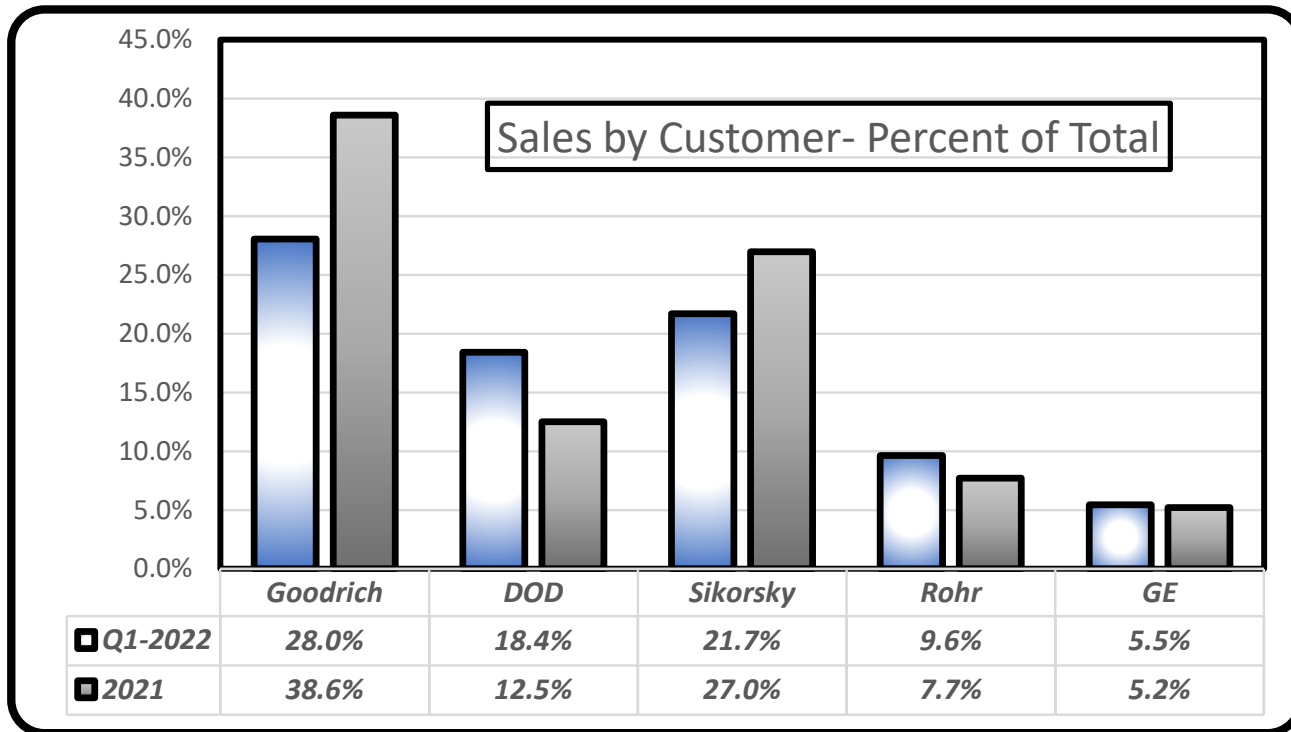


# Five Largest Customers = 80%-90% of Sales



- Sales to each customer as a percent of total have been relatively stable.
- Sales to DOD Direct and Rohr increased.
- Sikorsky sales declined as 2021 was the final year of a five-year LTA.

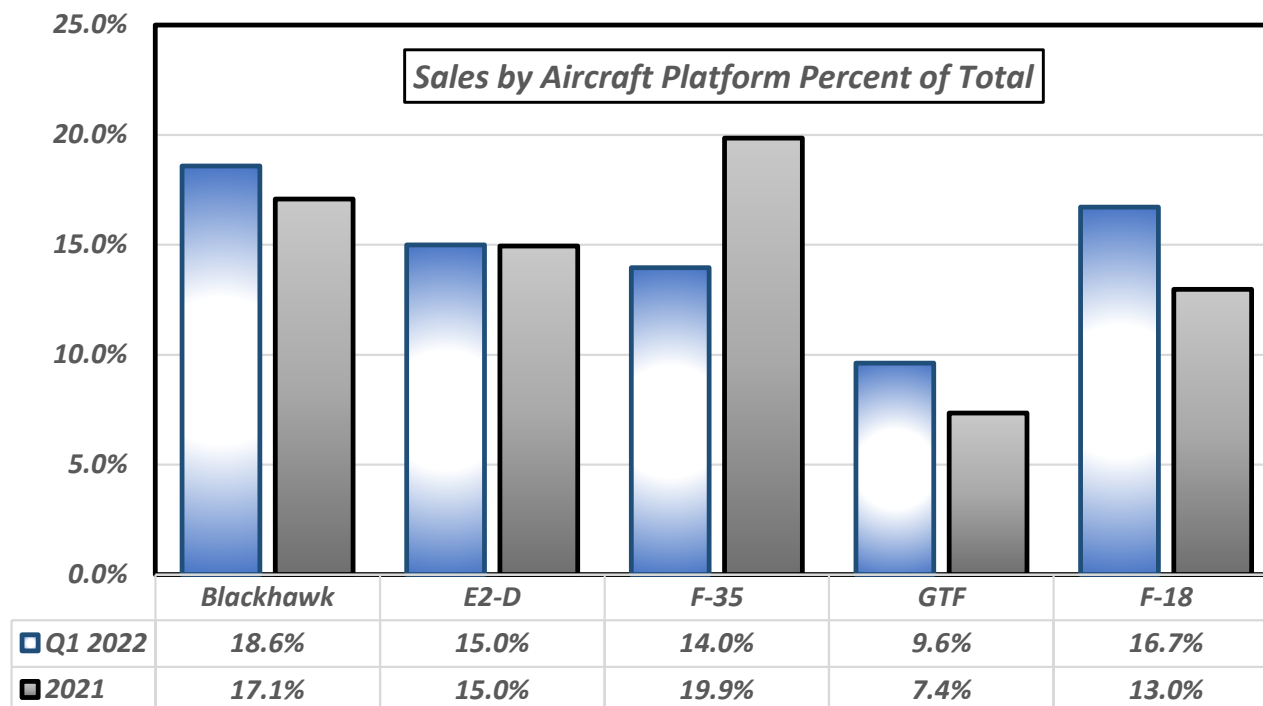
*This year, new Sikorsky LTA's worth up to \$28.3M have been won*



# Five Aircraft Platforms = 70% – 80% of Sales



- Five aircraft platforms constitute the majority of sales.
- F-35 sales declined,
- But were more than offset by increased sales in Blackhawk, F-18, and Geared Turbo Fan (GTF).



# A Balance of Legacy & New Aircraft Platforms



A balanced portfolio of five aircraft platforms account for 80% of sales. These platforms are critical for defense and include legacy aircraft that generate after-market replacement demand; and with new aircraft at, or near, full rate production the Air Industries has a balanced book of business.



**Sikorsky UH-60 (S-70) Blackhawk:** US Army workhorse helicopter. 4,000 produced. In production for over 40-years and will continue in production for at least five years, perhaps longer. Operated by nearly 25 countries worldwide. Current fleet continuing in operation for decades generating repair and replacement demand.



**US Navy F-18 Hornet:** Sole fighter aircraft for carrier based operations. Also operated by seven other countries, notably Australia and Finland. To be replaced by F-35 eventually. Only one of eleven aircraft carriers have been converted as of 2021.

# A Balance of Legacy & New Aircraft Platforms



**Northrop Grumman E2-D:** Primary Naval Battle Management / Command & Control aircraft. Vital for aircraft carrier operations. “D” versions in Full Rate Production now to replace all older “C” versions in service. Also operated by 7 foreign militaries – notably Japan to counter China threat.



**Lockheed Martin F-35 Lightning II:** Sole replacement fighter aircraft for US Navy, Marines & Air Force. Eight “partner” countries and six other foreign military sales customers. Nearly 3,000 projected to be built with full rate production just now beginning. Air Industries has been supplier since inception.



**Pratt & Whitney Geared Turbo Fan:** Next Gen jet engine. Air Industries produces structural component that operates thrust reversers. Primary commercial aviation product – used on popular A-220 and Embraer aircraft. These smaller aircraft are in high demand from airlines to match changed consumer demand

# Financial Summary – Full Year 2021



**Earnings, Gross Margin & EBITDA increases resulted from growing revenue – earnings leverage, and the end of some low-margin contracts.**

## *Twelve Months Ended – 2021 to 2020*

- **Revenue** of \$58.9M up 17.8%
- **Gross Profit** of \$10.2M up 57.4%
- **Gross Margin** up 4.4 percentage points to 17%
- **Operating Costs** stable, declining slightly by \$217,000 or (2.7%)
- **Operating Income** of \$2.5M vs. a loss of \$(1.4)M in 2020
- **Net Income** of \$1.6M vs. a loss of \$(1.2)M in 2020
- **Adjusted EBITDA** of \$6.2M up 228%
- **Adjusted EBITDA Margin** of 10.6% of sales vs. 3.8% in 2020
- **Free Cash-Flow** of approximately \$3.2M

# Financial Summary – Q1 2022



Revenue decline due to supply chain and new contract ramp-up. Earnings, Gross Margin & EBITDA were equal to or better than prior year.

## *Three Months Ended March – 2022 to 2021*

- **Revenue** of \$12.1M down (12.0%) from 2021
- **Gross Profit** of \$2.1M up 15.6% from 2021
- **Gross Margin** up 4.1 percentage points to 17.1%
- **Operating Costs** increased by \$112,000 or 6.3%
- **Operating Income** of \$193,000 vs. \$25,000 in 2021
- **Net loss** reduced to (\$28,000) from (\$153,000) in 2021
- **Adjusted EBITDA** of \$1.0M essentially flat with 2021
- **Adjusted EBITDA Margin** 8.7% of sales vs 7.7% in 2021

# Why Air Industries Group?



## Defense-Centric

- Complemented by opportunities in commercial aviation recovery

## Important and Stable Aircraft Platforms and Customers

- Supported by 5 aircraft platforms and 5 customers that are stable and important to national defense

## Improving Operational Performance

- Integration of Long Island / Connecticut Facilities

## Stable Backlog – New Orders

- \$26M in four new Long-Term Agreements from Sikorsky
- \$12.4M E2-D contract direct from Northrop Grumman
- \$6M contract from Boeing

## Capital Investment Fueling Growth

- Over \$ 6M invested in 2020 & 2021
- \$5M Budgeted for 2022 & 2023
- *New initiative to vertically integrate product processing to eliminate bottle-necks and accelerate deliveries*

## Focused Strategy

- Plan to increase EBITDA from \$6M to \$10M





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**THANK YOU FOR YOUR ATTENTION**

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