



(NYSE American: AIRI)

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



**SIDOTI & COMPANY MICRO-CAP CONFERENCE  
AUGUST 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



# Charting a New Flight Plan



## **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.
- New credit facility, reducing interest expense by nearly 2/3 to \$1.3M.

## **2021**

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

## **2022**

- Sequential growth in sales, gross profit, operating income – despite challenging business environment marked by raw material and outside processing delays.
- Progress in vertical integration of key processes.
- Ramped-up business development yields strong RFQ activity in major platforms, opportunities in submarine and space industries.

# Success in Winning Major LTAs



## ➤ Since April 2021, we have won LTAs and new product orders across all major platforms:

- **U.S. Navy F-18**: \$6+ million in purchase orders to manufacture major landing gear components under a longstanding license.
- **Geared Turbo Fan**: \$7.4 million order for “Thrust Struts,” a critical component of GTF Jet Engine, our largest commercial aviation product.
- **F-35**: \$12-18 million follow-on LTA to produce landing gear components through 2025 for the F-35 Joint Strike Fighter Aircraft.
- **CH53-K**: \$5.2+ million LTA for “Chaff Pods” for the new heavy lift CH-53K helicopter -- a strategic win for Sterling Engineering and our first award for the latest version of the aircraft.
- **PW-4000 Jet Engine**: \$6+ million contract extension LTA for Turbine Exhaust Case components used on many Airbus and Boeing commercial aircraft - won by Sterling Engineering.
- **Blackhawk Helicopter**: \$28.9 million in five new LTAs for critical components. We are proud to have manufactured critical components for the Blackhawk for more than 20 years.
- **US Air Force B1-B**: \$1.9 million contract for landing gear with deliveries in 2023. Expands our product line for a long-established customer.
- **US Navy E-2D Advanced Hawkeye early warning aircraft**: \$12.4 million contract to produce complete main and nose landing gear and ancillary components . We manufacture complete, ready-to-install landing gear, as a Tier 1 supplier to the OEM.

# Driving Long-Term Growth

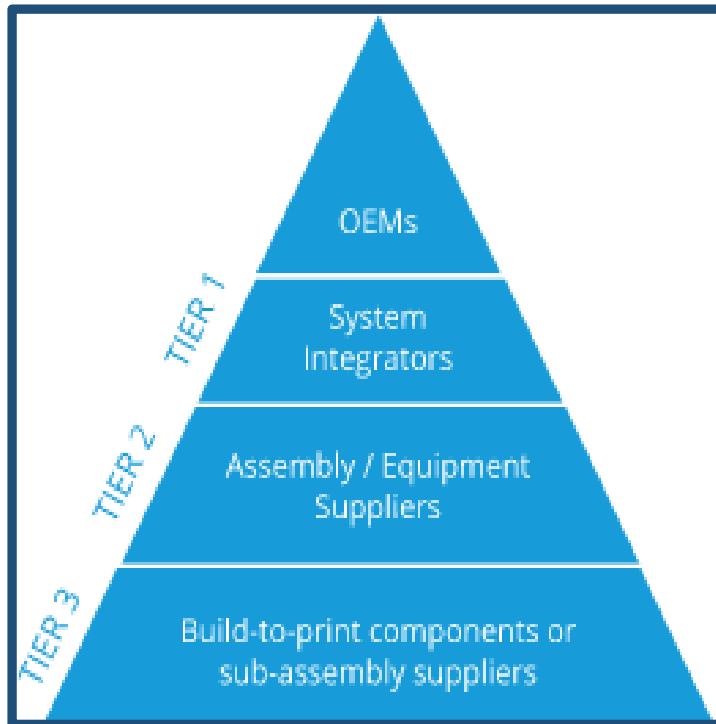


- *Vertically Integrate Processing – Underway Now*
  - Reduced reliance on outside firms, control and cost benefits
  - Painting (installation complete), Assembly, Heat Treating, Grinding, Non-Destructive Testing are first targets
- *Expand Sterling Engineering's business*
  - New equipment to expand capabilities
  - Capitalize on new contracts (LTAs) and platforms
- *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, etc.

# 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.



Nose Landing Gear for E2-D Naval Aircraft



# 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.

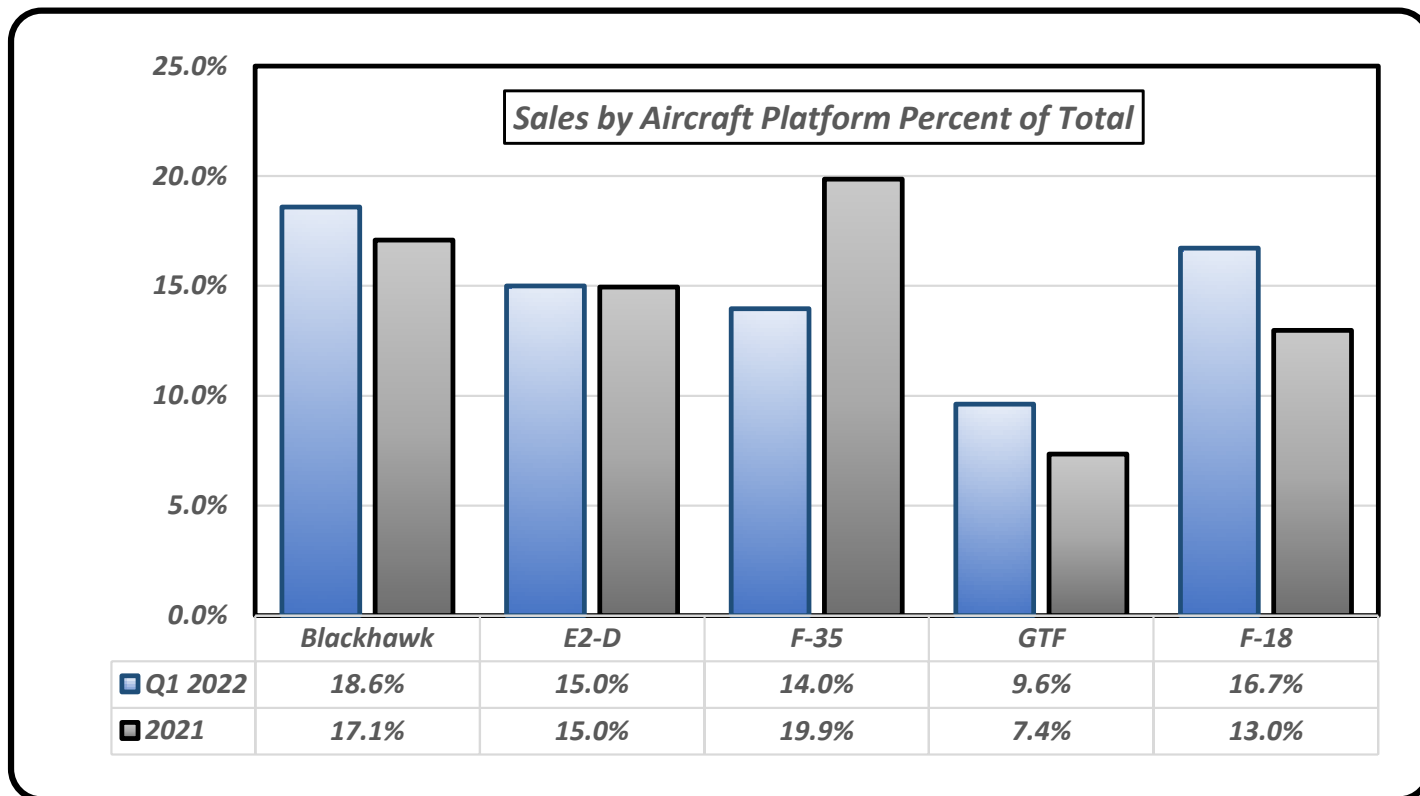


**Pratt & Whitney Geared Turbo Fan:** Next Gen jet engine. Air Industries produces structural component that operates thrust reversers. Primary commercial aviation product – used on popular A-220 and Embraer aircraft. These smaller aircraft are in high demand from airlines to match changed consumer demand

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



- Five aircraft platforms constitute the majority of sales.
- F-35 sales are subject to government funding and product mix.
- Increased sales in Blackhawk, F-18, and Geared Turbo Fan (GTF).

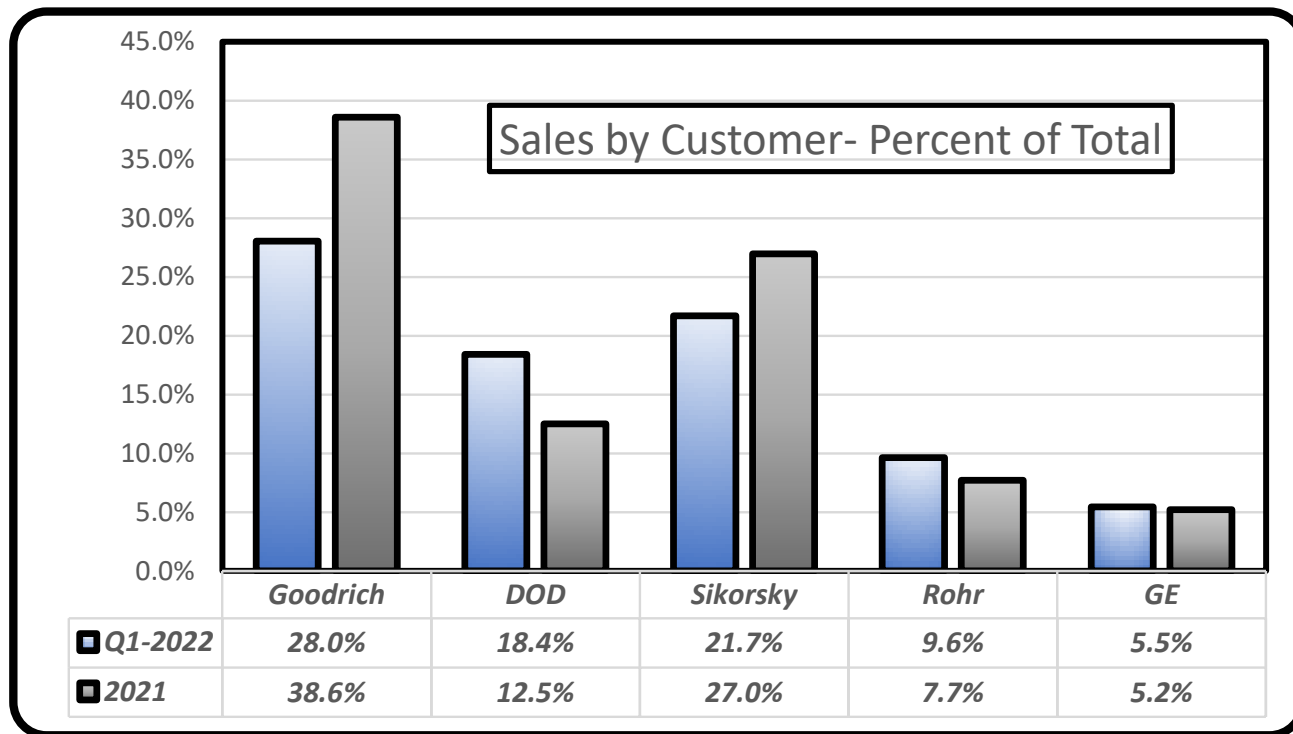


# Five Largest Customers = 80%-90% of Sales



- 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*



# 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 18%
- **Gross Profit** of \$10.2M up 57%
- **Gross Margin** up 4.4 percentage points to 17%
- **Operating Costs** stable, declining slightly by \$217,000 or nearly (3%)
- **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 - Q2 vs. Q1 2022



Sequential comparisons show solid progress in a market challenged by supply chain disruptions, including delays in raw materials and outside processing.

## *Quarters Ended June 2022 vs. March 2022*

- **Revenue** of \$14.0M up 16%
  - **Gross Profit** of \$2.4M up 17%
  - **Gross Margin** stable at 17.3% vs. 17.2%
  - **Operating Costs** increased by \$300,000 or 16%
  - **Operating Income** of \$250,000 up 20%
  - **Net Loss** reduced to (\$7,000) from (\$28,000) in Q1 2022
  - **Adjusted EBITDA** of \$1.2M increased by more than 13% sequentially
  - **Adjusted EBITDA Margin** remained at an average of 8.6% of sales
- 
- **Strong Balance Sheet and Financial Flexibility:** \$5M Term Loan and \$2M Capital Equipment Line support investments in growth

# 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

## Winning New Orders

- Significant new or expanded Long-Term Agreements – some running through 2025

## 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

- Long-term plan to increase EBITDA from \$6M to \$10M



**AIR INDUSTRIES GROUP**



**THANK YOU FOR YOUR ATTENTION**