



Expanding our reach



2019 Annual Report

Expanding our reach

From humble beginnings as an aircraft radio distributor to the global aviation services network of 6,000 employees today, AAR always sets its sights higher and further to surpass every record — from customer satisfaction and new partnerships to global reach and financial success. AAR never stops expanding, and Fiscal Year 2019 reflects that growth like never before.

Selected Financial Highlights

(dollars in millions except per share data)

For the year ended May 31	2019	2018	2017	2016	2015
Operating performance					
Net sales	\$ 2,051.8	\$ 1,748.3	\$ 1,590.8	\$ 1,525.4	\$ 1,448.0
Operating income (loss)	98.3	86.0	82.3	75.5	(31.2)
Diluted earnings (loss) per share from continuing operations	\$ 2.40	\$ 2.11	\$ 1.51	\$ 1.30	\$ (1.73)
Financial position					
Working capital	595.0	609.4	553.4	540.3	456.9
Total assets	1,517.2	1,524.7	1,504.1	1,456.0	1,454.1
Total debt	142.9	178.9	156.2	145.3	154.0
Stockholders' equity	905.9	936.3	914.2	865.8	845.1

Adjusted Operating Income

(in millions)

For the year ended May 31	2019	2018
Operating income	\$ 98.3	\$ 86.0
Customer bankruptcy charge	12.4	-
Facility repositioning and impairment costs	0.9	-
Severance and restructuring charges	0.2	4.5
Adjusted Operating Income	\$ 111.8	\$ 90.5

Adjusted Diluted EPS from Continuing Operations

For the year ended May 31

	2019	2018
Diluted EPS from continuing operations	\$ 2.40	\$ 2.11
Deferred tax re-measurement from Tax Reform	-	(0.41)
State income tax benefits	(0.15)	(0.06)
Recognition of previously reserved income tax benefits	(0.19)	-
Customer bankruptcy charge, net of tax	0.27	-
Facility repositioning and impairment costs, net of tax	0.02	-
Severance and restructuring charges, net of tax	0.01	0.09
Adjusted Diluted EPS from Continuing Operations	\$ 2.36	\$ 1.73

Adjusted operating income and adjusted diluted earnings per share from continuing operations are "non-GAAP financial measures" as defined in Regulation G of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We believe these non-GAAP financial measures are relevant and useful for investors as they provide a better understanding of our actual operating performance unaffected by the impact of certain items. When reviewed in conjunction with our GAAP results and the accompanying reconciliations, we believe these non-GAAP financial measures provide additional information that is useful to gain an understanding of the factors and trends affecting our business and provide a means by which to compare our operating performance against that of other companies in the industries we compete. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. These non-GAAP measures exclude items of an unusual nature including but not limited to certain income tax benefits, severance, restructuring costs, facility repositioning costs, impairment charges, and significant customer bankruptcies.

Pursuant to the requirements of Regulation G of the Exchange Act, we are providing the tables on the left that reconcile the above mentioned non-GAAP financial measures to the most directly comparable GAAP financial measures.

John M. Holmes
President and
Chief Executive Officer



60+

years in
business

\$2B

USD revenue
in Fiscal Year
2019

6000+

employees
worldwide

Dear fellow shareholders:

Fiscal Year 2019 was an exciting year for the company as AAR continued on its upward trajectory, setting new records in many of our businesses. We drove significant growth in our Parts Supply activities and successfully implemented two of the largest programs in our history in Integrated Solutions (IS). We also launched several new initiatives to recruit mechanics for our MRO activities and were very proud to be named to *Forbes'* list of "America's Best Midsize Employers" for the second consecutive year.

At AAR, we are proud to have the best team in aviation. We recruit and retain the best talent by investing in our employees' professional growth. We provide our employees the freedom and support to grow through tuition reimbursement for continued education and certification, employee mentorship programs, learning development sessions, networking events and cross functional training. We are focused on creating a rewarding company culture and promoting lifelong learning to retain top team members who want to grow their career.

Here are some other highlights of the year:

Financial Results

The Fiscal Year 2019 revenue increased by 17 percent from the prior year to over \$2 billion. Adjusted operating income grew by 24 percent and AAR's adjusted diluted earnings per share from continuous operations increased 36 percent, rising from \$1.73 to \$2.36 per share.

Operational Highlights

AAR Aviation Services experienced 17 percent growth this year, as a result of major contract wins and the continued execution of our "Connected Businesses" strategy – which empowers customers to leverage all of AAR's services under the Aviation Services umbrella including Integrated Solutions, MRO Services and Parts Supply.

Our Integrated Solutions – Government team completed the implementation of the 10-year Worldwide Aviation Support Services (WASS) contract including a new site in Costa Rica. This was one of the largest programs in our history and included hiring nearly 900 people. With this contract win we added the Department of State to our customer base and we are proud of the role we are playing.

We had a record performance in our AAR Parts Supply activities. The team awarded a contract extension with MTU Maintenance on the PW2000 Engine MRO program, a service MTU forecasts to continue another 10 years. AAR also joined forces with Napier Park Global Capital to acquire and maximize returns on late-life commercial aircraft. We also signed several new parts distribution contracts with OEMs, such as BASF, EATON and Zodiac Aerospace Services (now part of Safran Aerosystems).

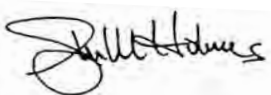
MRO Services continues to play a vital role in the safety chain of the aviation industry. During Fiscal Year 2019, we redelivered nearly 1,000 aircraft from our heavy maintenance operations, including our first P-8A Poseidon aircraft to the U.S. Navy fleet as part of a seven-year IDIQ agreement. Our new Landing Gear Performance-Based Logistics (LGPBL) program delivered more than 2,300 assets to the U.S. Air Force in support of over 800 aircraft. Over the remaining term of this important contract, AAR will help the U.S. Air Force to reform their supply chain – a process the Air Force has not undertaken in over 30 years. AAR also received the Top Shop Awards for both Landing Gear Repair and Wheels and Brake Repair, voted by customers and industry peers.

Within Expeditionary Services, Mobility Systems continues to rank as the No. 1 manufacturer of ISU® containers, rapid deployable shelter systems, cargo pallets and palletized systems for domestic and foreign militaries. This past year, the team was awarded task orders valued at nearly \$40 million from the U.S. Air Force.

Looking Forward

AAR is well positioned to continue our growth into Fiscal Year 2020 beyond. Our markets are robust, our capabilities are broad and we continue to focus on delivering world class quality and service to our customers.

I want to thank our team members across AAR for their dedication, our customers for their partnership, and our shareholders for their confidence. I'm also grateful to our Board of Directors for their guidance. As we continue to expand our reach, we look forward to the opportunities that lie ahead.



John M. Holmes
President and Chief Executive Officer



MRO Services

- Airframe
- Landing Gear
- Component Repair
- Engineering



Parts Supply

- Serviceable & OEM factory-new parts
- Airframe parts sale, exchange, loan & lease
- Engine parts sale, exchange & loan
- Engine solutions, management, sales, leasing & exchange
- Aircraft sales & leasing
- OEM Solutions
- Consumables & expendables aggregator
- Online PAARTS™ Store
- 24/7 worldwide AOG service



Manufacturing

- Composites
- Mobility Systems

Market Solutions



Integrated Solutions

- Total fleet services
- Flight-hour support
- Contractor logistics support (CLS)
- Performance-based logistics (PBL)
- Third-party logistics (3PL)

Expanding agreements

During FY19, we signed new agreements across all of our businesses. Many of them were within our OEM Solutions business, which has become a rapidly growing service to our OEM partners and customers.

Utilizing AAR's expanding global warehouse network with locations in Chicago, Belgium, Germany, Dubai, Singapore and Shanghai, OEM Solutions continues to grow its footprint abroad and at home. The group recently expanded its services for OEM partner Eaton Aerospace to include after-hours logistics and technical AOG support. Zodiac Aerospace enlisted OEM Solutions as the preferred distributor to bring its Water & Waste product line to the MRO and global airline markets. At MRO Americas, OEM Solutions announced a new contract with global chemical leader BASF as the preferred parts distributor and MRO services provider for BASF ozone/Volatile Organic Compound (VOC) converters. Installed on aircraft for long-haul flights, these devices remove ozone and VOC from the air to improve cabin air quality and conditions for flight passengers, crew and cargo.

AAR's online PAARTS™ Store continues to report record sales and numbers of website visits. With AAR's expansive inventory and user-friendly database, more customers are ordering and receiving the parts they need, right when they need them. In additional wins for Parts Supply, MTU Maintenance — one of the largest engine overhaul providers in the world — extended its contract with AAR for another five years to include parts distribution to support MTU's 10-year PW2000 engine MRO program.

Delivering customer satisfaction

Challenge: Zodiac Aerospace Services (now part of Safran Aerosystems) was seeking a distributor for their Water & Waste parts with the capabilities and footprint to increase its level of service and sales among airlines and repair shops in the global market.

AAR solution: As Zodiac's preferred supplier for Water & Waste products, AAR OEM Solutions utilized its IT assets, forecasting and analytics expertise in airline fleet statistics and repair shop capabilities to strategically position Zodiac products for commercial customers across AAR's global network.

Results: AAR increased sales and decreased lead times on these flight-critical components, resulting in more efficient service delivery and enhanced satisfaction among global customers.

18

commercial
fleets under flight-
hour support

950

aircraft maintained

1.3M+

parts stocked in
global warehouse
network and available
on PAARTS™ Store



Expanding partnerships

As a strategic government partner of over 40 years, AAR has won several new contracts with the U.S. and foreign militaries, as well as defense services providers. AAR fully transitioned its WASS contract and added a new site in Costa Rica as part of a 10-year indefinite-delivery/indefinite-quantity contract with the U.S. Department of State. With six WASS sites implemented, AAR's strategic resource planning and experience working in remote and austere environments ensure sustainable long-term operations in every country WASS is in operation. We further expanded our services to the U.S. Air Force with the launch of our Landing Gear PBL program for the missions they perform, a prime example of how AAR applies commercial MRO and supply chain best practices to help the government increase efficiencies and decrease costs.

AAR Mobility Systems received task orders from the U.S. Air Force valued at nearly \$40 million for 463L cargo pallets and customized TFI shelters this year. As the No. 1 manufacturer worldwide of ISU® containers, rapid deployable shelter systems, cargo pallets and palletized systems, AAR continues to deliver solutions to support the warfighter.

MRO Services expanded its partnership with the U.S. Marshals Service, winning a five-year contract valued at \$51 million to provide Aircraft and Logistics Support Services for the Justice Prisoner and Alien Transportation System. MRO Services was also awarded a seven-year engine MRO contract serving the Royal Danish Air Force.

Strengthening its status as a trusted advisor to OEMs in the defense industry, AAR became the authorized inventory management partner and exclusive distributor for Ontic UK's military MRO business. This includes work on electromechanical, barometric, gyroscopes and electronics products and involves platforms such as the BAE Hawk aircraft; Leonardo Sea King and AW101 helicopters; Lockheed C-130 transports; Boeing F-15 and V22; and the Tornado.

Military programs built to deliver

Challenge: The U.S. Navy was seeking MRO providers to perform Age Exploration Plan Depot (AEPD) and Aircraft on Ground (AOG) maintenance for the Maritime P-8A Poseidon Surveillance Aircraft fleet.

AAR solution: AAR was announced as one of only two successful prime contractor awardees for the IDIQ contract with the U.S. Navy to provide heavy depot maintenance and AOG services. From the ground up, AAR established a Federal Aviation Regulation (FAR) Part 15 compliant P-8A maintenance program at its Indianapolis MRO. The team consists of seasoned B737 and military aircraft specialists and dedicated program resources.

Results: AAR delivered its first P-8A aircraft to the U.S. Navy in January 2019. Additionally, AAR supported five separate AOG events, returning all AOG aircraft to service ahead of schedule and below budget. The P-8A fleet continues to fly anti-submarine and anti-surface warfare missions, along with humanitarian search and rescue missions around the world.

71

ISU® variants that incorporate over 980 integrated kits since 1990

\$4B

in government assets managed

28

government fleets supported



Expanding internationally

At AAR, we continue to look for ways to expand our global network and build new partnerships.

Within the Asia-Pacific region, AAR was selected by China-based MRO company Ameco to provide long-term support for repair, exchange and leasing services on the Rolls-Royce RB211 engine. AAR also utilized its expertise in foreign markets and government compliance to obtain certification from the Japan Civil Aviation Bureau (JCAB) to serve Japanese airlines, opening up new commercial component repair capabilities in the region.

Serving the Middle Eastern market, AAR announced a contract with Global Aerospace Logistics (GAL) and the Tawazun Council to provide component repair management and consulting services to the United Arab Emirates military fleets and support GAL's growth initiatives within the region.

AAR's power-by-the-hour (PBH) services with global reach have drawn foreign airlines to call on the company for just-in-time solutions to keep our customers' fleets flying safely. Air New Zealand selected AAR for long-term PBH support on its A320 fleet, and Air Malta awarded AAR a contract for a multiyear PBH contract that includes tip-to-tail coverage. AAR UK-based subsidiary Airinmar® has also become a sought-after provider of component repair cycle management and aircraft warranty solutions, recently winning a warranty support contract with a major European low-cost carrier.

AAR also launched a new joint venture with Napier Park Global Capital, combining their expertise to acquire and maximize returns on the sales and leasing of late-life commercial aircraft.

AAR is committed to responsible growth internationally with a rigorous focus on compliance.

24M+

parts shipped

20

countries where
AAR locations
are based

12

global stocking
locations

North America
HQ & warehouse near O'Hare International Airport; MRO Services network with component repair; manufacturing services and Integrated Solutions – Government supporting WASS

UK
Integrated Solutions – Commercial and Parts Supply team in Gatwick; Airinmar® component repair management services; Integrated Solutions – Government in Waddington and Parts Supply sales office in Heathrow

Europe
Component Repair in Amsterdam; warehouse network includes Brussels & Hannover serving EMEA & supported by sales office in Paris

China
Warehouse and sales support in Shanghai

Japan
Regional sales support office

South America
Sales office supporting customers in Latin America and Integrated Solutions – Government supporting WASS

South Africa
Supporting SAAT contract and Integrated Solutions – Government supporting WASS

Middle East
Warehouse and sales support in Dubai for EMEA; Integrated Solutions – Government supporting WASS

Singapore
Regional sales office based in Singapore; warehouse and engineering services for interior modifications

Australasia
Flight-hour support for Air New Zealand in Auckland and sales support based in Melbourne

India
Developing JV MRO facility in Nagpur

- Corporate
- MRO Services
- Parts Supply
- Integrated Solutions – Commercial
- Integrated Solutions – Government
- Manufacturing



Expanding impact

AAR is grateful to be a member of so many communities around the world and has instilled the importance of giving back into our company culture. As part of AAR's corporate social responsibility efforts, the company sponsors and supports nonprofit organizations in the regions AAR is located and focuses on promoting better care for veterans, aviation-focused education, health and wellness, and diversity and inclusion.

Throughout the year, AAR hosts philanthropic projects for employees to participate in. Recently, the AAR team packed over 30,000 meals for Rise Against Hunger to help feed individuals and families in need. AAR also participated in local "Plane Pull" events in Indianapolis and Chicago to fundraise for the Special Olympics.

AAR is dedicated to inspiring today's youth to explore careers in aviation and frequently participates in STEM events at neighboring schools and hosts students at its facilities for tours and mentorship programs.

Through charitable giving, AAR supports research and advanced treatment therapies for diseases and medical conditions, homeless veterans and families in need. Some of AAR's partner organizations include: the Alzheimer's Association; Brain Research Foundation; Feeding America; Ann & Robert H. Lurie Children's Hospital; Boys & Girls Clubs; Grandma's Marathon; United Way and more.

AAR also takes great responsibility in caring for the environment and seeks to lead by example by carrying out initiatives to lessen its ecological footprint. Throughout the company's global network of facilities, the employees work together to analyze processes and identify opportunities to conserve energy and resources. A recent success story is AAR's Component Repair facility in Amsterdam, which decreased its electricity usage by 40,000 kilowatt hours in 2018 through a focused LED conservation initiative. AAR's companywide collaboration on sustainability has resulted in a significant reduction in waste and new best practices that will grow AAR's operational efficiency for years to come.

For more information on how AAR makes a difference, visit our website at aarcorp.com.

Creating career pathways

Challenge: The global aviation industry is forecast to require 769,000 new aircraft maintenance technicians (AMTs) through 2038 in order to meet the maintenance demands of the future.¹

AAR solution: Partnering with academic institutions nationwide, AAR rolled out its EAGLE Career Pathway program, a skills-based mentorship program that complements AMT certification curriculum. This initiative enables students to advance their maintenance education and explore AMT career pathways through job shadowing at AAR's U.S. MRO facilities. Upon completion, AAR presents graduates with potential employment and reimbursable certification opportunities.

Results: AAR's EAGLE Career Pathway program is now offered at academic institutions in 16 U.S. states and growing. With the fast-developing enrollment rates and exceedingly positive feedback from graduates, AAR has successfully built a talent pipeline for its future workforce and amplified awareness for aviation as a vocation.

¹ Boeing Pilot & Technician Outlook 2019-2038

What sets AAR apart



Supply chain
innovator



Solutions
integrator



Global expertise
emerging market
reach



Aftermarket
expert



Power of focus



Independent



Nimble



Trusted partner



Inspiring youth

6

EAGLE Career Pathway program school partners preparing students for an aviation career

MRO Services - Oklahoma City

80%

reduction in overall hazardous waste footprint since 2008

On-flight impact

Challenge: The world's leading chemical company, BASF, was seeking a preferred distributor and repair sales and logistics services provider for its Deoxo™ aircraft cabin ozone and volatile organic compound (VOC) converters — advanced devices to reduce ozone and VOC levels on flights.

AAR solution: Drawing from the expertise AAR OEM Solutions has garnered in selling and managing repairs for its portfolio of OEM partners, AAR designed solutions tailored to BASF's needs to include stocking, exchange management and global logistics.

Results: AAR has already expanded distribution to markets not previously captured within China and the APAC region and has increased the sales while decreasing the lead times on the BASF converters, which will be installed on aircraft around the world to provide cleaner air and a healthier environment for flight passengers, crew and cargo.



Volunteer spirit

257,000

pounds of food packed, collected or distributed in the past two years

Manufacturing - Composites Clearwater, FL

10%

less energy use in 2018 with more efficient machinery and techniques

Component Repair - Amsterdam

40,000

kilowatt hours less electricity used in 2018 versus 2017



AAR workforce

16%

of AAR's employee base are veterans

Component Repair - Amsterdam

25%

less yearly hazardous waste since 2001

AAR leadership

Corporate Officers

John M. Holmes
President and Chief Executive Officer

Sarah L. Flanagan
Vice President, Financial Operations

Sean Gillen
Vice President and Chief Financial Officer

Nicholas P. Gross
Vice President, Integrated Solutions

Marcus D. Jadotte
Vice President, Public Affairs

Christopher A. Jessup
Vice President, Chief
Commercial Officer

Salvatore J. Marino
Vice President, Parts Supply Group

Eric S. Pachapa
Vice President, Controller and
Chief Accounting Officer

Robert J. Regan
Vice President, General Counsel
and Secretary

Brian Sartain
Vice President, Repair and Engineering

Jason Secore
Vice President and Treasurer

Eric J. Young
Vice President, OEM Solutions

Board of Directors

David P. Storch³ - Chairman
Chairman of the Board, AAR Corp.

Anthony K. Anderson²
Independent Business Consultant;
former Vice Chairman and
Managing Partner of Midwest Area
at Ernst & Young LLP

Norman R. Bobins^{1,2}
Vice Chairman, CIBC U.S. Region

Michael R. Boyce^{2,4}
Chairman and Managing Director,
The Peak Investments, LLC

James E. Goodwin^{1,3,4} - Chairman,⁵
Former Lead Director of Federal Signal
Corporation; Chairman, Federal Signal
Corporation (Ret.); Chairman and Chief
Executive Officer, UAL, Inc. (Ret.) and
United Airlines, Inc. (Ret.)

John M. Holmes³
President and Chief Executive Officer,
AAR Corp.

Patrick J. Kelly^{1,4}
Managing Director, KMK &
Associates, LLC

Duncan J. McNabb^{1,4}
General, U.S. Air Force (Ret.);
Co-Founder and Managing Partner
of Ares Mobility Solutions, Inc.

Peter Pace^{1,2}
General, U.S. Marine Corps (Ret.);
Chairman of the Joint Chiefs
of Staff (Ret.)

Jennifer L. Vogel^{2,3,4}
Co-Founder, Invista Advisors LLP;
former Senior Vice President,
General Counsel, Secretary
and Chief Compliance Officer,
Continental Airlines

Marc J. Walfish¹ - Chairman,^{3,4}
Founding Partner, Merit Capital
Partners

Ronald B. Woodard^{1,2} - Chairman
Chairman, MagnaDrive, Inc. (Ret.);
President, Boeing Commercial
Airplane Group (Ret.)

¹ Member of Audit Committee

² Member of Compensation Committee

³ Member of Executive Committee

⁴ Member of Nominating and Governance
Committee

⁵ Lead Director

Stockholder information

Corporate Headquarters

AAR CORP.
1100 N. Wood Dale Rd.
Wood Dale, IL 60191
T: +1.630.227.2000
F: +1.630.227.2058
www.aarcorp.com

Transfer Agent and Registrar

Computershare Trust Company, N.A.
Providence, Rhode Island

Independent Registered Public

Accounting Firm
KPMG LLP
Chicago, Illinois

Annual Meeting of Stockholders

The annual meeting of stockholders will be held at 9a.m. (Chicago time) on Tuesday, September 24, 2019, at AAR's Corporate Headquarters, 1100 N. Wood Dale Rd., Wood Dale, IL 60191.

The Investor Service Program

AAR CORP. provides its stockholders the opportunity to purchase additional shares of common stock of the Company by automatic reinvestment of dividends and optional additional investments. Stockholders may obtain information regarding this plan by contacting the Corporate Secretary, AAR CORP., 1100 N. Wood Dale Rd., Wood Dale, IL 60191.

Ticker Symbol

AAR stock is traded on the New York and Chicago Stock Exchanges under the ticker symbol AIR.



AAR contact information

Americas

AAR World Headquarters
1100 N. Wood Dale Rd.
Wood Dale, IL 60191 USA
T: +1.630.227.2000
F: +1.630.227.2058

Europe

3rd Floor Eastside
World Business Centre 1
1206 Newall Road
Heathrow Airport, Middlesex
London, UK TW6 2RE
T: +44.208.990.6700

Asia Pacific & India

7 Changi Business Park Vista #03-01
Soo Kee Building
Singapore 486042
T: +65.6508.6460

Middle East & Africa

Boulevard Plaza, Tower 2, Level 23
Business Bay – Dubai, UAE
T: +971.4409.6768

AOG 24/7 worldwide

T: +1.630.227.2470
AOG@aarcorp.com

