



Expertise in Aerospace Technologies



2018 Q4 and Full Year Results Presentation

Speakers:

Douglas McCrosson, President & Chief Executive Officer

Vincent Palazzolo, Chief Financial Officer

March 13, 2019

NYSE American: CVU

Disclosure Statements

Forward-Looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical fact, included in this presentation, including without limitation, statements regarding projections, future financing needs, and statements regarding future plans and objectives of the Company, are forward-looking statements. Words such as "believes," "expects," "anticipates," "intends," "plans," "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based upon the current expectations of management and certain assumptions that are subject to risks and uncertainties. Accordingly, there can be no assurance that such risks and uncertainties will not affect the accuracy of the forward-looking statements contained herein or that our actual results will not differ materially from the results anticipated in such forward-looking statements. Such factors include, but are not limited to, the following: the cyclical nature of the aerospace market, the level of U.S. defense spending, production rates for commercial and military aircraft programs, competitive pricing pressures, start-up costs for new programs, technology and product development risks and uncertainties, product performance, increasing consolidation of customers and suppliers in the aerospace industry, the ability to manage growth and integrate acquired operations and costs resulting from changes to and compliance with applicable regulatory requirements. The information contained in this presentation is qualified in its entirety by cautionary statements and risk factors disclosed in the Company's Securities and Exchange Commission filings, including its Annual Report on Form 10-K filed on March 22, 2018, and Form 10-Q for the three-month periods ended March 31, 2018 and June 30, 2018 and Form 10-Q/A for the period ended September 30, 2018 available at <http://www.sec.gov>.

We caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date hereof and for which the Company assumes no obligation to update or revise the forward-looking statements herein.

Adoption of Accounting Standards Codification Topic 606

Effective January 1, 2018, the Company adopted Accounting Standards Codification Topic 606 Revenue from Contracts with Customers ("ASC 606") using the modified retrospective method. Revenue recognition on all of the Company's contracts did not change materially as a result of the adoption of ASC 606.

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A Year in Review



Douglas McCrosson

President & Chief Executive Officer

1. Closed acquisition of Welding Metallurgy, Inc. (WMI)

2. Completed equity offering:

- Funded acquisition of WMI
- Strengthened balance sheet
- Added cash

3. Product sales growth outpaced reported revenue for a second consecutive year

- 2016 - 2018 product sales CAGR: 6.9%
- 2016 – 2018 reported revenue CAGR: 1.5%

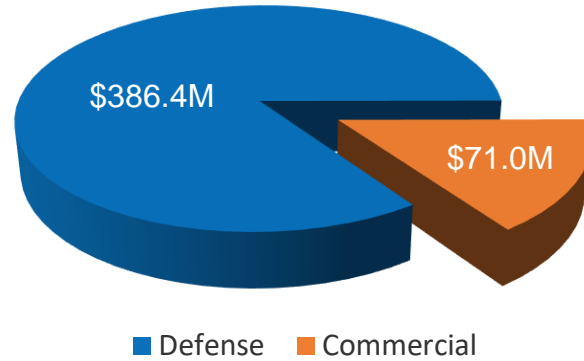
4. Ended year with record consolidated backlog and record defense backlog

- Secured new program awards
- Secured contract extensions

Consolidated Backlog at 12/31/2018: \$457.4 Million, Up 17.7% YoY

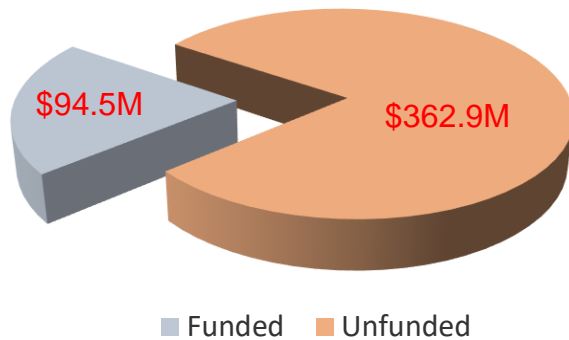
Record Defense Backlog: \$386.4 Million, Up 65% since mid-2014

Defense 84% / Commercial 16%



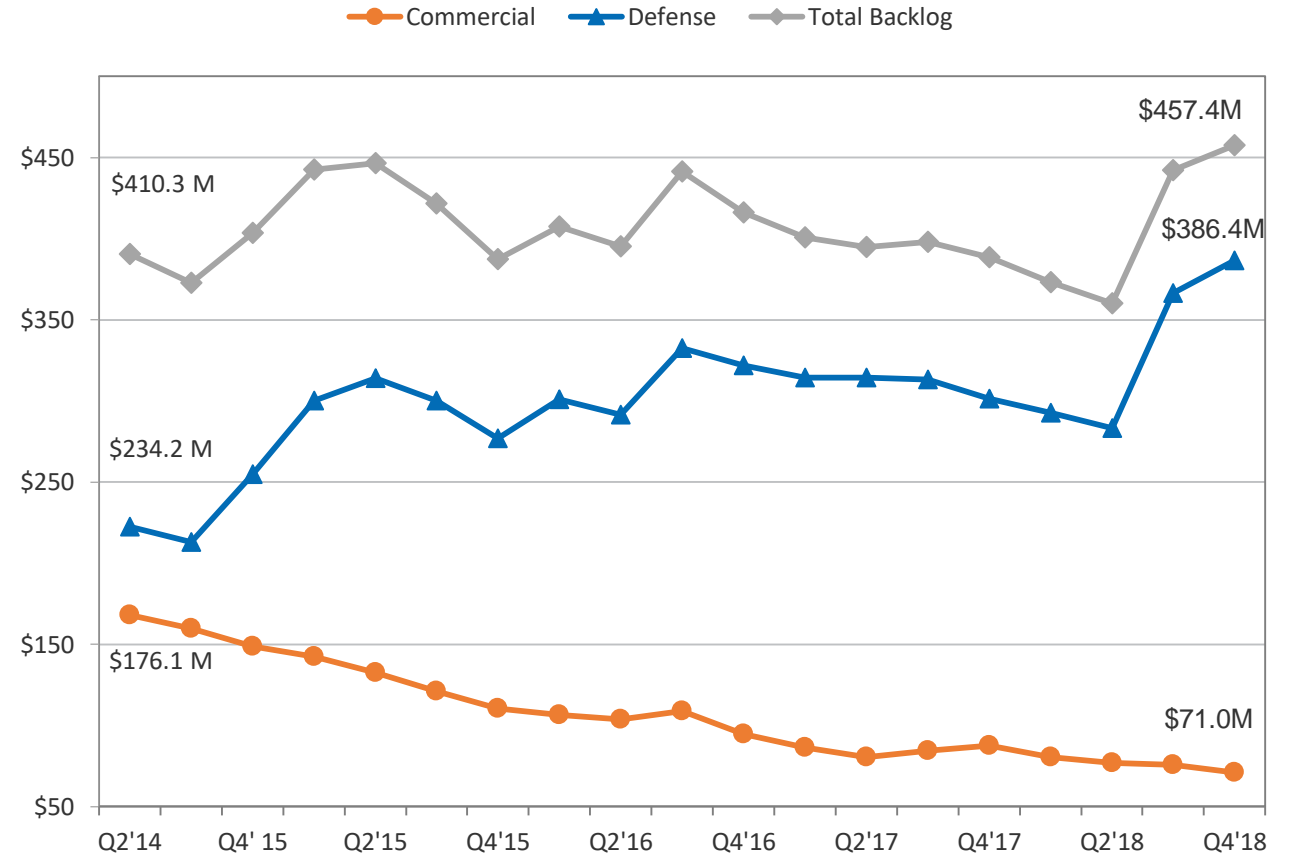
Funded 21% / Unfunded 79%

Unfunded backlog represents remaining potential value of long term agreements



1Q 2014 – 4Q 2018

Backlog (Defense/Commercial)



Driven by Renewed Strength in Defense Budget

Presence on prominent defense programs with strong funding
 Defense market focus yielding large, diversified, and growing backlog

Sikorsky UH-60M Fuel Panel & Gunner Windows	Lockheed Martin F-35 Lightning II Drive Shaft	NGC Japan E-2D Hawkeye	Bell / Textron AH-1Z Viper	Raytheon Next Generation Jammer Mid-Band	Unidentified Missile Platform
\$29.2M	\$15.8M	\$25.0 – 30.0M	\$18.6M	\$170.0M+	\$ Undisclosed
					
<u>Announced</u> July & September 2017	<u>Announced</u> November 2017	<u>Announced</u> Jan. 2016/Feb. 2018	<u>Announced</u> Jan. 2017/March 2018	<u>Announced</u> July 2016/August 2018	<u>Announced</u> October 2018
<u>Contract Period</u> 2018 – 2022	<u>Contract Period</u> 2018 – 2022	<u>Contract Period</u> 2016 – 2019	<u>Contract Period</u> 2017 – 2021	<u>Contract Period</u> 2016 – 2030	<u>Contract Period</u> 2019 – 2020
Unidentified Sikorsky Helicopter	NGC E-2D Advanced Hawkeye – Follow On	Lockheed Martin F-35 Lightning II Lock Assys.	Raytheon SEASPRARROW Missile System	Lockheed Martin F-16V	
\$1.0M (approx.)	\$47.5M (potential)	\$10.6M	\$5.0 M	\$20+ M	
					
<u>Announced</u> October 2018	<u>Announced</u> October 2018	<u>Announced</u> July 2015/Dec. 2018	<u>Announced</u> Legacy WMI	<u>Announced</u> February 2019	
<u>Contract Period</u> 2019 – 2020	<u>Contract Period</u> 2018 – 2024	<u>Contract Period</u> 2015 – 2024	<u>Contract Period</u> 2018-2019	<u>Contract Period</u> 2019-2024	

4Q 2018 Financial Highlights



Vincent Palazzolo

Chief Financial Officer

Recent Financial Highlights

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2018 (Unaudited)	2017	2018 (Audited)	2017
Revenue	\$26.5	\$23.8	\$83.9	\$81.3
Cost of sales	<u>20.7</u>	<u>18.3</u>	<u>65.7</u>	<u>\$62.6</u>
Gross profit	5.8	5.5	18.3	18.6
Selling, general and administrative expenses	<u>2.3</u>	<u>2.2</u>	<u>9.5</u>	<u>8.5</u>
Income from operations	3.3	3.3	8.6	10.2
Income before provision for income taxes	2.9	2.8	6.8	8.5
Net income	\$(0.8)	\$2.1	\$2.3	\$5.8
Income per common share – diluted	<u>\$(0.07)</u>	<u>\$0.23</u>	<u>\$0.24</u>	<u>\$0.65</u>

Balance Sheet Highlights

(\$ in Millions)

As of December 31, 2018	
Cash	\$6.1
Total Debt	\$30.3

Liquidity

- \$16.1 million raised (net) via public offering on October 19, 2018
- \$40 million, 3-year senior debt facility
 - \$10 million term loan (\$5.4 million remaining at 12/31/2018)
 - \$30 million revolving line-of-credit
- Approximately \$6.0 million available under credit facility as of December 31, 2018

Revenue

- \$98.0M – \$102.0M
- Compared to \$83.9M

Pre-tax Income

- \$11.0M – \$11.3M
- Compared to \$6.8M

Cash Flow from Operations

- \$3.5M+
- Compared to \$(2.5)M

Effective Tax Rate

- 20% – 22%

Looking Ahead



Douglas McCrosson

President & Chief Executive Officer

1. Execute on integration of WMI

2. Program portfolio optimization

- To ensure resources and investments are aligned with programs core to Company's long-term success

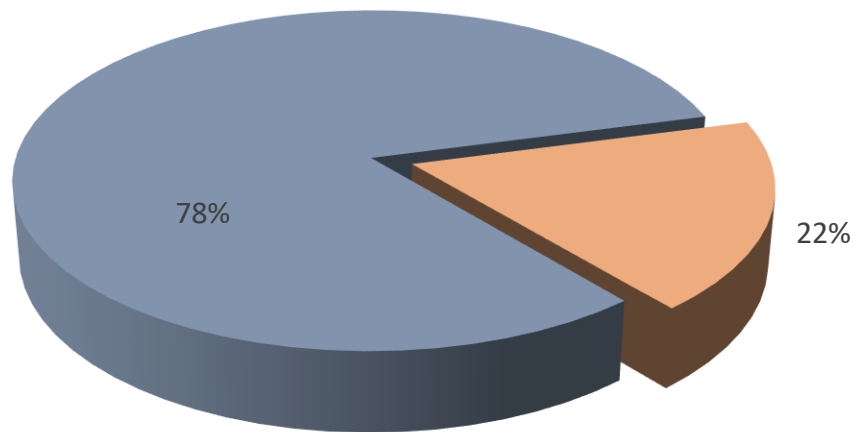
3. Execute on early-stage programs' cost and schedule goals

4. Continue to drive down production costs, through:

- Increased engagement of suppliers
- International sourcing
- Continuous improvement of internal manufacturing processes

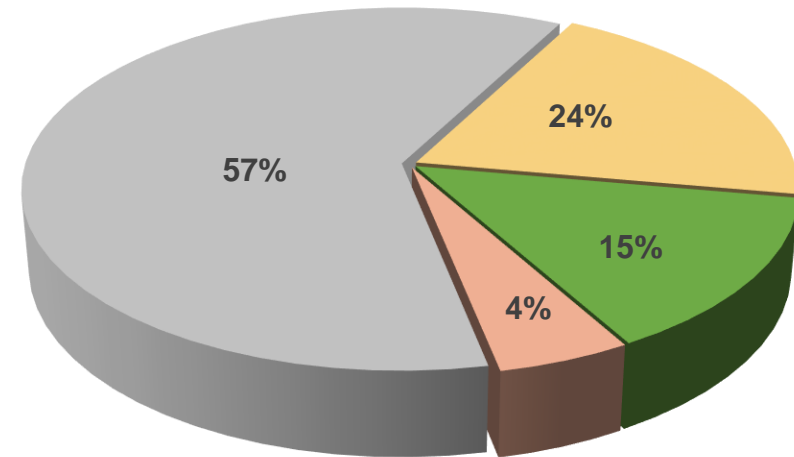
Virtually all proposals are at the Prime Contractor (14%) or Tier 1 level (84%)

Defense pipeline balanced with new bizjet bids



■ Defense ■ Commercial

Continued Diversification Across Product Categories



■ Kitting ■ MRO ■ Aerostructures ■ Aerosystems

Near-Term Program Opportunities



- A-10 Wing Replacement Program (WRP)
- Various Black Hawk Components / Structural Repairs
- F-16 Aircraft Structures
- International Light Attack Fixed Wing Aircraft
- Unmanned Aerial Systems
- Business Aircraft Wing Structural Subassemblies



- T-38 Trainer Upgrades
- Wet Outer Wing Panel Kits for Japanese E-2D Advanced Hawkeye

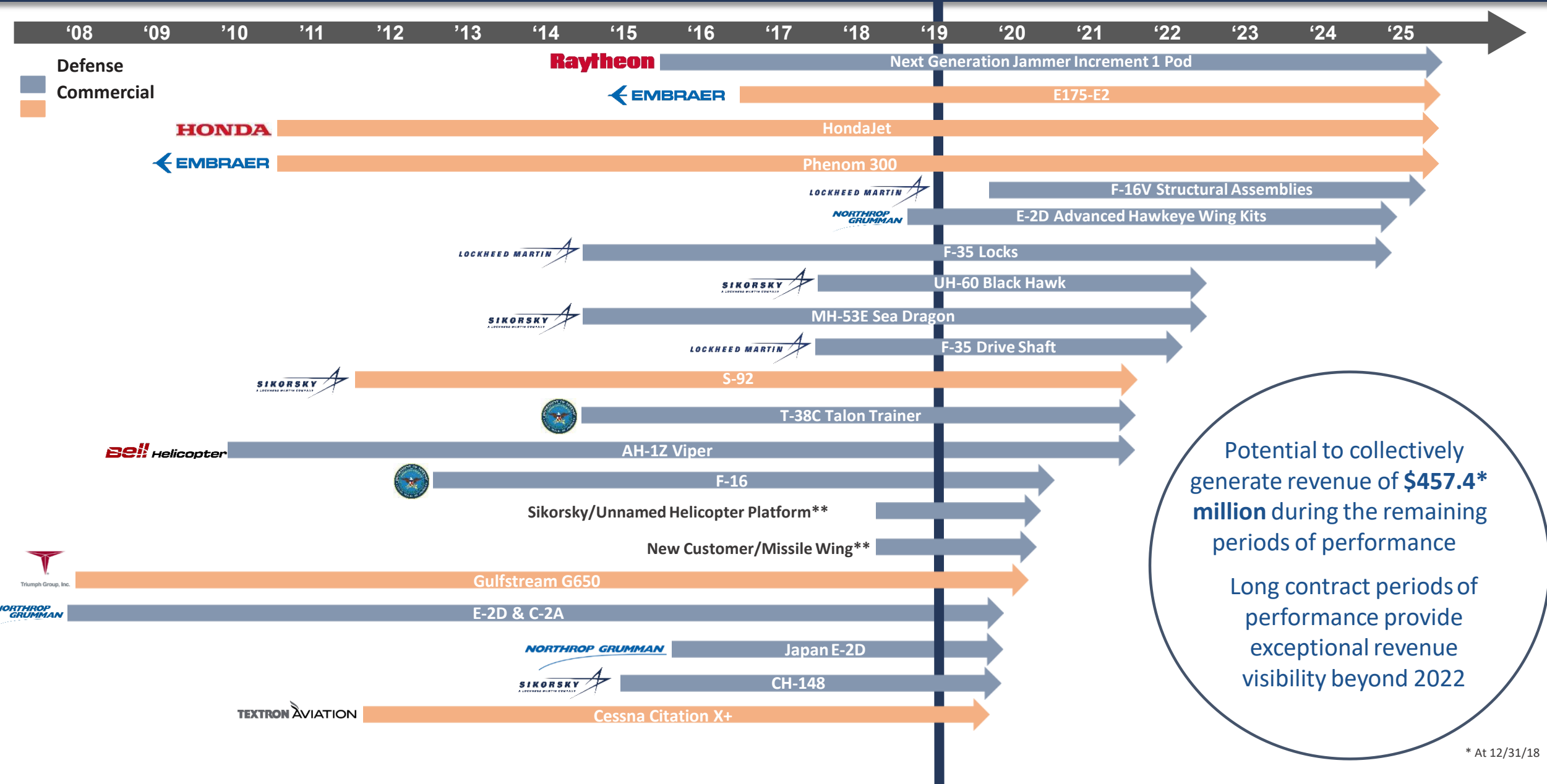


- Reconnaissance Pods
- Electronic Warfare Pods
- Advanced Antenna System Structural Housing
- Electronic Racks & Step Assemblies
- Door Lock Assemblies
- Weapons Pylons



- SEASPARROW missile control electronics
- Various welded structures on E-2D Advanced Hawkeye, including the aerial refueling probe

Large and Diversified Backlog Drives Strong Visibility



Potential to collectively generate revenue of **\$457.4* million** during the remaining periods of performance

Long contract periods of performance provide exceptional revenue visibility beyond 2022

* At 12/31/18

Q&A Session

Reconciliation of Non-GAAP Financial Measures

The provision for income taxes for the year ended December 31, 2018 was approximately \$4.5 million, an effective tax rate of approximately 66%. In February 2019, the Company received information that the net operating loss carryback that was utilized in 2014 was under examination and could possibly be disallowed by the IRS. The Company has not received a written notice or tax assessment related to the possible disallowance of our net operating loss carryback. If we receive written notice we have the ability to appeal the disallowance, as well as go to tax court to challenge the notice. Although the company has not received any formal documentation or notice of such disallowance, in accordance with ASC 740-10 ("Accounting for Uncertainty in Tax Positions") the Company has recorded a liability of approximately \$3.1 million in the year ended December 31, 2018 for this uncertainty. The liability represents the maximum net tax adjustment for the disallowance of the net operating loss carry forward, computed at the pre-2018 tax rates, and tax savings of recording a net operating loss carryforward, calculated at the current tax rates. Because of the impact of recognizing the liability for this uncertainty, the Company is presenting Net income adjusted for uncertain tax positions, which we believe allows us to compare net income on a more consistent basis.

Had the Company not recognized the liability for the uncertain tax position, net income would have been as follows:

Reconciliation of Non-GAAP Financial Measures (amounts in millions, except for per share amounts)

	Quarter ended December 31, 2018	Addback of tax liability for uncertain tax position	Quarter ended December 31, 2018 as adjusted for uncertain tax position
	GAAP		
Net income (loss)	\$ (0.8)	\$ 3.1	\$ 2.3
Diluted earnings (loss) per share	\$(0.07)	\$0.28	\$0.21

	Year ended December 31, 2018	Addback of tax liability for uncertain tax position	Year ended December 31, 2018 as adjusted for uncertain tax position
	GAAP		
Net income	\$ 2.3	\$ 3.1	\$ 5.4
Diluted earnings per share	\$0.24	\$0.33	\$0.57

Thank You



CPI Aerostructures

Vincent Palazzolo, Chief Financial Officer

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