



Expertise in Aerospace Technologies



2019 Q2 Results Presentation

Speakers:

Douglas McCrosson, President & Chief Executive Officer

Vincent Palazzolo, Chief Financial Officer

August 7, 2019

NYSE American: CVU

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 CPI Aero's Form 10-K for the year ended December 31, 2018, and Form 10-Q for the three-month period ended March 31, 2019 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.

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Recent Highlights



Douglas McCrosson

President & Chief Executive Officer

Recent Highlights

1. T-38C IDIQ

- \$65.7 million award
- Second-largest prime contract with the DoD in the Company's history, largest since 2004

2. Solid Second Quarter Results

- Revenue up ~14%
- Gross profit up ~8%
- Net income up ~116%*

3. Strong Bookings and Product Sales Backlog

- Consolidated: 1.7:1; WMI: 1.9:1
- Consolidated product sales backlog of \$153.2 million, up 14 % sequentially and 30% YTD
- WMI stand-alone backlog up 17% sequentially to \$20.3 million.

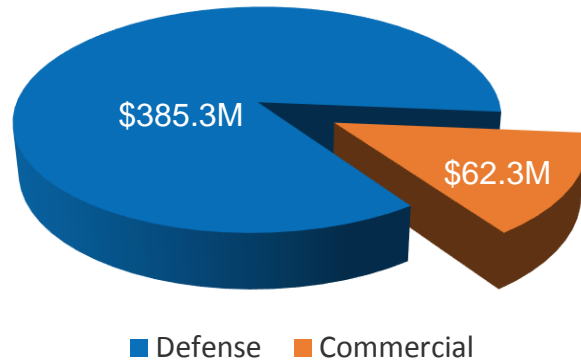
4. Key New Programs On-Plan

- Unnamed Sikorsky helicopter – multiple shipsets
- Missile wing – 2 shipsets delivered to support flight test
- F-16V – entered tooling phase with production phase anticipated in Q4; international demand strong and building

*Net income for the second quarter of 2019 includes a tax benefit of approximately \$1.0 million due to the reversal of a portion of the approximately \$3.1 million liability that was recorded at December 31, 2018 for an uncertain tax position related to a federal income tax audit.

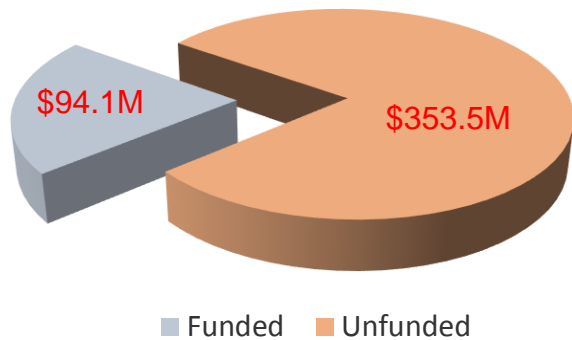
Consolidated Backlog at 06/30/2019: \$447.6 Million Defense Backlog: \$385.3 Million, Up 73% since mid-2014

Defense 86% / Commercial 14%



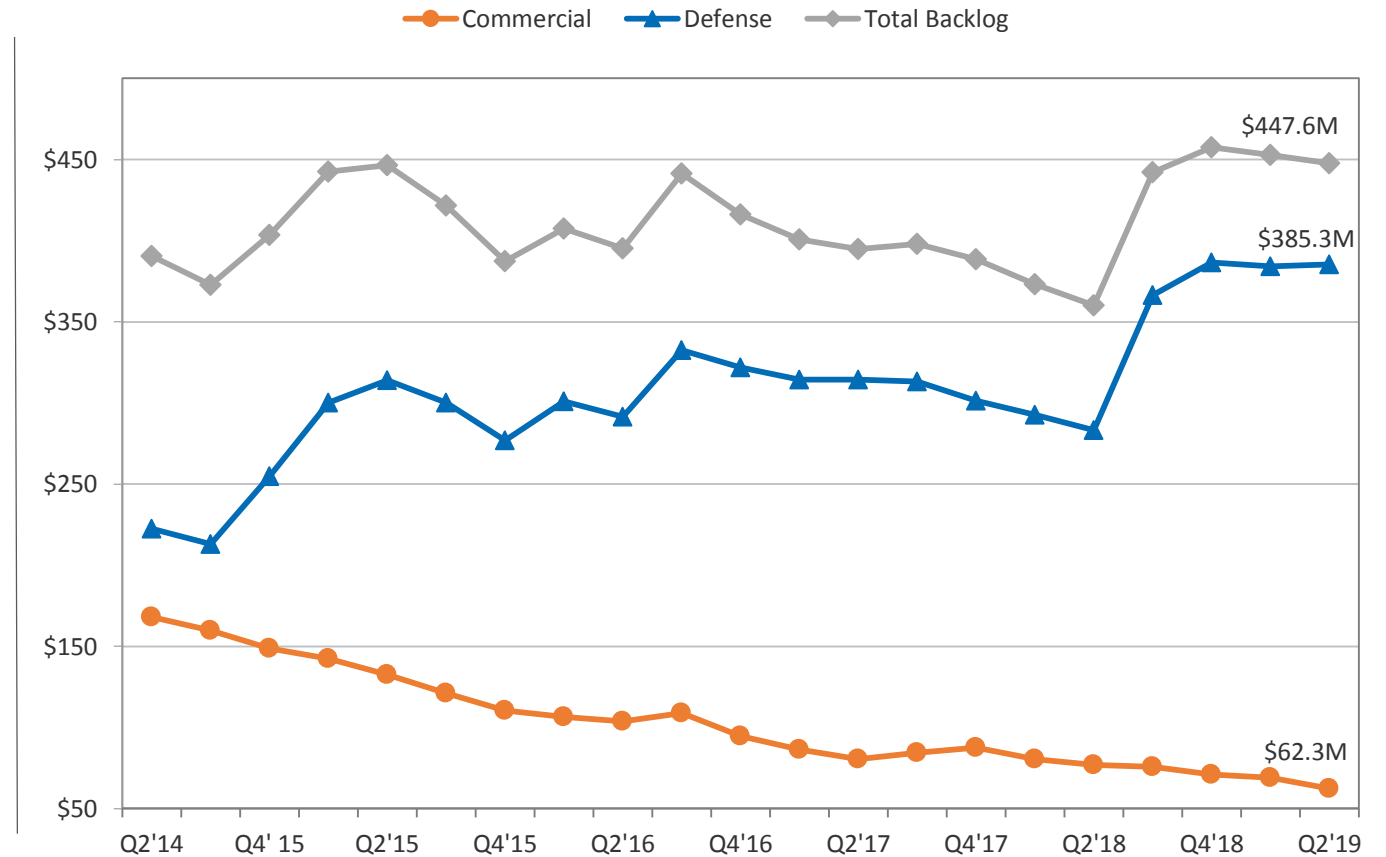
Funded 21% / Unfunded 79%

Unfunded backlog represents remaining potential value of long term agreements



2Q 2014 – 2Q 2019

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

Lockheed Martin F-35 Lightning II Drive Shaft \$15.8M  <u>Announced</u> November 2017 <u>Contract Period</u> 2018 – 2022	NGC Japan E-2D Hawkeye \$25.0 – 30.0M  <u>Announced</u> Jan. 2016/Feb. 2018 <u>Contract Period</u> 2016 – 2019	Bell / Textron AH-1Z Viper \$18.6M  <u>Announced</u> Jan. 2017/March 2018 <u>Contract Period</u> 2017 – 2021	Raytheon Next Generation Jammer Mid-Band \$170.0M+  <u>Announced</u> July 2016/August 2018 <u>Contract Period</u> 2016 – 2030	Unidentified Missile Platform \$ Undisclosed  <u>Announced</u> October 2018 <u>Contract Period</u> 2019 – 2020	Unidentified Sikorsky Helicopter \$1.0M (approx.)  <u>Announced</u> October 2018 <u>Contract Period</u> 2019 – 2020
NGC E-2D Advanced Hawkeye – Follow OnM \$47.5M (potential)  <u>Announced</u> October 2018 <u>Contract Period</u> 2018 – 2024	Lockheed Martin F-35 Lightning II Lock Assys. \$10.6M  <u>Announced</u> July 2015/Dec. 2018 <u>Contract Period</u> 2015 – 2024	Raytheon SEASPRARROW Missile System \$5.0M  <u>Announced</u> Legacy WMI <u>Contract Period</u> 2018-2019	Lockheed Martin F-16V \$20.0+M  <u>Announced</u> February 2019 <u>Contract Period</u> 2019-2024	Sikorsky UH-60 Black Hawk HIRSS Module Assemblies ~\$14.0M  <u>Announced</u> June 2019 <u>Contract Period</u> 2020-2022	U.S. Air Force T-38 PC3/TRIM \$65.7  <u>Announced</u> July 2019 <u>Contract Period</u> 2019 – 2030

2Q 2019 Financial Highlights



Vincent Palazzolo

Chief Financial Officer

Recent Financial Highlights

	For the Three Months Ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Revenue	\$23.2	\$20.3
Cost of revenue	<u>18.2</u>	<u>15.7</u>
Gross profit	5.0	4.6
Selling, general and administrative expenses	<u>2.7</u>	<u>2.6</u>
Income from operations	2.2	2.0
Income before provision for income taxes	1.7	1.6
Net income*	\$2.7	\$1.3
Income per common share – diluted**	<u>\$0.23</u>	<u>\$0.14</u>

*Net income for the second quarter of 2019 includes a tax benefit of approximately \$1.0 million due to the reversal of a portion of the approximately \$3.1 million liability that was recorded at December 31, 2018 for an uncertain tax position related to a federal income tax audit.

**On a higher number of shares: 11,644,768 at June 30, 2019 versus 8,980,155 at June 30, 2018.

Balance Sheet Highlights

(\$ in Millions, except per share value)

As of June 30, 2019	
Cash and Restricted Cash	\$2.8
Contract Assets	120.3
Total Debt	31.2
Shareholders' Equity	98.2
Book Value, per share	8.32
Debt-to-Capital	0.32

Liquidity
<ul style="list-style-type: none">• \$40 million senior debt facility<ul style="list-style-type: none">– \$10 million term loan– \$30 million revolving line-of-credit• Approximately \$4.3 million available under credit facility as of June 30, 2019

Revenue

- **\$98.0M – \$102.0M**

Pre-tax Income

- **\$11.0M – \$11.3M**

Cash Flow from
Operations

- **\$3.5M+**

Looking Ahead

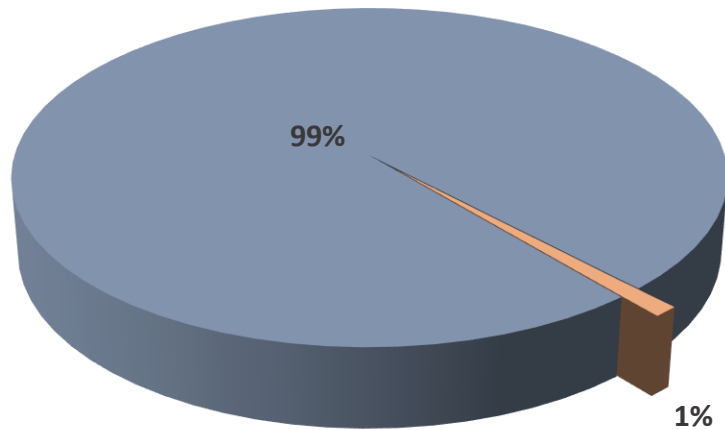


Douglas McCrosson

President & Chief Executive Officer

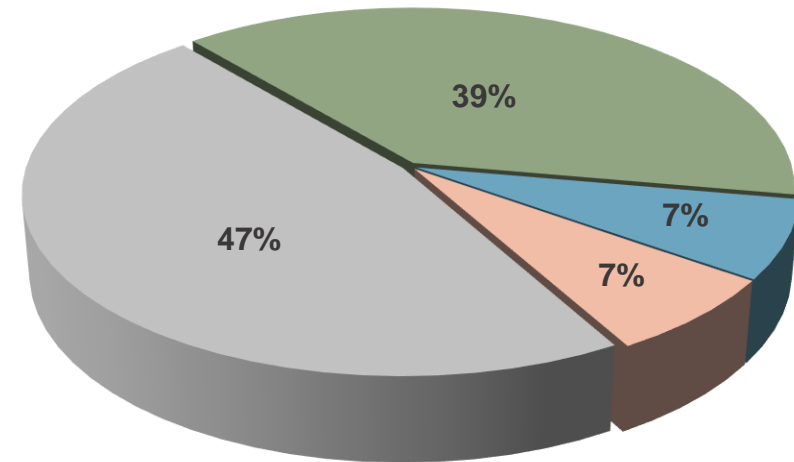
Virtually all proposals are at the Tier 1 (95%) level

Defense weighted at the moment –
commercial bids soon to be submitted for more balance



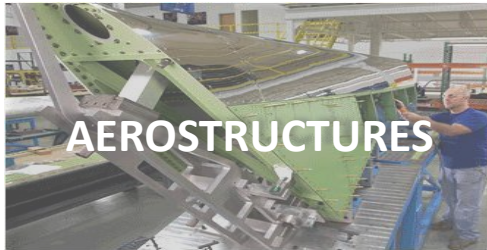
■ Defense ■ Commercial

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
- Missile Wings
- Unmanned Aerial Systems



- Wet Outer Wing Panel Kits for Japanese E-2D Advanced Hawkeye
- Complete Multi-year Negotiations for US Navy's E-2D

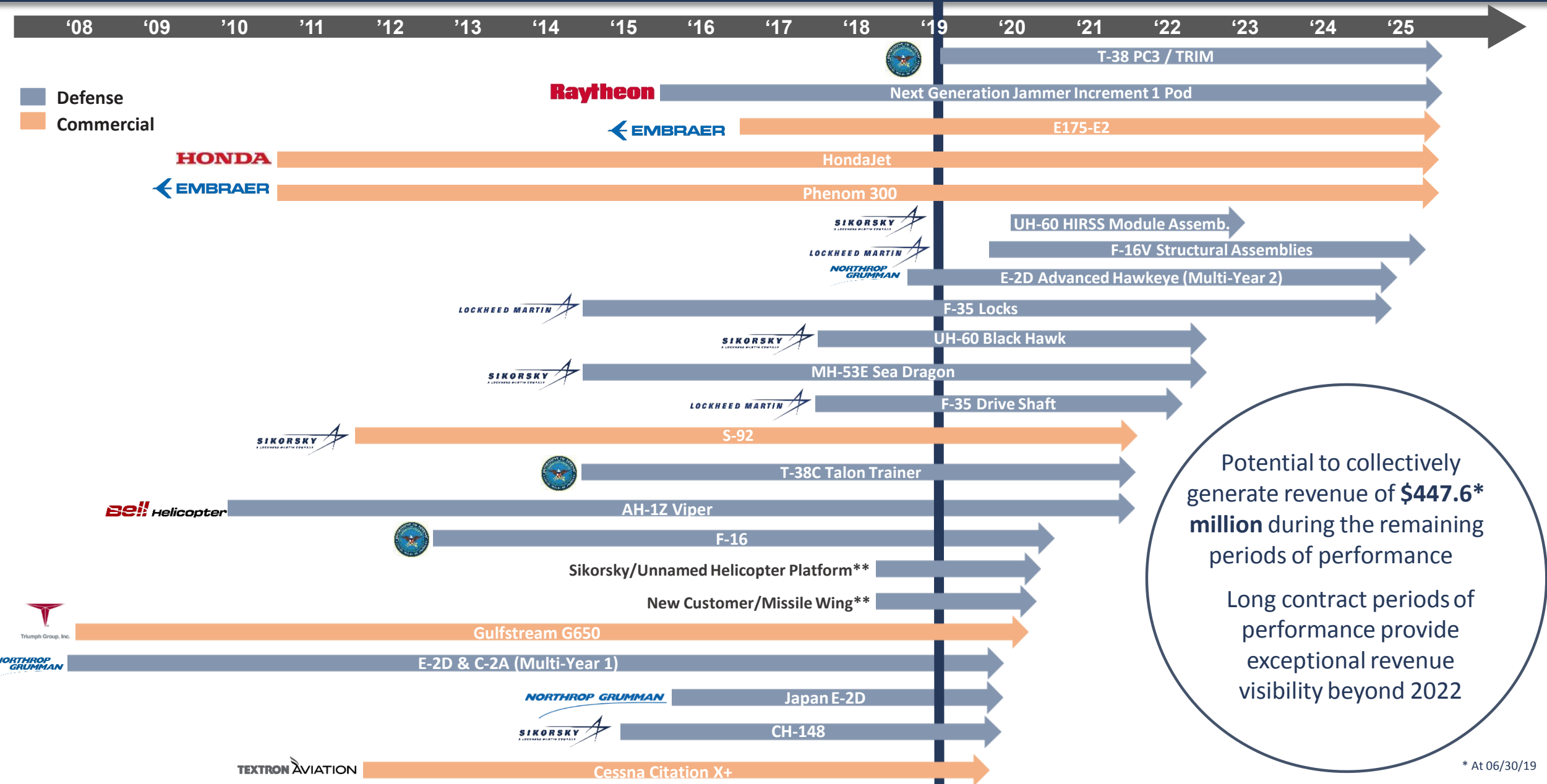


- Intelligence, Surveillance & Reconnaissance (ISR) Pods
- Electronic Warfare (EW) Pods
- Electronic Racks & Step Assemblies



- 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 **\$447.6* million** during the remaining periods of performance

Long contract periods of performance provide exceptional revenue visibility beyond 2022

* At 06/30/19

Q&A Session

Thank You



CPI Aerostructures

Vincent Palazzolo, Chief Financial Officer

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