



Expertise in Aerospace Technologies



2020 Q1 Results Presentation

Speakers:

Douglas McCrosson, President & Chief Executive Officer

Tom Powers, Acting Chief Financial Officer

October 1, 2020

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This presentation contains forward-looking statements that are based on current expectations of management and certain assumptions that are subject to risks and uncertainties. There can be no assurance that such risks and uncertainties will not affect the accuracy of the forward-looking statements or that actual results will not differ materially from the results anticipated in the forward-looking statements. Included in these risks are: risks related to the restatement of the Company's prior period consolidated financial statements and the material weaknesses in the Company's internal controls including the substantial costs and diversion of management attention and resources which will be required to remediate the material weaknesses, any adverse developments in existing legal proceedings or the initiation of new legal proceedings, the effect of economic conditions in the industries and markets where the Company operates, including financial market conditions, the impact of the COVID-19 pandemic (including its impact on global supply, demand, and distribution capabilities as the outbreak continues), the financial condition of the Company's customers and suppliers, the cyclical nature of the aerospace market, the level of US government defense spending (including changes or shifts in defense spending due to budgetary constraints, spending cuts resulting from sequestration, the allocation of funds to governmental responses to COVID-19, or changing political conditions, and uncertain funding of programs), the ability of the government and the Company's other customers to terminate contracts at any time, 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 and costs resulting from changes to and compliance with applicable regulatory requirements, level of indebtedness, and cash flow from operations. Additional information concerning these, and other risk factors can be found in the company's filings with the Securities and Exchange Commission. Because the risks, assumptions, and uncertainties referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements, investors are cautioned not to place undue reliance on any such forward-looking statements, each of which speaks only as of the date made. The Company has no obligation to update any forward-looking statement to reflect events or circumstances after the date hereof. 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, 2019, available at <http://www.sec.gov>.

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Recent Highlights



Douglas McCrosson

President & Chief Executive Officer

1. First Quarter Results Reflect Transition Period of Raytheon NGJ Pod Program

- Revenue of \$16.9 million versus \$22.0 million restated
- Gross profit of \$0.7 million versus \$2.5 million;
- Net loss of \$2.8 million versus \$0.9 million
- Cash used in operating activities of \$1.4 million,

2. \$77.4 Million in New Orders Announced to date in 2020

- \$52.1 million in orders from Northrop Grumman under the E-2D program
- \$10.1 million in orders for T-38 modifications kits
- \$14.0 million in orders under A-10 Re-Winging Contract
- \$1.2 million order from Lockheed Martin for F-16 structural assemblies

3. Book to Bill of 4.7:1 for the quarter; 2.2:1 for trailing 12 months ended March 31, 2020

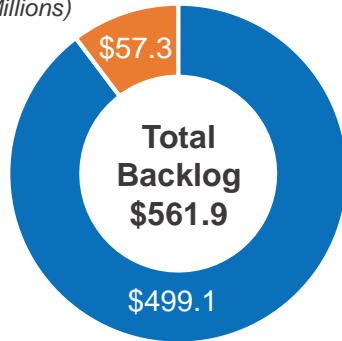
- Record backlog of \$556.3 million, 90% defense
- Funded defense backlog of \$206.3 million up \$69.4 million since 12/31/2019

Successful Execution of Defense-Centric Strategy

**Record Consolidated Backlog at 3/31/2020: \$556.4 Million;
Record Defense Backlog: \$499.1 Million**

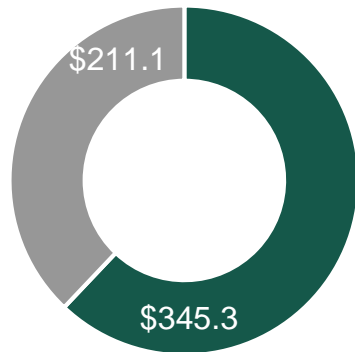
Defense 90% / Commercial 10%

(\$ in Millions)



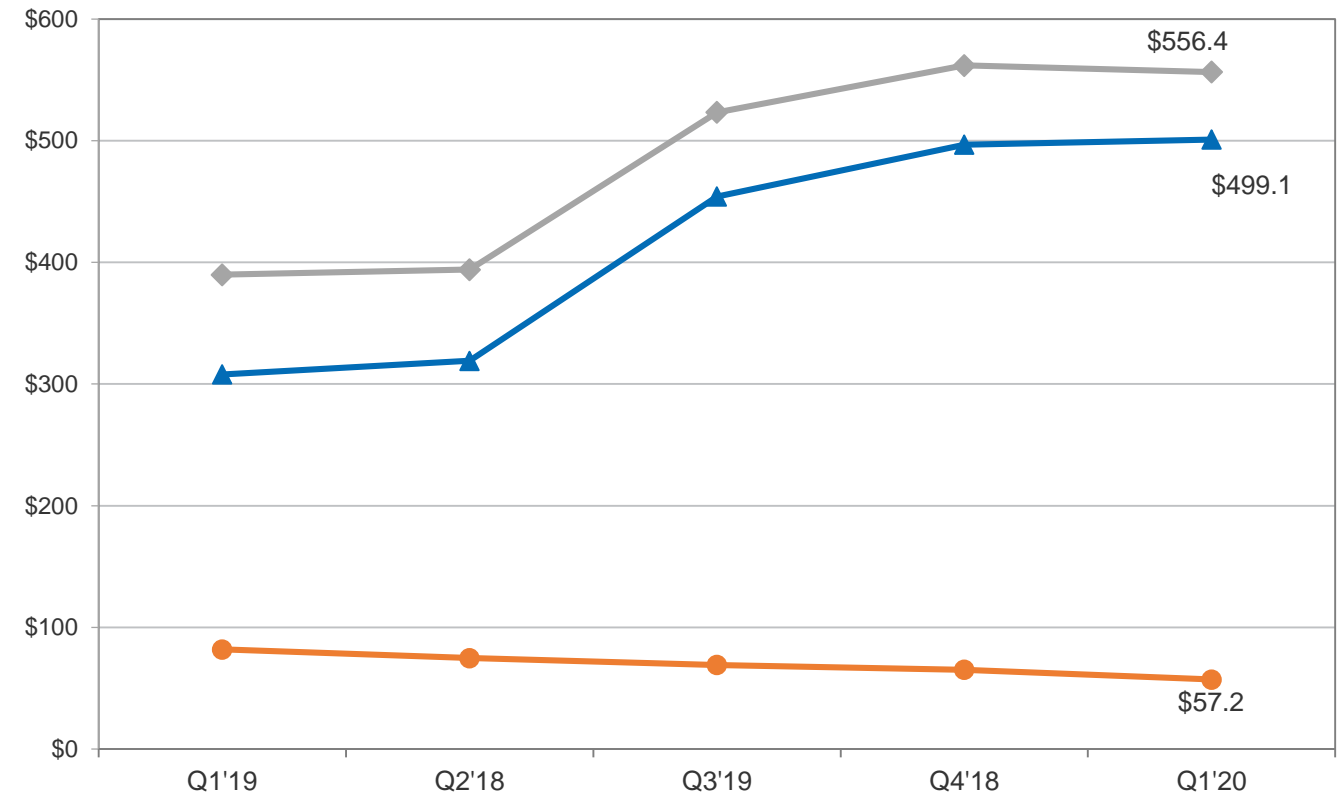
Total backlog includes both funded orders and the estimated amount of future orders under the expected duration of the program.

Funded 38% / Unfunded 62%



1Q 2019 – 1Q 2020
Backlog (Defense/Commercial)

Commercial Defense Total Backlog



Diversified Program Portfolio Aligned with Defense Spending Priorities

Presence on prominent defense programs with strong funding

Bell / Textron AH-1Z Viper	Unidentified Missile Platform	Unidentified Sikorsky Helicopter	NGC E-2D Advanced Hawkeye – Follow On	Lockheed Martin F-35 Lightning II Lock Assys.	Lockheed Martin F-16V
\$18.6M	\$ Undisclosed	\$1.0M (approx.)	\$47.5M	\$10.6M	\$20.0M+
					
<u>Announced</u> Jan. 2017/March 2018	<u>Announced</u> October 2018	<u>Announced</u> October 2018	<u>Announced</u> October 2018	<u>Announced</u> July 2015/Dec. 2018	<u>Announced</u> February 2019
<u>Contract Period</u> 2017 – 2021	<u>Contract Period</u> 2019 – 2021	<u>Contract Period</u> 2019 – 2021	<u>Contract Period</u> 2018 – 2024	<u>Contract Period</u> 2015 – 2024	<u>Contract Period</u> 2019-2024
Sikorsky UH-60 Black Hawk HIRSS Module Assemblies	U.S. Air Force T-38 PC3/TRIM	Raytheon Next Generation Jammer Mid-Band	Boeing A-10 Thunderbolt II	Raytheon Prototype Pod	
~\$14.0M	\$65.7M	\$200M+	\$48M	\$2.5M	
					
<u>Announced</u> June 2019	<u>Announced</u> July 2019	<u>Announced</u> Jul. 2016/Aug. 2018/ Sept. 2019	<u>Announced</u> October 2019	<u>Announced</u> October 2019	
<u>Contract Period</u> 2020-2022	<u>Contract Period</u> 2019 – 2030	<u>Contract Period</u> 2016 – 2030	<u>Contract Period</u> 2020-forward	<u>Contract Period</u> 2019-2021	

NOTE: Contract amounts are potential values over period of performance

Information contained herein is proprietary to CPI Aero and may be subject to ITAR regulations

1Q 2020 Financial Highlights



Tom Powers

Acting Chief Financial Officer

1Q Income Statement Highlights

(\$ in Millions)

	For the Three Months Ended March 31,	
	2020 (Unaudited)	2019 (Unaudited)
Revenue	\$16.9	\$22.0
Cost of sales	<u>16.2</u>	<u>19.5</u>
Gross profit	0.7	2.5
Selling, general and administrative expenses	<u>3.1</u>	<u>2.9</u>
Loss from operations	(2.4)	0.4
Loss before provision for (benefit from) income taxes	(2.8)	(0.9)
Net loss	(2.8)	(0.9)
Loss per common share – diluted	<u>\$(0.24)</u>	<u>\$(0.08)</u>

(\$ in Millions)

As of March 31, 2020 (Unaudited)	
Cash and Restricted Cash	\$3.4
Net Contract Assets and Liabilities	11.1
Total Debt	30.4

Amended Credit Facility

- Entered into Amended Credit Facility on August 24, 2020
 - Outstanding principal on term loan increased to \$8.0 million
 - \$24 million revolving line-of-credit
 - Maturity extended to May 2, 2022
- In the second quarter, received \$4.8 million loan under the Paycheck Protection Program Provision of the CARES Act; loan expected to be forgiven

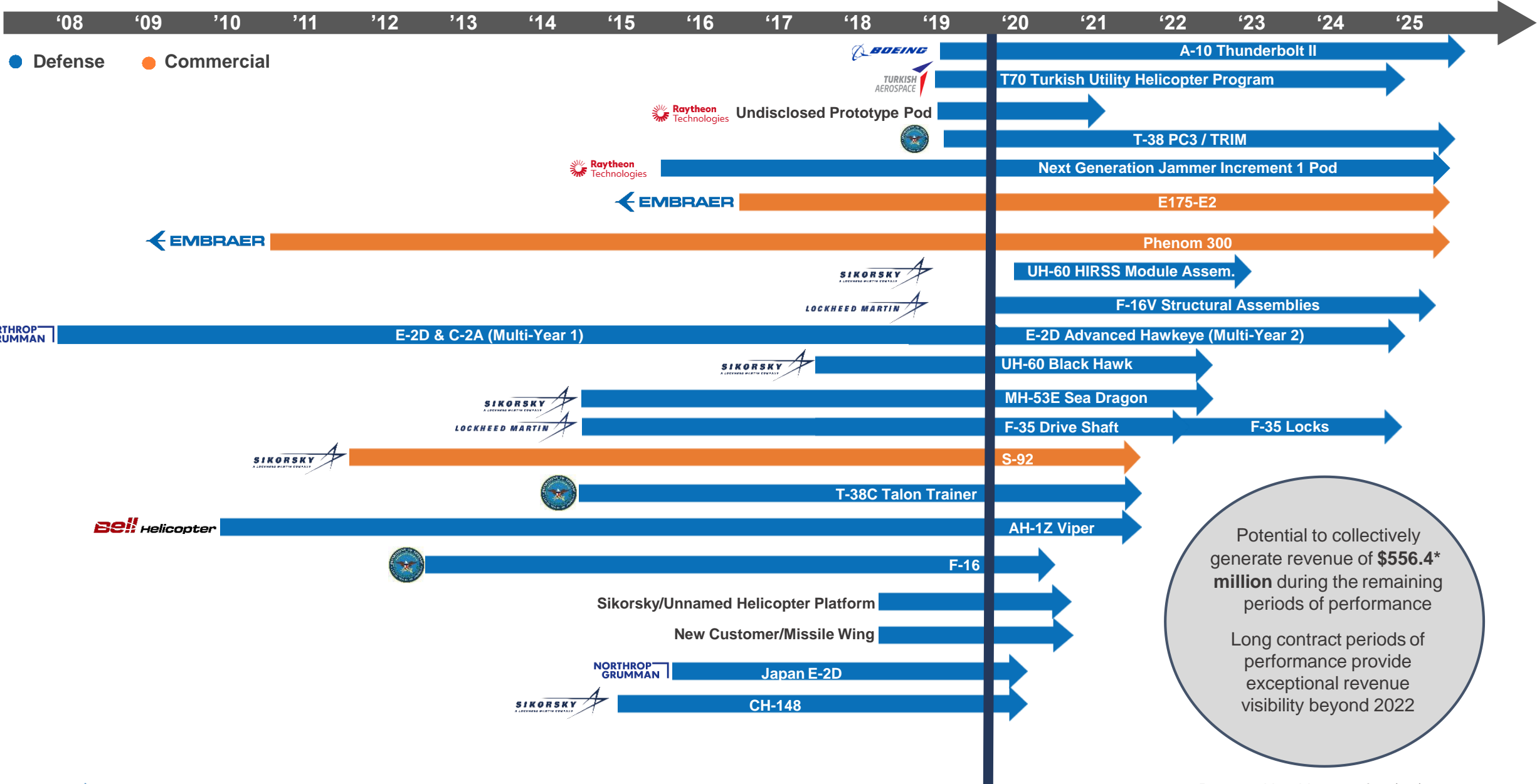
Looking Ahead



Douglas McCrosson

President & Chief Executive Officer

Defense Weighted Backlog Positions CPI Aero for Profitable Growth



Potential to collectively generate revenue of **\$556.4* million** during the remaining periods of performance

Long contract periods of performance provide exceptional revenue visibility beyond 2022

• Reported backlog as of 12/31/2019

AEROSTRUCTURES



- ***Missile Wings***
- ***Repair of various helicopter structural assemblies***
- Unmanned Aerial Systems
- Flight control surfaces

AEROSYSTEMS



- ***Intelligence, Surveillance & Reconnaissance (ISR) Pods***
- Electronic Warfare (BW) Pods
- ***SEASPARROW missile controlelectronics***
- Rada Racks

Bold, italic type denotes opportunities where CPI Aero is the incumbent supplier

1. Sharpened focus on liquidity

- Compressing the cash cycle
- Improving working capital management

2. Strengthened Balance Sheet

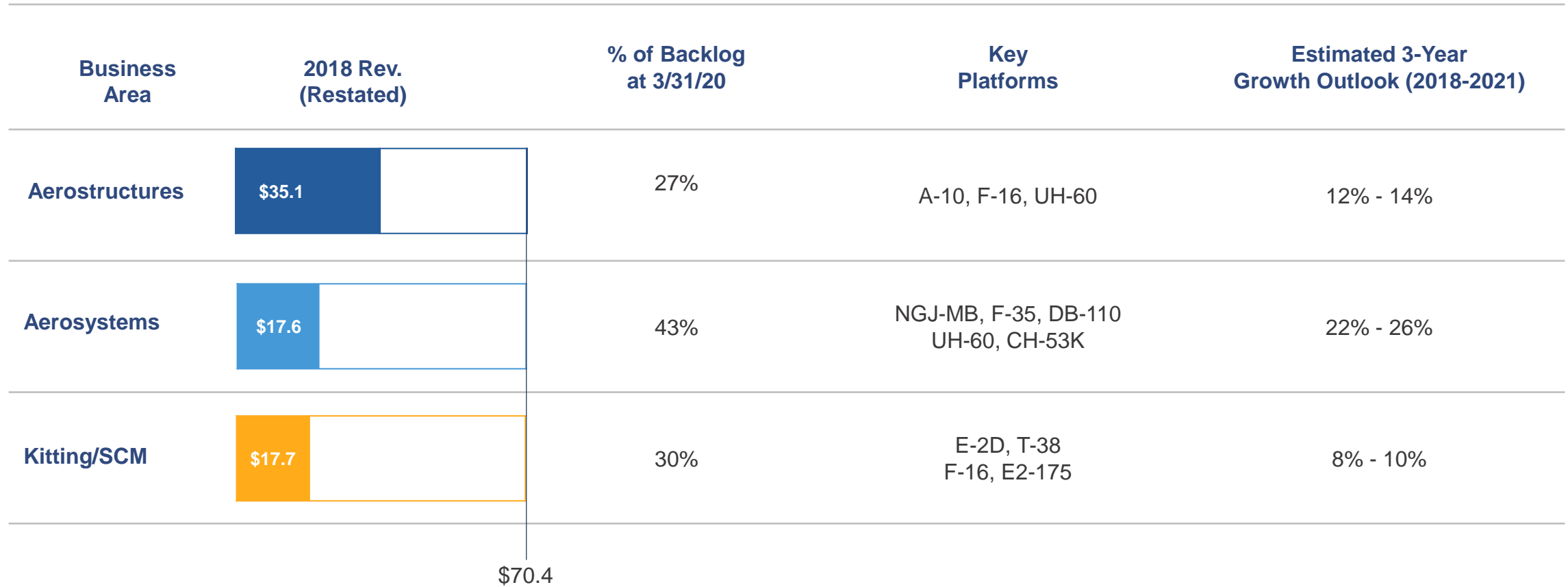
- Apply increased operating cash flow to pay down approximately \$2M debt in 2020

3. Margin Expansion

- Expect ramping up newer defense programs will improve fixed cost absorption
- Improve buying leverage with suppliers
- Operating leverage on normalized SG&A and rising revenue

Positions CPI Aero for higher revenue, improved profitability and cash flow for 2021 compared to 2020

(\$ in Millions)



Q&A Session



Douglas McCrosson

President & Chief Executive Officer



Investor Relations Counsel

Jody Burfening, LHA Investor Relations

(212) 838-3777

cpiaero@lhai.com

