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PRESENTATION

Operator

Hello and welcome to AAR fourth-quarter 2025 earnings conference call. (Operator Instructions) I would now like to turn the conference over to management. You may begin.

Eric Pachapa - *AAR Corp - Chief Accounting Officer, Vice President, Controller*

Good afternoon, everyone and welcome to AAR's fiscal year 2025 fourth-quarter earnings call. We're joined today by John Holmes, Chairman, President, and Chief Executive Officer; and Sean Gillen, Chief Financial Officer.

The presentation material we are sharing today as part of this webcast can also be found under the Investor Relations section on our corporate website. Before we begin, I'd like to remind you that the comments made during the call may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.

These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Accordingly, these statements are no guarantee of future performance. These risks and uncertainties are discussed in the company's earnings release, and the Risk Factors section of the company's annual report on Form 10-K for the fiscal year ended May 31, 2024. In providing the forward-looking statements, the company assumes no obligation to provide updates to reflect future circumstances or anticipated or unanticipated events.

Certain non-GAAP financial information will be discussed during the call today. A reconciliation of these non-GAAP measures to the most comparable GAAP measure is set forth in the company's earnings release and slides. A transcript of this conference call will be available shortly after the webcast on AAR's website. At this time, I would like to turn the call over to AAR's Chairman, President and CEO, John Holmes.

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Thank you and welcome everyone to our fourth-quarter fiscal year 2025 earnings call. We are very proud of the record year we just delivered, and as you will see, we are continuing to advance the execution of our strategy. We have accompanying information on the slides I will be referencing as I talk through the details of this release.

Turning to slide 3, there are five key highlights from the fiscal year 2025 that I would like to cover today. First, we delivered outstanding financial performance in the quarter and the full year. On that note, we are particularly proud of the 14% organic sales growth which excludes Landing Gear that we drove in the quarter.

Second, we have continued to refine and optimize our portfolio. We have substantially completed the integration of the Product Support acquisition and completed the divestiture of our Landing Gear Overhaul business.

Third, we are successfully driving above market growth in our new parts Distribution activities. Fourth, our Trax software solution is capturing new business wins and is delivering results. And fifth, we are continuing to reduce net leverage by both growing adjusted EBITDA and reducing net debt. We ended the quarter at 2.7 times and absent any M&A, we are on track to meet our leverage target of 2.0 to 2.5 times.

Turning to slide 4, this is a high-level view of our financial results for fiscal year 2025. We delivered record full year results of $2.8 billion, up 20% over the prior year. Adjusted EBITDA margin increased 140 basis points to 11.8% in fiscal 2025, which reflects strong growth across our core segments. We generated record adjusted diluted earnings per share of $3.91 compared to $3.33 last year.

We continue to reduce our net leverage and our strong balance sheet along with our disciplined capital allocation strategy, have us well positioned for investments that will drive continued growth. Turning now to slide 5, I will discuss our strategy execution in more detail.

We are executing across our strategic objectives to drive growth through market share capture and new business, improve margin through cost efficiency and synergy realization, increase the intellectual property in our offerings through digital and other investments, and to continue our disciplined portfolio management. The actions we are taking delivered the strong performance we saw in fiscal 2025, and we expect this to continue in 2026.

Starting with growth, we announced several new business wins in the quarter. In our Parts Supply segment, we extended our multi-year agreement with FTAI to exclusively distribute CFM56 engine material to the aviation aftermarket through 2030. We also entered into a Supply Chain Alliance Agreement with the US Defense Logistics Agency, which will enable AAR to provide comprehensive new parts Distribution services to meet the needs of the DLA.

In Integrated Solutions, we established a joint venture with KIRA, and the joint venture was awarded the US Navy's pilot training program on E-6B aircraft.

Additionally, we continue to make progress on our Oklahoma City and our Miami Airframe MRO expansions, which will come online in calendar 2026, adding 15% capacity to our network. These new business wins and expansions demonstrate the strength of our portfolio and the strong demand our customers have for our services.

In cost efficiency and synergy realization, we have substantially completed the integration of the Product Support acquisition. As a reminder, as part of the Product Support integration, we are exiting our Long Island, New York facility and consolidating that work into our locations in Dallas, Texas; and Wellington, Kansas.

We transferred the last pieces of equipment and work from New York in Q4 and intend to fully exit the New York facility in our fiscal Q1. We are now in a position to realize the full $10 million of cost synergies, which would contribute to further margin expansion.

In our digital and IP-enabled offerings, we saw continued strong traction for our Trax software solution as we announced several new business wins, including our largest win yet with Delta Airlines. Trax was selected by Delta, the modernized Delta TechOps maintenance and engineering systems. Trax will replace Delta TechOps legacy systems with its eMRO and eMobility solutions. This multi-year implementation will ultimately be the largest of its kind in the maintenance ERP space.

This one is a perfect example of our Trax acquisition thesis, whereby AAR can leverage its customer relationships to open doors for Trax. Furthermore, this one demonstrates that with AAR's investments, Trax can scale to support the largest airlines in the world.

Finally, as part of our disciplined portfolio management, we completed the divestiture of our Landing Gear Overhaul business. This move generated $48 million in cash and is margin accretive.

As previously mentioned, all of this execution delivered excellent results in our fiscal year 2025, with strong double-digit growth across sales, adjusted EBITDA, and adjusted EPS. With that, I will now turn it over to Sean to discuss the results in more detail.

Sean Gillen - *AAR Corp - Chief Financial Officer, Senior Vice President*

Thanks, John. Looking now to slide 6. Total adjusted sales in the quarter grew 12% to $736 million year over year, setting a new fourth-quarter sales record. This strong growth was across all of our segments, with particular strength in Parts Supply.

Excluding the sale of Landing Gear, which contributed sales of $18.6 million in last year's quarter and $8.3 million in this quarter, Q4 organic sales growth was 14%. For the full-fiscal year, our organic sales growth, which excludes the impact of both the Product Support acquisition and Landing Gear divestiture was 9%.

Sales to government customers increased 21%, and sales to commercial customers increased 12% from the same period last year. For the quarter, total commercial sales made up 69% of total sales, while government sales made up the remaining 31%. We are pleased to see the return to growth in our government business.

Compared to the same quarter last year, adjusted EBITDA increased 19% to $90.9 million, and EBITDA margins increased to 12.4% from 11.6%. Adjusted operating income increased 25% to $76.9 million, with adjusted operating margins improving to 10.5% from 9.3%.

Our focus on improving operating efficiencies and particular strength in our Parts Supply segment drove the improved margins. The combination of sales growth and margin expansion resulted in a year-over-year adjusted diluted EPS increase of 32% to $1.16 from $0.88 in the same quarter last year.

With that, I'll turn to the detailed results by segment, starting with Parts Supply on slide 7. Parts Supply sales grew 17% to $306 million from the same quarter last year. We once again saw above-market growth of over 20% in our new parts Distribution activities, with strong growth across both the commercial and government end markets. In USM, we once again saw modest growth due to the constraints in asset availability.

Fourth quarter Parts Supply adjusted EBITDA was $52.1 million, was higher by 36%, and adjusted EBITDA margin increased to 17.1% from 14.8% in the same quarter last year. Adjusted operating income rose 41% to $49.7 million, and adjusted operating margins also increased from 13.5% to 16.3%. This significant margin improvement came from both new parts Distribution and USM. In particular, USM had a very strong Q4 margin due to the certain whole asset transactions.

Turning now to slide 8 for Repair and Engineering. Sales increased 3% to $223 million year over year. Excluding the impact of the Landing Gear divestiture, the organic sales growth in Repair and Engineering was 8%, as demand remains strong for our Airframe MRO activities, and we continued to drive efficiency to increase throughput.

Adjusted EBITDA of $26.7 million was 6% lower than in the same period last year, with adjusted EBITDA margins decreasing to 12% from 13.1%. Fourth quarter adjusted operating income of $23.3 million was also 6% lower than the same period last year, and adjusted operating margins decreased to 10.5% from 11.5%. These decreases were primarily driven by higher costs at our New York component repair facility as we complete the integration and progressed to fully closing it in Q1.

Going forward, we expect to drive further margin expansion in the segment from the realization of Product Support synergies, continued rollout of our paperless hangar initiatives, and the capacity expansions that are in process.

Looking now to slide 9. Integrated Solutions adjusted sales increased by 10% year over year to $181.5 million. Note that adjusted sales are lower than our reported GAAP sales as we recognize $19 million in sales related to a previously exited power-by-the-hour contract.

Consistent with previous terminated contracts, we exclude the financial impact or benefit from our adjusted results. There was no margin on these sales.

We saw growth across both our commercial and government end markets, with particular strength in our government programs. Integrated Solutions adjusted EBITDA of $14.2 million was 13% higher than the same period last year. Adjusted operating income of $10.7 million was 15% higher, with the adjusted operating margin increasing from 5.6% to 5.9%.

Turning to slide 10 of the presentation. During the quarter, we reduced our net debt leverage from 3.06 times in the third quarter to 2.72 times. This reduction was driven by strong Q4 cash flow from operations of $51 million, as well as net proceeds of $48 million from the Landing Gear divestiture.

Additionally, in Q4, we did opportunistically repurchased $10 million worth of stock at an average price of $52.37 per share. In Q1, given the seasonality of the business and investment opportunities, we do expect a Q1 cash use.

Our reduced net leverage provides us increased optionality for capital allocation going forward. Our strong balance sheet has us well positioned to invest organically and to potentially pursue value-accretive acquisitions.

Absent any M&A, which remains part of our growth strategy, we would expect to continue to delever and achieve our target net leverage of 2 to 2.5 times in fiscal year 2026. With that, I will turn the call back over to John.

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Great, thank you, Sean. Turning to slide 11, based on a strategy, these are our objectives for fiscal year 2026. We intend to continue expanding our market share in new parts distribution and Parts Supply. In Repair and Engineering, we will add capacity to our heavy maintenance network with our hangar expansion in Oklahoma City. We will also focus on cross-selling opportunities to drive volume to our component services facilities.

Finally, we will look to convert our pipeline of opportunities in Integrated Solutions Government to new awards. We plan to continue to expand margins through cost efficiency and synergy realization, and we expect to complete the Product Support integration and realize the full $10 million in annual cost synergies throughout the year.

We will also make progress on our implementation of paperless in our hangars. We have completed about one-third of our facilities to date, and we will continue to roll this out throughout the network through the balance of the year. All of this will lead to further margin improvement in our operations.

Increasing intellectual property in our portfolio will also be a focus this year, which will principally be driven through digital investments and Trax to capture new customers and upgrade existing customers to the latest Trax offerings.

We will continue to take a proactive and disciplined approach to accretive acquisitions, and we will evaluate our portfolio for further optimization. Turning to slide 12 for context, as we look at the year ahead, we are providing some additional commentary on trends that we see in our selected end markets.

As you saw throughout fiscal year 2025, our new parts distribution business grew 25% organically, which was significantly above market, and we expect that above-market growth to continue. In USM, we anticipate the market will remain dynamic during our FY26, but we remain well positioned in this space.

In Airframe MRO, we expect to continue to operate at full utilization, with the additional capacity that's already sold, coming online in the second half of fiscal year 2026 and in fiscal year 2027. In Component Services, we expect to fully complete the integration, and the sites are well positioned for additional volume coming from cross-selling.

In Integrated Solutions, we have certain near-term headwinds driven by the Department of State cost reduction efforts, which we expect to impact the Iraq aviation operations under our WASS contract, but we expect to offset those headwinds with growth in other programs and new business wins as the year progresses. In Digital, Trax is a differentiated, high-margin, high-growth capability that will continue to be a major focus for us.

Given the overall macro environment, we will continue to provide guidance on a quarterly basis. Having said that, and based on what we see today, we expect our organic sales growth to approach the 9% level that we drove in fiscal year 2025. This growth rate is from our fiscal year 2025 adjusted sales of $2.68 billion, excluding the impact of the Landing Gear divestiture.

Additionally, we have an active pipeline of M&A opportunities that would augment this growth rate. I would also expect our adjusted operating margins to continue to improve from the 9.6% that we delivered in fiscal year 2025.

For Q1, we expect sales growth of 6% to 11%, which excludes the impact of Landing Gear, which generated $19.2 million in sales in Q1 last year. We expect adjusted operating margin of 9.6% to 10%. I would note that Q1 is typically a seasonally slower sales quarter for AAR as compared to Q4.

In closing, I would like to highlight the strength of AAR as a business and as an investment. We are well positioned in attractive, growing aviation end markets. We have unique capabilities that are unmatched across our industry. We are executing on our growth and efficiency initiatives.

We have simplified and optimized our portfolio to deliver stronger growth at higher margins. We are reducing net leverage and thoughtfully allocating capital, and we are delivering on our strategic objectives while generating consistent financial performance.

Before turning it over to the operator for questions, I would like to thank our team of dedicated employees, our customers, and our shareholders for your continued interest and support of AAR. And with that, we'll open it up for questions.

QUESTIONS AND ANSWERS

Operator

Ken Herbert, RBC.

Ken Herbert - *RBC Capital Markets - Analyst*

Yeah, hey, good afternoon, John and Sean. Just wanted to first ask, the first quarter guidance for revenue growth implies a fairly wide range, typically larger than what you've given in the past. Can you just talk about the puts and takes in terms of how we should think about what puts you to the lower end of that versus the upper end of that in terms of the revenue growth in the quarter?

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah. We have, I would say, somewhat due to the USM environment, we have some transactions that are larger that may move around a bit. Obviously, having a really strong quarter there in Q4, and we're certainly anticipating growth in Q1. But it's largely based on that.

Ken Herbert - *RBC Capital Markets - Analyst*

Okay, thanks. And specifically, within the Repair and Engineering segments, the step down and adjusted the margins in the quarter. Can you just talk about maybe some of the moving pieces there and how we should think about the pace of improvement in that segment in particular as we think about fiscal '26?

Sean Gillen - *AAR Corp - Chief Financial Officer, Senior Vice President*

Yeah, the step down in the corridor related to margins in Repair and Engineering was really all around the closure or the final activities as part of closing the New York facility. So the volume has moved away from that facility into the two Triumph facilities in Kansas and Texas, but the fixed costs remained. So you had stranded costs in the corridor that impacted the margins.

As we exit that facility in this quarter, we'd expect that to improve. And then that headwind will be out of the results for the balance of the year.

Ken Herbert - *RBC Capital Markets - Analyst*

Okay, that's great. And Sean, just finally on that, as you think about the full year once you sort of normalize for that and considering what you're getting with the added capacity, I know you don't guide with too much granularity here. But as we look across the segments, where could we potentially see the most margin improvement in '26 across the various businesses?

Sean Gillen - *AAR Corp - Chief Financial Officer, Senior Vice President*

Yeah, I think Repair and Engineering has the most opportunity for incremental margin improvement, as we talked about. Now that the integration is substantially done, we'll expect to start achieving more of the synergies, the $10 million of synergies, and the hangars continue to perform extremely well. And we see some additional throughput and margin there.

So I think there's the biggest opportunity in Repair and Engineering. And then in parts supply, I mean, Q4 was really strong. But I think for the full year, you would expect continued strong performance and growth out of that, which is the highest margin segment.

Ken Herbert - *RBC Capital Markets - Analyst*

Perfect. Thanks. Nice quarter. I'll pass it back there.

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Alright, thanks Ken.

Operator

Louie DiPalma, William Blair.

Louie DiPalma - *William Blair - Analyst*

John and Sean, hi, good afternoon. John, you disclosed that Trax has recently crossed the $50 million revenue threshold, and you also announced the marquee win with Delta along with prior wins with Virgin Atlantic Amerijet, and Rolls-Royce.

And so my question is with all of this momentum and the plans to launch the supplier portal, what is like the long-term view of like Trax' revenue potential and how do you view the TAM for Trax?

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah, so first of all we're very proud to have doubled the revenue of Trax from the $25 million two years ago when we acquired it to about the $50 million today. The wins that we've been announcing continue to add to that growth.

Delta is the most significant. It is a multi-year implementation, so it'll take a few years to get up to a few to full runway. But that will be a meaningful increase to Trax' revenue.

Based on the momentum that we've got with new business wins as these contracts are implemented and ramp and based on the other initiative that we've talked about which is upgrading existing Trax users to the new suite of Trax services, which carry with it additional revenue opportunity, our goal is to again double the revenue of Trax. And we're excited about all those opportunities.

Louie DiPalma - *William Blair - Analyst*

Great. And for Sean, are there significant costs associated with the launch of the supplier marketplace that you mentioned in the slide presentation? And should that launch take place this year?

Sean Gillen - *AAR Corp - Chief Financial Officer, Senior Vice President*

Yeah, there are costs associated with that. And we've talked about -- we've grown Trax' revenue very nicely since acquiring the business. We have added cost to the business. It's still high margin, but we've added some cost to support the growth as well.

And then part of that is some new digital initiatives, specifically some of this supplier portal that we're working on and would expect those costs in this year -- in this fiscal year as we roll it out and hopefully kind of make some announcements throughout the year.

Louie DiPalma - *William Blair - Analyst*

Great, and one final question. I can probably do the math, but what was the most recent growth rate for the Triumph business and now it's going to be included as part of your organic growth? And so what's the most recent growth rate?

Sean Gillen - *AAR Corp - Chief Financial Officer, Senior Vice President*

Yeah, so the growth rate and it's all organic now because it was fully in the results of Q4 of last year. So when you think about the repair and engineering segments, it grew 8%, excluding Landing Gear. And the Triumph product support business contributed that 8%.

So we saw growth in both the airframe MRO and the Triumph product support. And we do want to get away from kind of breaking out the TPS sites versus the non-TPS sites because at this point now that the integration is complete and we've lapped the, call it, inorganic period, it's all just part of the growth which will show up in the Repair and Engineering segment.

Louie DiPalma - *William Blair - Analyst*

Okay, and one final one, what is the expectation for like the amount of time that it will take to fill the Oklahoma City and Miami hangars, the demand for those facilities?

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

It's already sold. That capacity is already sold. So as soon as the building is ready, we have customers eager to put aircraft into work. And so as a reminder, we anticipate the Oklahoma City site to come online in calendar Q1 2026. And we would expect the Miami facility to come online in the third calendar quarter of 2026.

Louie DiPalma - *William Blair - Analyst*

Sounds good. Thanks, John. Thanks, Sean.

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Thank you.

Operator

Scott Mikus, Melius Research.

Scott Mikus - *Melius Research - Analyst*

I wanted to drill down into Parts Supply. The growth is very strong at 17%. I was just kind of wondering if we could parse that out by commercial new parts, commercial USM, and defense. And then also, did you see any airlines potentially overordering parts in the quarter to try and get ahead of tariffs?

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah, good question. So distribution led the way this quarter with another quarter of 20%-plus growth. And as we mentioned, we saw that throughout the year. So distribution has really been the driver there.

We did not see significant activity that would indicate kind of stocking up for distribution. It was relatively even order flow. If anything, we actually saw a decline in shipments to certain of our Chinese customers as a result of the tariff behavior there early in the quarter. But other airlines around the world, we didn't see any abnormal behavior.

So that led -- and then within distribution you've had a relatively even split in terms of growth in the commercial market and the government market. And we've been really pleased to see a return to growth in government distribution in the last couple of quarters.

Scott Mikus - *Melius Research - Analyst*

Okay, that's helpful. And then also in Parts Supply margins, you called out some margin benefit from a whole asset sale that came through in the quarter. Was that specific transaction on unusually high margins, or should we assume that parts supply is a low-teens margin business with potential to be mid-high teens if there's a healthy flow of USM?

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah, I'd say that's a safe assumption. Whole asset transactions are part of the USM business, and the margin varies depending on the cost, obviously, and sale of the whole asset transactions. So again, that's part of the activity.

We hadn't seen many whole asset transactions throughout the year because that material was not available. We were happy to get a few of those across the finish line in Q4. And I think what that demonstrates is when there is supply, there is demand, and we're in a good position in the market to match those things up and achieve growth.

Scott Mikus - *Melius Research - Analyst*

Okay, and then a quick one for Sean. Sean, it looks like you're going to get back into your target leverage range relatively soon. So absent any incremental M&A in the back half of your fiscal '26, you're thinking about potentially restarting the dividend or doing more regular share repos?

Sean Gillen - *AAR Corp - Chief Financial Officer, Senior Vice President*

Yeah, good question. When we think about capital allocation, it's obviously getting in that leverage range which you referenced. There's still a lot of opportunity to invest in the business organically. You heard about kind of multiple ways to do that.

And then the M&A piece is kind of next on our capital allocation. To the extent that that materializes, we would kind of hold off on number four, which is around shareholder. But if we didn't and we got towards the low end of the leverage range, I think repurchase is where we would choose to put capital rather than bringing a dividend back in.

We have authorization outstanding on the existing authorization. As I mentioned, we did $10 million early in the quarter when there was some weakness in the stock price. So I think that would be the lever for capital return if we got leverage back down towards the lower end.

Scott Mikus - *Melius Research - Analyst*

Thanks for taking the questions and nice quarter.

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Thank you very much.

Operator

Michael Leshock, KeyBanc Capital Markets.

Michael Leshock - *KeyBanc Capital Markets - Analyst*

Good afternoon, everyone. I wanted to ask the long-term vision of the USM business, maybe as we look three to five years down the road. Clearly, it's an important part of the total business. But just looking at the strong growth opportunities within other segments, do you see USM coming down as a percent of sales over the long term or how are you thinking about that relative to the growth of other businesses?

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Yes, that would be the answer. We've been mixing USM down over the last last couple of years. And it's a great business. It's the original business that founded AAR. But for all the reasons I just mentioned in the last question, it's a dynamic business and you have these moves.

So we've been focused on investing in businesses with a better line of sight to growth and the ability to consistently -- to more consistently produce margin expansion and consistent cash flow. And so I think, USM is 15% or less of the portfolio today. And as we grow other businesses, we would expect that percentages as a total to continue to come down.

And then having said that though, the parts business in general, particularly distribution are just a major focus with us. We are extremely proud of the momentum that we have in new parts distribution. We've really emerged as the largest independent provider of new parts distribution. The fact that we have this scale now and this momentum is getting us more and more opportunities with potential OEM partners, and so we really see a lot of space for growth there. So in terms of parts growth, that's really where the focus is.

Michael Leshock - *KeyBanc Capital Markets - Analyst*

Okay, and then on Trax with the Delta agreement, you touched on it a bit, but I'm curious if there's any way to frame the size of this opportunity relative to the current customer base within Trax or any way you're thinking about that outside of what you said. I appreciate it. Thank you.

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah, the Delta implementation will occur over a multi-year period, and there are different phases as it ramps up the maturity. But obviously we're spending a lot of time talking about it because it will be a meaningful single customer addition to Trax.

But I would also mention, and I touched on this earlier, that as we upgrade existing Trax customers from legacy Trax to the new suite of offerings under eMRO and e-mobility, that in and of itself carries significant revenue upside.

To be more specific, you might have a legacy Trax user that pays a $200,000 or $300,000 a year annual license fee. When they choose to upgrade to the new Trax system, which comes with much more functionality and options for them, that license fee could increase by 4 or 5 times.

And so off of the existing base, as we move legacy Trax customers to the new offering, you can see pretty significant growth just from that base which is already established.

Michael Leshock - *KeyBanc Capital Markets - Analyst*

Very helpful. Appreciate it. Thanks guys.

Operator

(Operator Instructions) Sam Struhsaker, Truist Securities.

Sam Struhsaker - *Truist Securities - Analyst*

On for Mike Ciarmoli. I was wondering, could you guys give a little more detail on the KIRA JV and just kind of the potential scale there?

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah. We signed that JV to give us access to a certain market in the DoD and take advantage of their past performance. That contract is a decent contract. It's relatively modest in size. But the important part of that JV is that we're able to team with KIRA to bid on certain types of contracts that AAR would not be able to bid on, on our own and take advantage of their past performance. So it's a nice, I would say, kind of modest vector for growth for us.

Sam Struhsaker - *Truist Securities - Analyst*

Got it. Next one, I guess, obviously, you guys called out the capacity in the hangars that are going to come online in the future is already sold out. So it seems like you have a pretty good line of sight there in terms of demand.

But we've also seen some of the airlines, Delta, talk about potentially bringing down capacity. And we've seen some declines in outside maintenance spending. So I was just curious if you guys have any change in your view on that or have you seen any signs from that kind of early reads or anything there?

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah, great question. And the answer is, our core customers have consistently reaffirmed their demand for our services. We've really, in the heavy maintenance business, positioned ourselves as the absolute top choice in North America for heavy maintenance.

And so where we might see some of our competitors see some decline as a result of those capacity cuts, et cetera, our core customers have been very straightforward with us that they'd remove maintenance work from others long before they would remove it from us. So we're feeling quite secure in our position and the demand for airframe MRO.

Operator

Thank you. Ladies and gentlemen, I'm showing no further questions in the queue. I would now like to turn the call back to management for closing remarks.

John Holmes - *AAR Corp - Chairman of the Board, President, Chief Executive Officer*

Great. Once again, we want to thank everybody for your time and interest, and we look forward to discussing our first-quarter results in September. Thank you.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.