



# Investor Day

July 17, 2019



# Forward-Looking Statements

This presentation includes certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on beliefs of Company management, as well as assumptions and estimates based on information currently available to the Company, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, including those factors discussed under Item 1A, entitled “Risk Factors,” included in the Company’s most recent Form 10-K. Should one or more of these risks or uncertainties materialize adversely, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described. These events and uncertainties are difficult or impossible to predict accurately and many are beyond the Company’s control. The Company assumes no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. For additional information, see the comments included in AAR’s filings with the Securities and Exchange Commission.

# Agenda



**Company and Strategy**



**Market Overview and Position**



**Operations:**



**Parts Supply: Trading**



**Parts Supply: OEM Solutions**



**Repair & Engineering**



**Integrated Solutions**



**Digital Initiatives**



**Financial Overview**



**Closing Comments and Q&A**

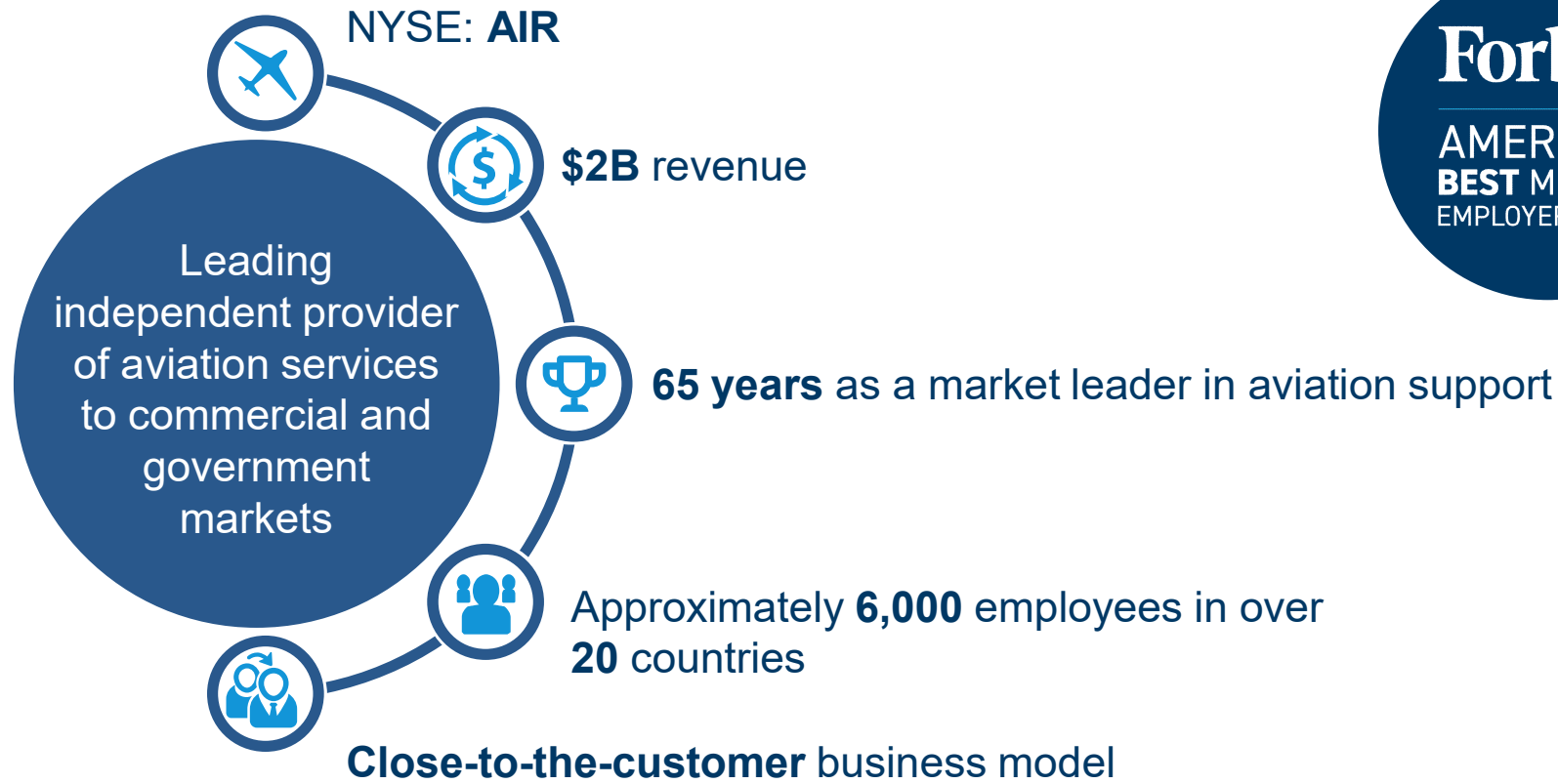


# Company and Strategy

John Holmes

# Aviation Services Market Expert

Since 1955



# Company Overview

## Aviation Services



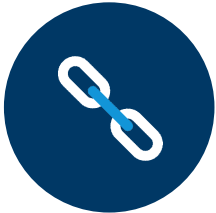
### Parts Supply

- Serviceable and OEM factory-new parts
- Engine solutions, management, leasing and exchange
- Aircraft sales and leasing
- Online PAARTS™ Store



### Repair & Engineering

- Airframe MRO
- Component repair
- Landing gear
- Wheels and brakes
- Engineering services



### Integrated Solutions

- Flight hour-based component support
- Contractor logistics support (CLS)
- Performance-based logistics (PBL)

## Expeditionary Services



### Manufacturing

- Composites: structures and interiors
- Mobility Systems: shelters, containers, pallets

**65% Commercial and 35% Government**

# Our Values

 <hr/> <p><b>QUALITY FIRST. SAFETY ALWAYS.</b></p>	 <hr/> <p><b>FIND A WAY. EVERY DAY.</b></p>	 <hr/> <p><b>MAKE MONEY. HAVE FUN.</b></p>	 <hr/> <p><b>IDEAS MATTER. THINK NEW. THINK AHEAD.</b></p>
 <hr/> <p><b>DO IT FAST. DO IT WELL.</b></p>	 <hr/> <p><b>BE HONEST. INSPIRE TRUST.</b></p>	 <hr/> <p><b>WORK AS ONE. BE INCLUSIVE.</b></p>	 <hr/> <p><b>OWN IT.</b></p>

## FY19 Highlights

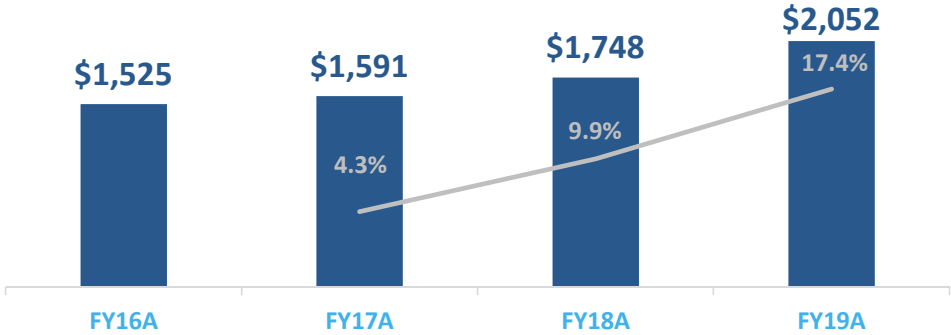
- Organic sales growth of 17% from \$1.75B to \$2.05B
- Adjusted operating income growth of 24% from \$90.5M to \$111.8M
- Adjusted EPS from continuing operations growth of 36% from \$1.73 per share to \$2.36
- Implemented U.S. Air Force Landing Gear PBL and U.S. State Department WASS programs involving nearly 1,000 new employees and contractors
- Executed new and expanded distribution agreements with Safran, Woodward, BASF and Ontic
- Formed JV with Napier Park Global Capital to acquire and maximize returns on late-life commercial aircraft

*Well-Positioned Heading into FY20 and Beyond*

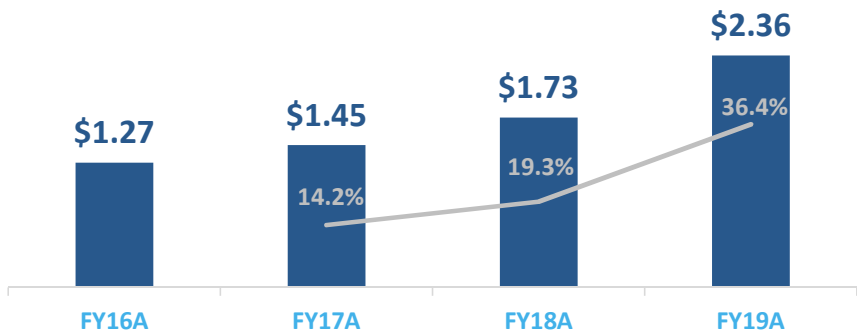


# Financial Performance (\$M)

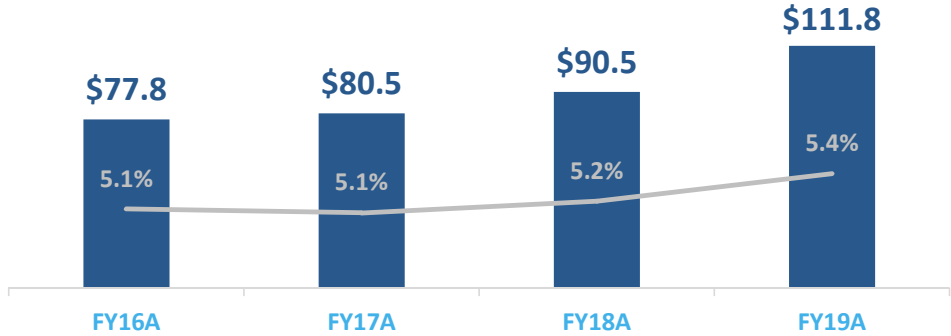
### Revenue and Growth



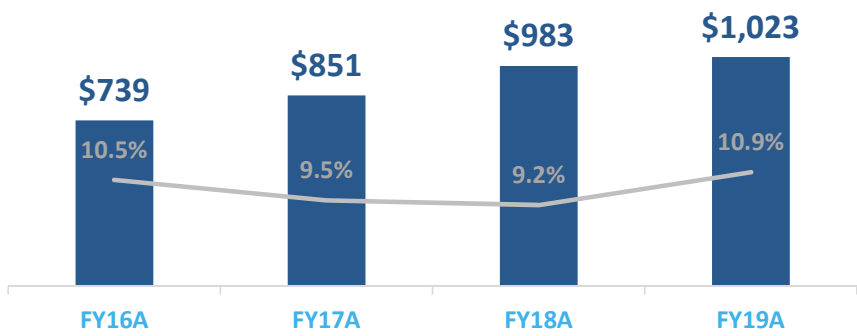
### Adjusted Diluted EPS from Continuing Operations



### Adjusted Operating Income and Margin



### Invested Capital and Adjusted Pretax ROIC



See the Appendix for reconciliations of non-GAAP financial measures



# Corporate Strategy



- ✓ Entrepreneurial
- ✓ Nimble
- ✓ Portfolio



Drive connected businesses that reinforce collective growth prospects



Expand margins through differentiated capabilities / intellectual property



Utilize data and digital solutions to improve offerings and efficiency



Leverage independence to offer OEM/airline alternative



Increase international presence

Attract, empower and deploy exceptional, entrepreneurial talent

- ✓ Fewer, more integrated businesses
- ✓ Intellectual property
- ✓ Predictable revenue
- ✓ Scale, global
- ✓ Entrepreneurial

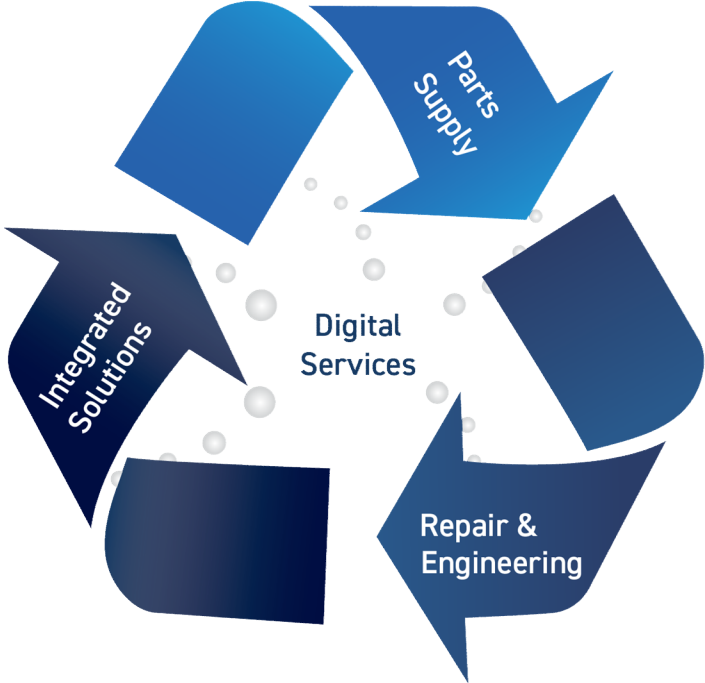
***Be the Leading Independent Aviation Services Provider Globally***

# Connected Businesses Model

Integrated businesses leveraged to reinforce and grow the whole

## Integrated Solutions

- Strategic relationships with airlines, MROs, OEMs and repair vendors
- Fuel parts supply business
- Fund component repair capability development
- Long-term contracts / predictable revenue



## Parts Supply

- Transactional data collection
- Exclusive relationships with OEMs and customers
- Inventory pooling with programs

## Repair & Engineering

- Strategic relationships with airlines
- Technical repair knowledge and data collection
- Develop parts for internal and external consumption

*Unique Value Proposition*

# Differentiated Capabilities and Predictable Revenue

## Parts Supply

- Exclusive aftermarket parts supply contracts
- Exclusive new parts OEM distribution contracts
- Long-term new parts supply contracts with comm'l and gov't customers
- Digital channels to market

## Repair & Engineering

- Long-term contractual maintenance relationships
- Proprietary (DER) repair development and utilization
- PMA utilization
- OEM partnerships and licensing

## Integrated Solutions

- Long-term contracts with government and commercial customers
- Increase internal repair content
- More PMA/DER usage and partnerships

# AAR Investment Highlights

- 1 Supportive macroeconomic environment with strong global aviation aftermarket growth and robust government spending expected
- 2 Leading aftermarket parts supplier distinctly positioned to benefit from market dynamics
- 3 Largest independent aerospace distributor of OEM factory-new parts leveraging exclusive relationships and unique sales channels
- 4 #1 Americas MRO footprint enables integrated services model
- 5 Integrated solutions offering well-positioned for continued growth in both government and commercial markets
- 6 Strong balance sheet supports continued investments in growth and/or increased capital return to shareholders

*Unique Combination of Integrated Services Leveraging Our Independent Market Position*

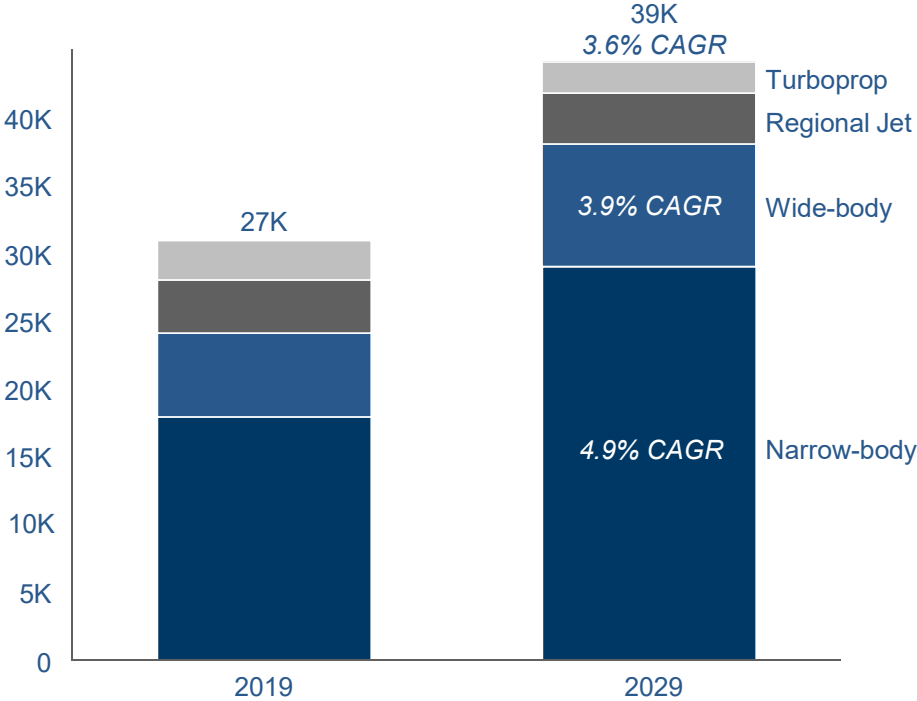


# Market Overview and Position

Chris Jessup

# Commercial Aviation Services Market Perspective

Global commercial fleet



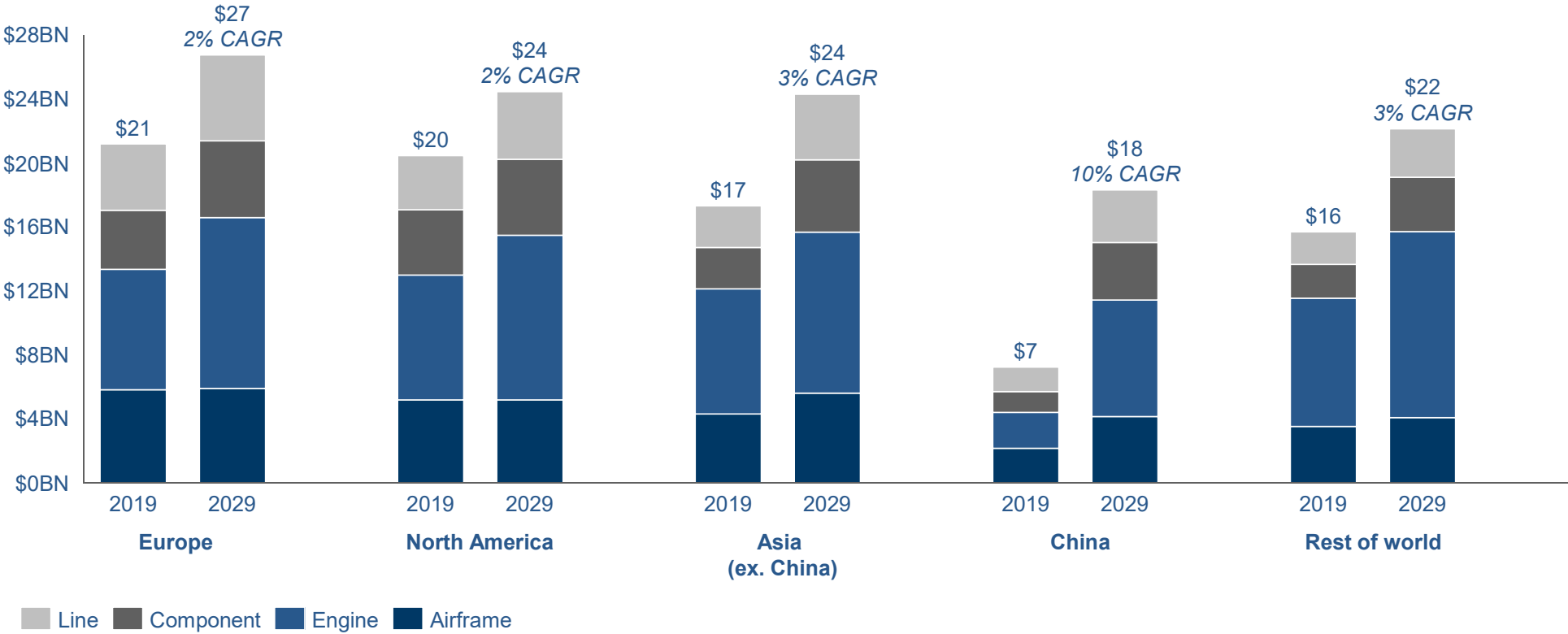
Source: Oliver Wyman Global Commercial Air Transport Fleet Forecast; Airbus Global Market Forecast

- Projected 10-year global air traffic CAGR of 5%, fueling fleet and aftermarket growth
- Fleet growth led by narrow-bodies
- Continued strong demand forecast for legacy engine materials (8% 10-year real CAGR)
- Airlines continuing to seek integrated component solutions

**Large and Growing Market for AAR's Commercial Offerings**



# Commercial Aviation Services Market Growth by Region

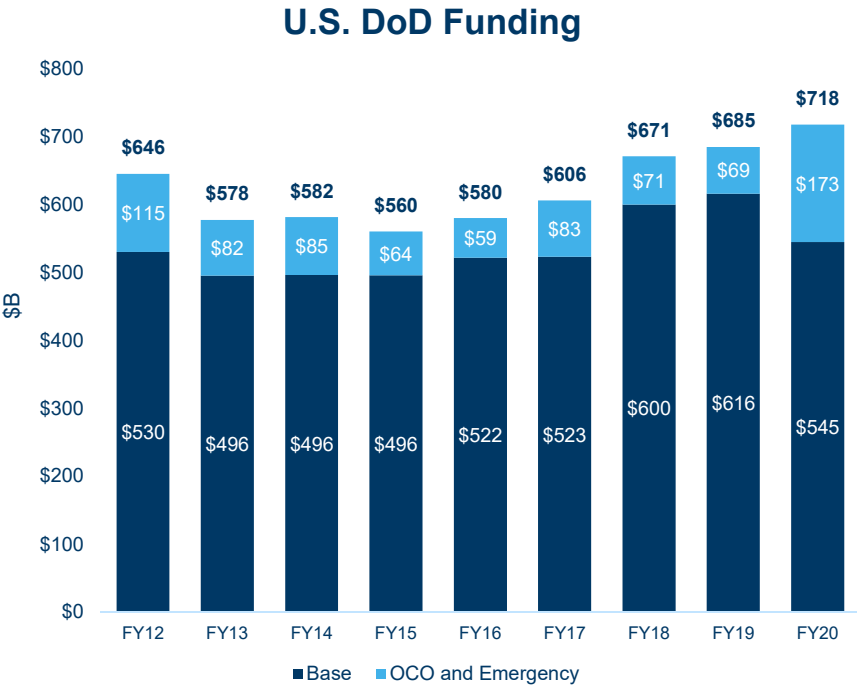


Source: Oliver Wyman Global Commercial Air Transport Fleet Forecast; Scenario variables: Economic growth, passenger traffic, fuel prices and interest rates; real dollars not adjusted for inflation



# Government Aviation Services Market Perspective

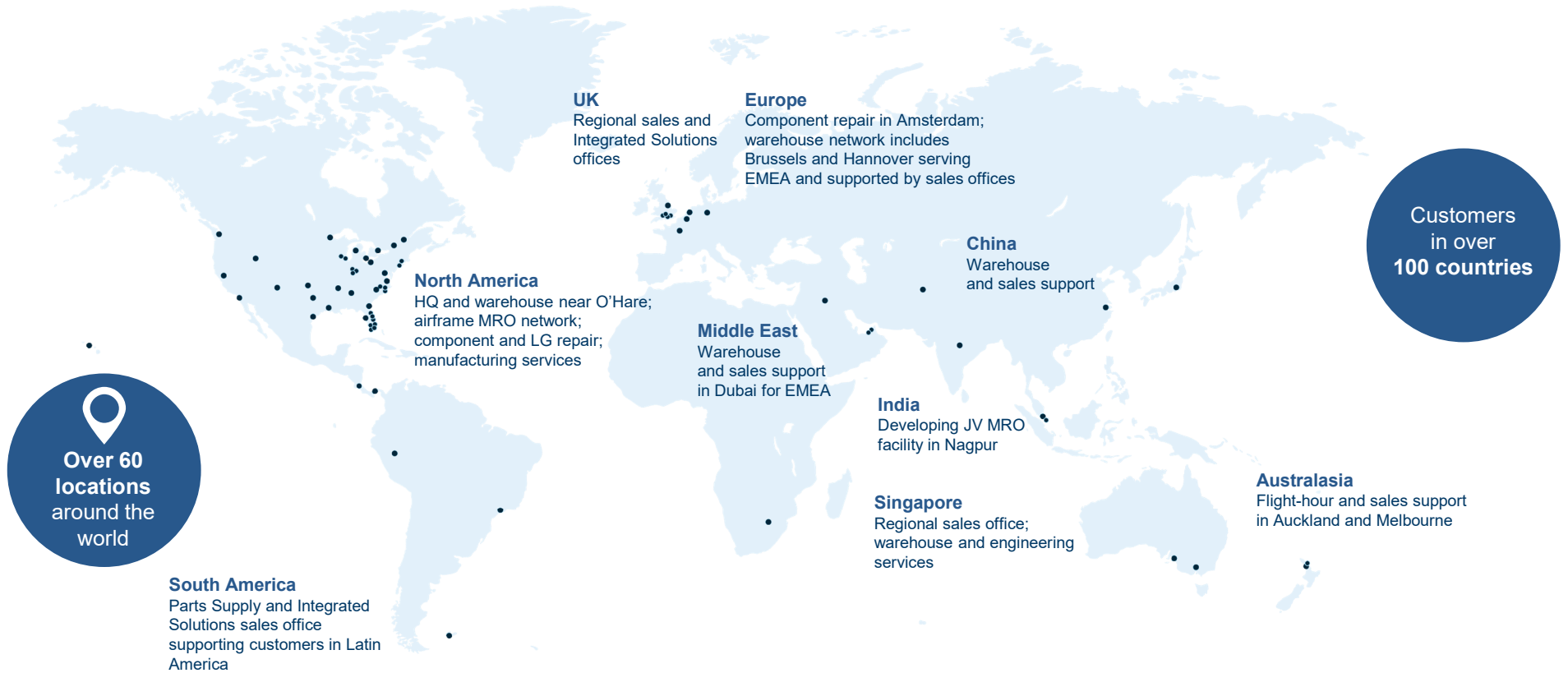
- Global defense spending at highest level since Cold War
- U.S. DoD spending moderating but still expect ~3-5% near-term growth
- International spend increasing ~5% per year
- U.S. Government shifting towards IDIQs and longer term contracts
- Increasing U.S. Government interest in commercial best practices



Source: President's FY18, FY19 and FY20 budget requests; Wall Street research

**Strong Global Government Budget Environment**

# AAR's Global Expertise and Reach



**~40% of Commercial Sales Outside the U.S.**

# AAR's Strong Industry Relationships

## Airlines



## Cargo Airlines



## Regional Airlines



## OEMs



## Government





# Parts Supply: Trading

Sal Marino

# Trading: Key Messages

1 Largest independent aftermarket aircraft and engine parts supplier

2 Market demand for used parts continues at record levels due to continued increase of engine shop visits

3 Expertise to achieve maximum value of aircraft and engines through entire life cycle

4 Industry reputation for “Doing it Right” and “Close to the Customer” business model



# Trading: At a Glance

## Key offerings

- Part supply solutions
- Engine management
- Aircraft and engine sales & leasing
- 24/7 Aircraft-on-Ground (AOG) support

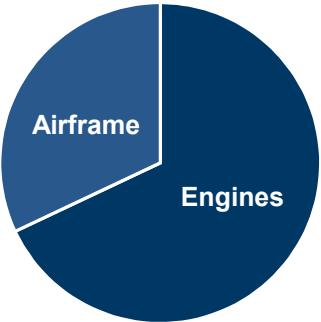
## Product Sales



## Customers / Partners



## Engine and Airframe



# Trading: Value Proposition

## AAR Value Proposition

## Customer Impact

Extensive offering of aftermarket aircraft and engine parts	Substantial savings over OEM prices
Worldwide inventory locations	Reduced inventory / lead time
Understanding customer quality expectations	Delivering valuable KPIs
Doing business digitally	Ease of transacting

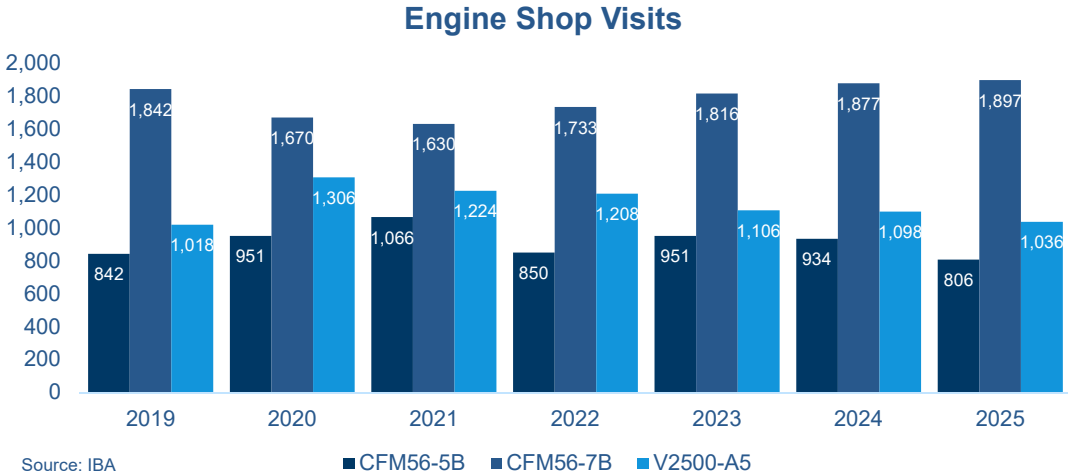


### Mission

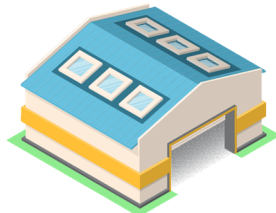
Be the most sought-after supplier to airlines, MROs and leasing companies

# Trading Case Study: Narrow-Body Engine Asset Sales and Leasing

- AAR manages all repairs and exclusive part replacement during overhaul; 65% of engine overhaul cost is in parts
- 22,000 CFM56-5B/7B (A320/737NG) and 7,000 V2500-A5 (A320 family) in service
- 60% of CFM56-7B fleet have not had their first overhaul
- Currently 50% of fleet under OEM/PBH control
- Costs to repair CFM engines expected to double over next decade due to part prices increasing ~6-9% / year



AAR Acquires a Used Engine



AAR Contracts a Shop

- Work scope engine
- Induct engine for repair



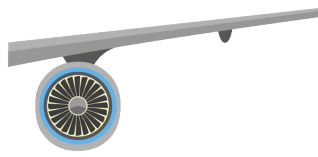
Contract Shop Disassembles

- Inspect/recertify parts onsite
- AAR routes parts out for repair
- Parts unrepairable and scrap



Contract Shop Reassembles

- Parts that are inspected/repared
- Scrap replacement by AAR
- Test cell & certification



AAR Sale / Lease



# Trading: Strategic Growth Plan



## Strategic Priorities

Grow contractual business 

Global leader in AOG services 

Expand engine trading 

## Key Initiatives

- Expand existing programs
- CFM56-5B/7B and V2500 opportunities

- Continue to build AOG desk
- Enhance digital interface with customers

- Proactively repair engines for sale / lease
- Parts readily available to reduce turn time



# Parts Supply: OEM Solutions

Eric Young

# OEM Solutions: Key Messages

1 Well-positioned to benefit from system OEM challenges due to OEM alternatives and next-gen platform growth

2 Largest, independent aerospace distributor of engineered products with commercial and government capabilities

3 Differentiated system OEM-centric “sales as a service” business model

4 Significant growth opportunities with existing AAR OEM partners



# OEM Solutions: At a Glance

## Key offerings

- Global commercial distribution
- U.S. Government distribution
- Direct sales to foreign militaries
- Consumables and expendables supply chain solutions

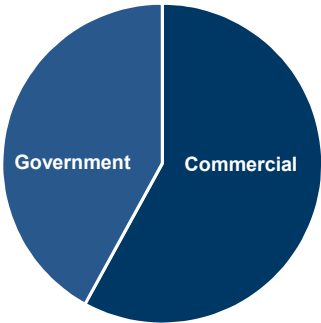
## Key OEM Partners



250,000 unique part numbers sold to over 2,500 unique customers



## Commercial and Government



DELTA TechOps

UNITED

Lufthansa Technik

CHINA SOUTHERN AIRLINES

# OEM Solutions: System OEM Value Proposition

## AAR Value Proposition

## OEM Impact

OEM sales force multiplier	Enhance strategy and sales
Stock globally	Reduced inventory / lead time
Customer service	Reduced overhead. Simplify processes
Large stocking PO's	Procurement & production proficiency



### Mission

Enhance OEMs' aftermarket growth while reducing overhead and invested capital

# OEM Solutions Case Study: Safran Award



## OEM Dynamics:

- Competitive PMA and surplus threats
- Limited stocking locations
- Varied sales reach among certain geographies
- Limited sales reach among repair shops
- Limited e-commerce sales capabilities

## Differentiated AAR Solution:

- ✓ Independent with platform agnostic position and no conflicts of interest
- ✓ Analytics-driven sales opportunity targeting approach
- ✓ 10 global stocking locations, 100+ sales people with even global coverage
- ✓ Existing broad reach across repair shops with ability to bundle exclusive offerings with existing portfolio
- ✓ E-commerce capabilities reflecting real-time inventory positions



### **Objective**

Enhance Safran’s customer service, market share and sales leveraging AAR’s scale, focus and independence

# OEM Solutions: Strategic Growth Plan



## Strategic Priorities

## Key Initiatives

Expand existing OEM relationships



- Product lines
- Geographies

Establish new OEM relationships



- Sales-as-a-service value proposition
- Leverage existing AAR touchpoints

Develop new channels of growth



- Asia growth
- Foreign military
- Online sales (PAARTS™ Store)



# Repair & Engineering

Brian Sartain



# Repair & Engineering: Key Messages

1 Unique breadth of capabilities across all major platforms

2 Largest MRO network in the Americas leveraging the AAR portfolio

3 Generating intellectual property in MRO

4 Industry leading Career Pathway Programs developing the most qualified workforce



# Repair & Engineering: Overview

 Employees **3,600**

 Sites **14**



- Hangars
- Components
- Landing Gear
- Engineering Services



**#1 MRO**  
In Americas



**>5.5M**  
Man Hours



**950+**  
Aircraft



**600+**  
Landing gears



**3,000+**  
Aircraft Maintenance  
Technicians



**30+**  
ATA Chapters



**25,000+**  
Components  
Repaired

Oklahoma City	Indianapolis	Miami	Duluth	Rockford	Trois-Rivières	Windsor	New York	Amsterdam
<ul style="list-style-type: none"> <li>• Narrow body &amp; regional MRO</li> <li>• 300,000 SF</li> </ul>	<ul style="list-style-type: none"> <li>• Narrow &amp; wide body MRO</li> <li>• 1.1 million SF</li> </ul>	<ul style="list-style-type: none"> <li>• Narrow &amp; wide body MRO</li> <li>• 226,000 SF</li> <li>• Landing gear MRO</li> <li>• 150,000 SF</li> </ul>	<ul style="list-style-type: none"> <li>• Narrow body MRO</li> <li>• 188,000 SF</li> </ul>	<ul style="list-style-type: none"> <li>• Narrow &amp; wide body MRO</li> <li>• 200,000 SF</li> </ul>	<ul style="list-style-type: none"> <li>• Narrow body &amp; regional MRO</li> <li>• 150,000 SF</li> </ul>	<ul style="list-style-type: none"> <li>• Narrow &amp; wide body MRO</li> <li>• 143,000 SF</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial &amp; military component repair</li> <li>• 150,000 SF</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial &amp; military component repair</li> <li>• 80,000 SF</li> </ul>



# Repair & Engineering: Value Proposition

## AAR Value Proposition

## Customer Impact

Large flexible network	Customer focused solutions that leverage AAR capabilities
Independently developed proprietary repairs	Flexible solutions providing lowest cost to our customers
Digital / technology investments	Customer facing solutions and efficiency
Vertical capabilities to support legacy fleets	One stop shop for all processes leading to best in class support



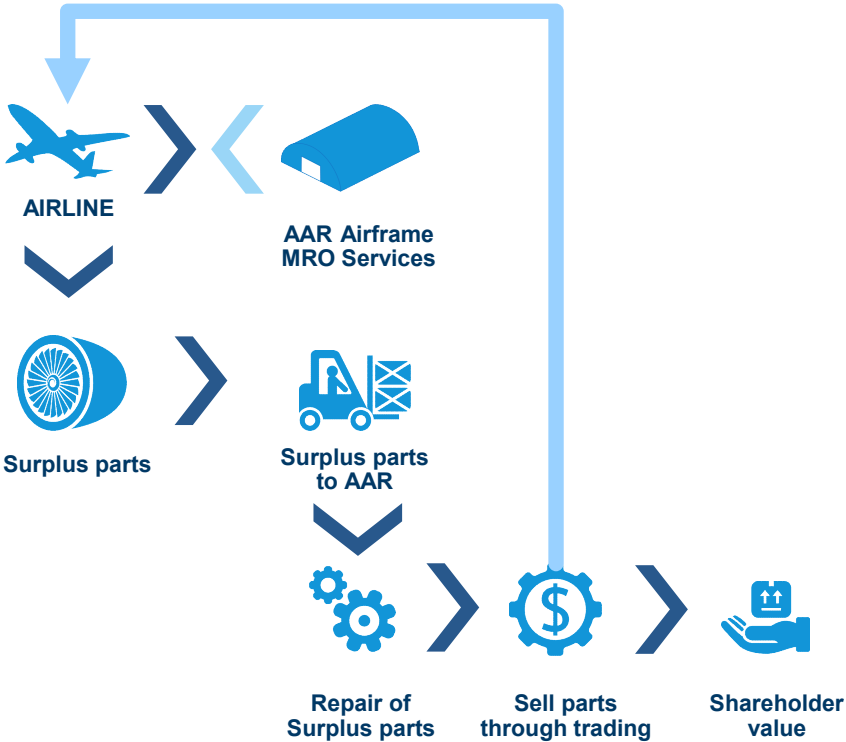
### Mission

Provide cost-effective, independent third party MRO service for airframe and landing gear

# Repair & Engineering Case Study: Leveraging the AAR Portfolio

## Integrated portfolio of services as a competitive advantage

- **Our portfolio of services offers unique value proposition**
  - Engine surplus
  - High value landing gear assets
  - Engineering services
- **Deep customer relationships as an airframe MRO**
  - Combining multiple services
  - Coordinated maintenance scheduling
- **Optimized monetization of assets for partners and shareholders**
  - Highest value package to the customer
  - Harvesting value utilizing best trading business in the industry



# Repair & Engineering Case Study: Hangar Technology

Explore utilization of emerging technology in MRO facilities to drive efficiencies

- **Augmented reality (AR)**
  - Remote expert / leverage skilled labor pool
  - Remote collaboration with engineers
  - Reduce potential quality escapes
- **Drones**
  - Reduce induction time
  - Create digital trail of completed work
- **Paperless hangar**
  - Creation of digital routine and non-routine task cards
  - Integration of labor, skill set and material requisitions
  - Increase production efficiencies



15% mechanic efficiency increase



# Repair & Engineering: Strategic Growth Plan



Connected  
Businesses



IP



International



Digital



Independent

## Strategic Priorities



Leverage AAR portfolio as a competitive advantage



Digital and proprietary innovations



MRO employer of choice



## Key Initiatives



- Services as value with partner airlines
  - Flexible network delivering all AAR solutions
  - Only company with this breadth of offerings
  - Maximize customer profitability
- 
- Paperless hangar
  - DER and PMA utilization
  - Automated aircraft inspection
  - Reduced turnaround time
- 
- EAGLE Career Pathway Program
  - Enhanced recruiting / retention
  - Improved throughput / efficiencies
  - Expanded man-hour capacity



# Integrated Solutions

Nick Gross

# Integrated Solutions: Key Messages

1 Largest independent provider of component support services

2 Global footprint supporting 46 discrete commercial and government fleet types

3 Integrator of AAR and third-party services to government and commercial customers

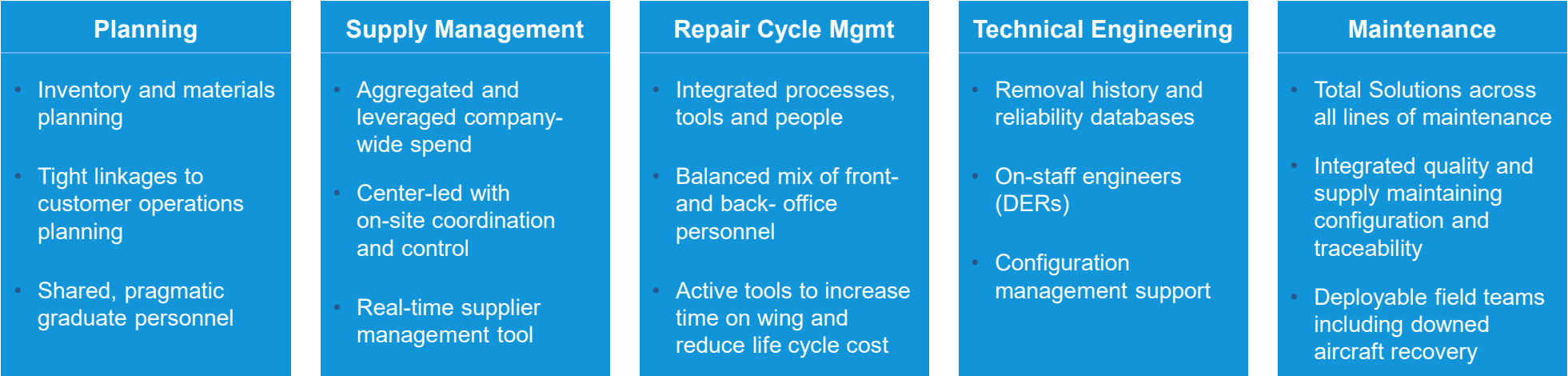
4 Increasing share of a large and growing market










# Integrated Solutions: At a Glance

**Commercial:** Flight-hour-based component support | **Government:** Contractor Logistics Support, supply chain management



“Tailored, deployable, scalable”

				
46 commercial & government fleets	37 countries	250,000 repair transactions	\$4B government assets managed	55% of IS-G workforce cleared

# Integrated Solutions: Value Proposition

## AAR Value Proposition

## Customer Impact

Close to the customer business model	Proactively ensures uninterrupted support and resolve problems
Strategically located logistics network	Quick response with reduced inventory / lead time
Global footprint of 36,000 pre-qualified vendors	Immediate supply chain support with enduring resiliency
Unified cross-functional program management	Responsive, scalable solutions with 360° perspective and input



### Mission

Premier provider of global aviation sustainment services, leveraging the full spectrum of AAR’s capabilities with a strong commitment to “Doing it Right”

# Integrated Solutions Case Study: USAF Landing Gear PBL Transition

*Privatize legacy commodity sustainment to drive cost savings and improve availability*

## Revitalize

- Increase approved sources and competition amidst obsolete supply chain
- Develop technology and capability to sustain product lines for 15 years
- Reverse engineer parts no longer available

## Optimize

- Create real-time web-based tracking & management tools integrated with USAF systems
- Develop an agile, responsive, and scalable supply chain

## Commercialize

- Diversify sources of repair including partnering with USAF depot to increase capacity
- Utilize market and reliability data to achieve increased performance and deliver data to Air Force systems
- Make long term investments and establish long term supplier contracts above and beyond Air Force budget restrictions



# Integrated Solutions: Strategic Growth Plan



Connected  
Businesses



IP



International



Digital



Independent

## Strategic Priorities

Market leading provider of Contractor Logistics Support to the USG



Enhance and grow commercial programs



Further integrate full spectrum of AAR's capabilities across IS



## Key Initiatives

- Leverage and build past performance record
- Identify, develop and retain top talent with direct platform knowledge
- Build on existing IDIQs

- Continue to build out scalable infrastructure
- Leverage digital tools to drive efficiency
- Focus BD on scalable fleets

- Strengthened capabilities and credibility
- Bring commercial best practices to the USG
- Internal capability analysis across all programs



# Digital Initiatives

John Holmes

# Digital Strategy

Transform the way  
AAR interacts with  
and serves its  
customers

## Support existing AAR products and services

- **eCommerce:** Buy, sell, exchange and repair parts
- **Asset & Data Sharing:** Pool assets, share data, open source analytical tools
- **Mobile Applications:** Available any time, any where

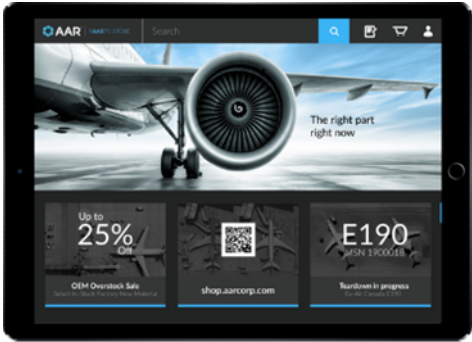
Develop, market and  
sell new standalone  
services

## Develop new digital products and services

- **Technology:** software, advanced data analytics, network-based solutions
- **Simple, intuitive** user experience
- **Focus on “underserved” areas** (e.g., repair management, electronic task cards, advanced analytics)

# Selected Digital Offerings

## PAARTS™ Store *E-commerce portal*



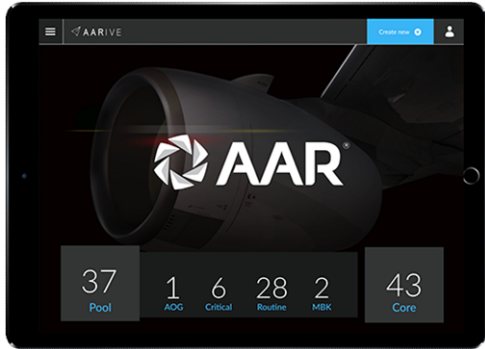
- >1 million parts available online
- Factory-new parts from >30 OEMs
- Overhauled, serviceable and repairable parts
- Immediate purchase and checkout

## AIRvolution™ *Parts repair management software*



- Cloud-based solution for aircraft component repair management
- Maximizes repair cycle efficiencies and reduces operational costs
- Integrates with existing systems

## AARIVE® *Self-service portal*



- Online self-service tool for flight-hour component support customers
- Access to pool parts, required paperwork ahead of part shipment and tracking of orders in real time

**~\$25M of Sales from Digital Initiatives**



# Financial Overview

Sean Gillen



# Key Messages

1 Strong historical performance and continued supportive macroeconomic environment

2 Continued opportunity for growth, new business wins and increased market penetration

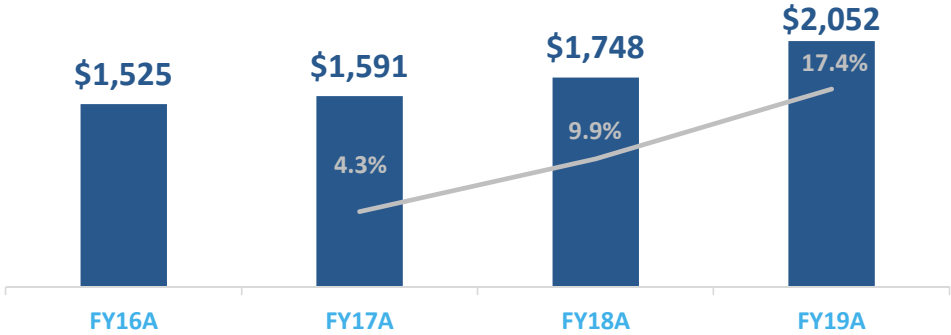
3 Disciplined capital allocation framework and strong balance sheet expected to drive shareholder value

4 Continued growth expected in revenue and earnings

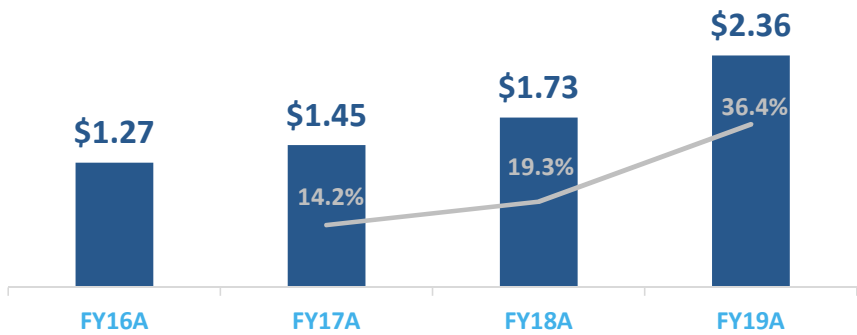


# Historical Financial Performance (\$M)

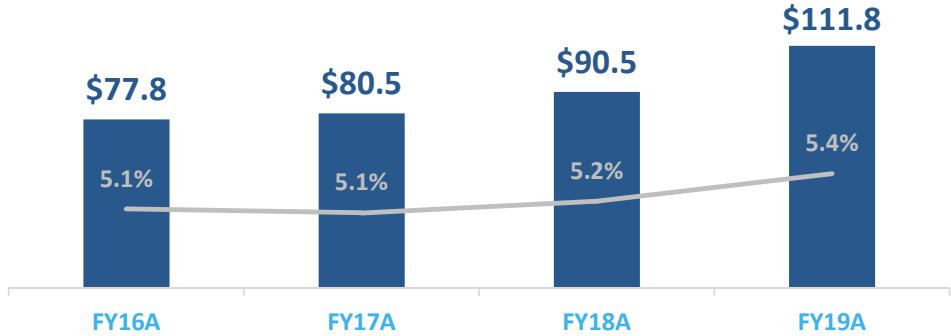
### Revenue and Growth



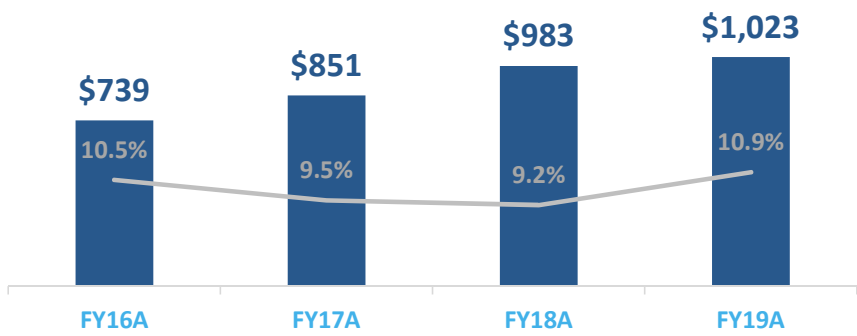
### Adjusted Diluted EPS from Continuing Operations



### Adjusted Operating Income and Margin



### Invested Capital and Adjusted Pretax ROIC



See the Appendix for reconciliations of non-GAAP financial measures



# Key Long-Term Financial Targets



- Organic sales growth of 5%-10%
- Earnings per share growth of 10%-12%
- SG&A as % of sales to 10% or less
- Year-over-year improvement in working capital turnover and ROIC
- Max leverage of 3.5x EBITDA

# Capital Allocation Framework

## Maintain Flexible Balance Sheet

- Current leverage of 0.7x net debt / Adjusted EBITDA; S&P BB+ credit rating
- Maintain conservative, low cost and flexible balance sheet
- Max leverage ratio of 3.5x EBITDA

## Organic Investment to Drive Growth

- Support new business wins in Parts Supply and Integrated Solutions
- Investment in attractive assets for Parts Supply, especially Engine Parts
- New / enhanced capabilities in MRO

## Opportunistic Acquisitions

- Adherence to strategic filters and financial criteria
- Focused on expanding contractual revenue
- Increase intellectual property in portfolio

## Return to Shareholders

- Maintain dividend of \$0.075 per share per quarter
- Initiated \$250M Share Repurchase Program in July 2017; repurchased \$23.4M
- Remaining authorization of \$226.6M

# M&A Approach

## Strategic Focus Areas

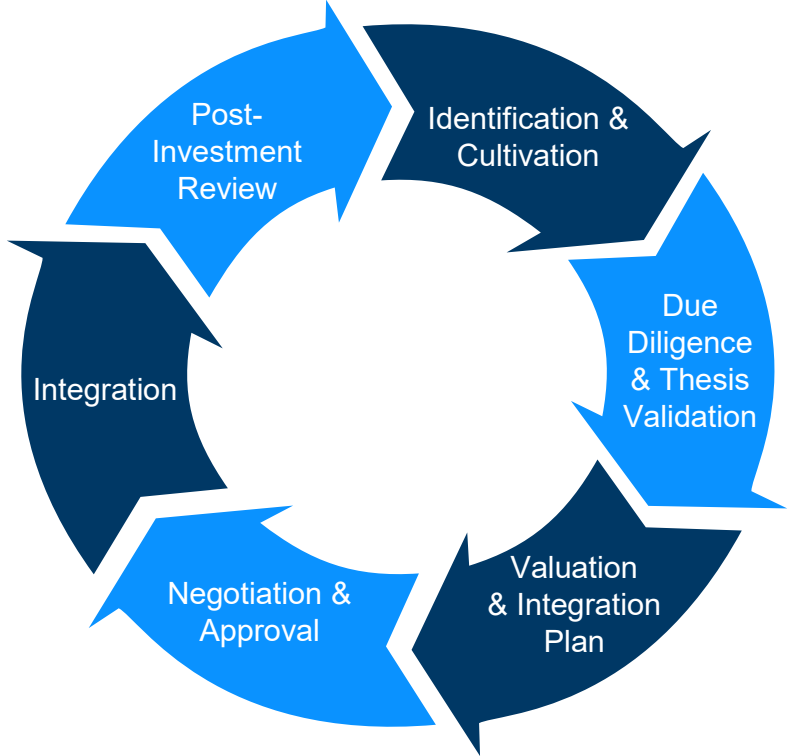
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- ✓ Value-added / IP-enabled parts platforms
- ✓ Differentiated component repair capability
- ✓ Enhanced scale and OEM relationships in distribution
- ✓ Integrated Solutions scale and gov't past performance
- ✓ Unique digital / data tools

## Criteria

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- ✓ Accelerates strategic priorities vs. organic tactics
- ✓ Growth and/or margin accretive
- ✓ After-tax IRR exceeds target's WACC
- ✓ Max leverage of 3.5x within 12 months\*



\* Exclusive of one-time integration costs and inclusive of cost synergies

# FY20 – Financial Guidance

P&L Metrics	FY20 Guidance
Sales	\$2.1 to \$2.2 Billion
Diluted EPS	\$2.45 – \$2.65
Other Metrics	
SG&A % of Sales	~ 10.5%
Effective Tax Rate	24%



# Closing Comments

John Holmes

## Summary

- End markets healthy and growing
- Unique combination of integrated aftermarket offerings
- \$10.2B business development pipeline
- Talented and motivated leadership team
- Strong balance sheet
- Continuing to execute on strategy to drive margins and scale

*Leading Independent Aviation Services Provider Globally*





# Appendix

## Non-GAAP Financial Measures

Adjusted operating income, adjusted diluted earnings per share from continuing operations, adjusted return on invested capital, adjusted EBITDA, and net debt 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. Adjusted EBITDA is income from continuing operations before interest income (expense), other income (expense), income taxes, depreciation and amortization, stock-based compensation and other items of an unusual nature. 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 following tables that reconcile the above mentioned non-GAAP financial measures to the most directly comparable GAAP financial measures:

# Non-GAAP Financial Measures

## Adjusted Diluted EPS from Continuing Operations

	FY2016	FY2017	FY2018	FY2019
Diluted EPS from continuing operations	\$ 1.30	\$ 1.51	\$ 2.11	\$ 2.40
Deferred tax re-measurement from Tax Reform	-	-	(0.41)	-
State income tax benefit	-	-	(0.06)	(0.15)
Recognition of previously reserved income tax benefits	-	-	-	(0.19)
Other income tax benefits	(0.07)	-	-	-
Customer bankruptcy charge, net of tax	-	-	-	0.27
Gain on asset disposal, net of tax	-	(0.08)	-	-
Facility repositioning and impairment costs, net of tax	0.02	-	-	0.02
Severance and restructuring charges, net of tax	0.02	0.02	0.09	0.01
<b>Adjusted Diluted EPS from Continuing Operations</b>	<b>1.27</b>	<b>1.45</b>	<b>1.73</b>	<b>2.36</b>

## Adjusted Return on Invested Capital

	FY2016	FY2017	FY2018	FY2019
<i>(in millions)</i>				
Operating income	\$ 75.5	\$ 82.3	\$ 86.0	\$ 98.3
Customer bankruptcy charge	-	-	-	12.4
Gain on asset disposal	-	(2.6)	-	-
Facility repositioning and impairment costs	1.0	-	-	0.9
Severance and restructuring charges	1.3	0.8	4.5	0.2
<b>Adjusted operating income</b>	<b>77.8</b>	<b>80.5</b>	<b>90.5</b>	<b>111.8</b>
Invested capital	739.0	851.0	983.0	1,023.0
<b>Adjusted return on invested capital</b>	<b>10.5%</b>	<b>9.5%</b>	<b>9.2%</b>	<b>10.9%</b>

# Non-GAAP Financial Measures (Cont'd)

## Adjusted EBITDA

	FY2019
<i>(in millions)</i>	
Net income	\$ 7.5
Loss from discontinued operations	76.6
Income tax expense	4.9
Other expense, net	0.8
Interest expense, net	8.5
Depreciation and intangible amortization	42.8
Customer bankruptcy charge	12.4
Severance charges	0.2
Facility repositioning costs	0.9
Stock-based compensation	13.5
<b>Adjusted EBITDA</b>	<b><u>168.1</u></b>

## Net Debt to Adjusted EBITDA

	5/31/2019
<i>(in millions)</i>	
Total debt	\$ 142.9
Less: Cash and cash equivalents	<u>(21.3)</u>
Net debt	121.6
Adjusted EBITDA for fiscal 2019	168.1
<b>Net debt to adjusted EBITDA</b>	<b>0.72</b>