
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended **November 30, 2025**

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: **1-6263**

AAR CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation
or organization)

36-2334820
(I.R.S. Employer Identification No.)

One AAR Place, 1100 N. Wood Dale Road
Wood Dale, Illinois
(Address of principal executive offices)

60191
(Zip Code)

(630) 227-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<i>Title of Each Class</i>	<i>Trading Symbol(s)</i>	<i>Name of Each Exchange on Which Registered</i>
Common Stock, \$1.00 par value	AIR	New York Stock Exchange NYSE Texas

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 30, 2025 there were 39,572,508 shares of the registrant's Common Stock, \$1.00 par value per share, outstanding.

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AAR CORP. and Subsidiaries
Quarterly Report on Form 10-Q
For the Quarter Ended November 30, 2025
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PART I – FINANCIAL INFORMATION**Item 1 – Financial Statements**

AAR CORP. and Subsidiaries
Condensed Consolidated Balance Sheets
As of November 30, 2025 and May 31, 2025
(In millions, except share data)

ASSETS

	November 30, 2025 (Unaudited)	May 31, 2025
Current assets:		
Cash and cash equivalents	\$ 75.6	\$ 96.5
Restricted cash	20.6	12.7
Accounts receivable, less allowances of \$12.7 and \$10.7, respectively	401.9	354.8
Contract assets	152.6	140.3
Inventories	910.8	809.2
Prepaid expenses and other current assets	128.8	97.1
Total current assets	<u>1,690.3</u>	<u>1,510.6</u>
Property, plant, and equipment, net of accumulated depreciation of \$255.3 and \$278.7, respectively	<u>216.8</u>	<u>158.5</u>
Other assets:		
Goodwill	552.2	530.8
Intangible assets, net of accumulated amortization of \$39.8 and \$29.5, respectively	295.5	219.6
Rotable assets supporting long-term programs	211.3	172.4
Lease right-of-use assets, net	105.1	93.3
Other non-current assets	171.3	159.4
	<u>1,335.4</u>	<u>1,175.5</u>
	<u>\$ 3,242.5</u>	<u>\$ 2,844.6</u>

The accompanying Notes to Condensed Consolidated Financial
Statements are an integral part of these statements.

AAR CORP. and Subsidiaries
Condensed Consolidated Balance Sheets
As of November 30, 2025 and May 31, 2025
(In millions, except share data)

LIABILITIES AND EQUITY

	November 30, 2025	May 31, 2025
	(Unaudited)	
Current liabilities:		
Accounts payable	\$ 341.8	\$ 303.1
Accrued liabilities	252.4	251.6
Total current liabilities	<u>594.2</u>	<u>554.7</u>
Long-term debt	952.7	968.0
Lease liabilities	91.6	79.6
Deferred tax liabilities	21.2	18.4
Other liabilities	21.6	12.3
	<u>1,087.1</u>	<u>1,078.3</u>
Equity:		
Preferred stock, \$1.00 par value, authorized 250,000 shares; none issued	—	—
Common stock, \$1.00 par value, authorized 100,000,000 shares; issued 48,750,786 and 45,300,786 shares at cost, respectively	48.8	45.3
Capital surplus	778.2	505.2
Retained earnings	1,038.4	969.4
Treasury stock, 9,178,278 and 9,470,781 shares at cost, respectively	(297.8)	(302.7)
Accumulated other comprehensive loss	(6.4)	(5.6)
Total equity	<u>1,561.2</u>	<u>1,211.6</u>
	<u>\$ 3,242.5</u>	<u>\$ 2,844.6</u>

The accompanying Notes to Condensed Consolidated Financial
Statements are an integral part of these statements.

AAR CORP. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended November 30, 2025 and 2024
(Unaudited)
(In millions, except share data)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2025	2024	2025	2024
Sales:				
Sales from products	\$ 509.3	\$ 422.1	\$ 997.1	\$ 819.0
Sales from services	286.0	264.0	537.8	528.8
	<u>795.3</u>	<u>686.1</u>	<u>1,534.9</u>	<u>1,347.8</u>
Cost of sales:				
Cost of products	413.2	345.2	813.9	676.3
Cost of services	225.2	212.3	430.4	425.7
	<u>638.4</u>	<u>557.5</u>	<u>1,244.3</u>	<u>1,102.0</u>
Gross profit	156.9	128.6	290.6	245.8
Provision for (Recovery of) credit losses	1.1	(0.3)	1.7	(0.1)
Selling, general and administrative	88.7	133.1	159.9	209.0
Earnings (Loss) from joint ventures	(0.1)	1.9	2.9	4.2
Operating income (loss)	67.0	(2.3)	131.9	41.1
Gain (Loss) related to sale and exit of business	(0.1)	(1.2)	0.6	(1.3)
Other expense, net	(0.2)	(0.2)	(0.3)	(0.3)
Interest expense	(19.1)	(19.3)	(37.9)	(38.1)
Interest income	0.5	0.5	0.8	1.0
Income (Loss) before income taxes	48.1	(22.5)	95.1	2.4
Income tax expense	13.5	8.1	26.1	15.0
Net income (loss)	<u>\$ 34.6</u>	<u>\$ (30.6)</u>	<u>\$ 69.0</u>	<u>\$ (12.6)</u>
Earnings (Loss) per share – basic				
	\$ 0.91	\$ (0.87)	\$ 1.87	\$ (0.36)
Earnings (Loss) per share – diluted				
	0.90	(0.87)	1.85	(0.36)
Share data used for earnings per share:				
Weighted average shares outstanding – basic	37.8	35.2	36.8	35.2
Weighted average shares outstanding – diluted	38.1	35.2	37.0	35.2

The accompanying Notes to Condensed Consolidated Financial
Statements are an integral part of these statements.

AAR CORP. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
For the Three and Six Months Ended November 30, 2025 and 2024
(Unaudited)
(In millions)

	<u>Three Months Ended</u> <u>November 30,</u>		<u>Six Months Ended</u> <u>November 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Net income (loss)	\$ 34.6	\$ (30.6)	\$ 69.0	\$ (12.6)
Other comprehensive loss, net of tax:				
Currency translation adjustments	(1.2)	(3.3)	(0.8)	(1.8)
Other comprehensive loss, net of tax	(1.2)	(3.3)	(0.8)	(1.8)
Comprehensive income (loss)	<u>\$ 33.4</u>	<u>\$ (33.9)</u>	<u>\$ 68.2</u>	<u>\$ (14.4)</u>

The accompanying Notes to Condensed Consolidated Financial
Statements are an integral part of these statements.

AAR CORP. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended November 30, 2025 and 2024
(Unaudited)
(In millions)

	Six Months Ended November 30,	
	2025	2024
Cash flows used in operating activities:		
Net income (loss)	\$ 69.0	\$ (12.6)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	30.9	27.5
Amortization of financing costs	1.6	1.3
Stock-based compensation expense	9.6	10.0
Earnings from joint ventures	(2.9)	(4.2)
Provision for (Recovery of) credit losses	1.7	(0.1)
Gain on sale of business	(1.0)	—
Changes in certain assets and liabilities, net of acquisitions:		
Accounts receivable	(10.6)	(33.3)
Contract assets	3.7	(27.2)
Inventories	(18.3)	(57.4)
Prepaid expenses and other current assets	(17.5)	(10.6)
Rotable assets supporting long-term programs	(44.6)	(12.1)
Accounts payable	0.4	54.2
Accrued and other liabilities	(29.0)	48.4
Other	(24.3)	19.5
Net cash provided by (used in) operating activities	(31.3)	3.4
Cash flows used in investing activities:		
Property, plant, and equipment expenditures	(16.1)	(16.2)
Acquisitions, net of cash acquired	(221.6)	2.9
Other	0.6	0.1
Net cash used in investing activities	(237.1)	(13.2)
Cash flows provided by (used in) financing activities:		
Proceeds from equity offering, net	273.9	—
Proceeds from long - term borrowings, net	153.0	—
Short-term borrowings (repayments), net	(167.0)	(3.8)
Financing costs	(2.5)	—
Stock compensation activity	(2.0)	—
Net cash provided by (used in) financing activities	255.4	(3.8)
Decrease in cash, cash equivalents, and restricted cash	(13.0)	(13.6)
Cash, cash equivalents, and restricted cash at beginning of period	109.2	96.1
Cash, cash equivalents, and restricted cash at end of period	\$ 96.2	\$ 82.5

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

AAR CORP. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
For the Three and Six Months Ended November 30, 2025 and 2024
(Unaudited)
(In millions)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Equity
Balance, May 31, 2025	\$ 45.3	\$ 505.2	\$ 969.4	\$ (302.7)	\$ (5.6)	\$ 1,211.6
Net income	—	—	34.4	—	—	34.4
Stock option activity	—	2.5	—	4.2	—	6.7
Restricted stock activity	—	(4.2)	—	0.4	—	(3.8)
Other comprehensive income, net of tax	—	—	—	—	0.4	0.4
Balance, August 31, 2025	\$ 45.3	\$ 503.5	\$ 1,003.8	\$ (298.1)	\$ (5.2)	\$ 1,249.3
Net income	—	—	34.6	—	—	34.6
Issuance of common stock	3.5	270.4	—	—	—	273.9
Stock option activity	—	1.1	—	0.3	—	1.4
Restricted stock activity	—	3.2	—	—	—	3.2
Other comprehensive income, net of tax	—	—	—	—	(1.2)	(1.2)
Balance, November 30, 2025	<u>\$ 48.8</u>	<u>\$ 778.2</u>	<u>\$ 1,038.4</u>	<u>\$ (297.8)</u>	<u>\$ (6.4)</u>	<u>\$ 1,561.2</u>

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, May 31, 2024	\$ 45.3	\$ 493.9	\$ 956.9	\$ (297.5)	\$ (8.8)	\$ 1,189.8
Net income	—	—	18.0	—	—	18.0
Stock option activity	—	0.9	—	0.2	—	1.1
Restricted stock activity	—	(4.4)	—	4.2	—	(0.2)
Other comprehensive loss, net of tax	—	—	—	—	1.5	1.5
Balance, August 31, 2024	\$ 45.3	\$ 490.4	\$ 974.9	\$ (293.1)	\$ (7.3)	\$ 1,210.2
Net loss	—	—	(30.6)	—	—	(30.6)
Stock option activity	—	1.0	—	0.2	—	1.2
Restricted stock activity	—	4.1	—	—	—	4.1
Other comprehensive loss, net of tax	—	—	—	—	(3.3)	(3.3)
Balance, November 30, 2024	<u>\$ 45.3</u>	<u>\$ 495.5</u>	<u>\$ 944.3</u>	<u>\$ (292.9)</u>	<u>\$ (10.6)</u>	<u>\$ 1,181.6</u>

The accompanying Notes to Condensed Consolidated Financial
Statements are an integral part of these statements.

AAR CORP. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
November 30, 2025
(Unaudited)
(Dollars in millions, except per share amounts)

1. Basis of Presentation

AAR CORP. and its subsidiaries are referred to herein collectively as “AAR,” “Company,” “we,” “us,” or “our,” unless the context indicates otherwise. The accompanying Condensed Consolidated Financial Statements include the accounts of AAR and its subsidiaries after elimination of intercompany accounts and transactions.

We have prepared these statements without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). The Condensed Consolidated Balance Sheet as of May 31, 2025 has been derived from audited financial statements. To prepare the financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”), management has made a number of estimates and assumptions relating to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Certain information and note disclosures, normally included in comprehensive financial statements prepared in accordance with GAAP, have been condensed or omitted pursuant to such rules and regulations of the SEC. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2025.

In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments (which consist only of normal recurring adjustments) necessary to present fairly the Condensed Consolidated Balance Sheet of AAR CORP. and its subsidiaries as of November 30, 2025, the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income (Loss) for the three- and six-month periods ended November 30, 2025 and 2024, the Condensed Consolidated Statements of Cash Flows for the six-month periods ended November 30, 2025 and 2024, and the Condensed Consolidated Statement of Changes in Equity for the three- and six-month periods ended November 30, 2025 and 2024. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

Certain reclassifications have been made to the prior year presentation to conform to the fiscal 2026 presentation.

New Accounting Pronouncements Not Yet Adopted

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-09, *Income Taxes (Topic 740) Improvements to Income Tax Disclosures*. This ASU updates income tax disclosure requirements by requiring specific categories and greater disaggregation within the income tax rate reconciliation and disaggregation of income taxes paid by jurisdiction. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The ASU would be applied on a prospective basis with retrospective application permitted. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows, and financial condition.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40), Disaggregation of Income Statement Expenses*. This ASU includes new disclosure requirements about specific expense categories, including but not limited to, purchases of inventory, employee compensation, depreciation, amortization, and selling expenses that are included in certain expense captions presented on the face of the income statement. The ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted and the ASU can be applied on a prospective or retrospective basis. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows, and financial condition.

2. Acquisitions

Acquisition of HAECO Americas

On November 3, 2025, we acquired the outstanding shares of HAECO Americas, LLC and its subsidiary HAECO Airframe Services, LLC (together, “HAECO Americas”) from HAECO USA, Inc. for a purchase price of \$76.5 million subject to customary post-closing adjustments for cash, working capital, and indebtedness. HAECO Americas provides heavy aircraft maintenance, repair, and overhaul (“MRO”) and modification services across its hangars located in Greensboro, North Carolina and Lake City, Florida.

AAR CORP. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
November 30, 2025
(Unaudited)
(Dollars in millions, except per share amounts)

We accounted for the acquisition using the acquisition method and included the results of HAECO Americas' operations in our consolidated financial statements from the effective date of the acquisition. HAECO Americas' results are reported within our Repair & Engineering segment. The purchase price was paid at closing and transaction costs associated with the acquisition of \$3.0 million were expensed as incurred.

The purchase price was allocated to identifiable assets and liabilities based on information available at the date of acquisition. The allocation of the purchase price is preliminary and will potentially change in future periods as fair value estimates of the assets acquired and liabilities assumed are finalized, including those related to working capital, intangible assets, property and equipment, and leases. Based on the preliminary valuation, no goodwill was recognized as the fair value of the net assets acquired agreed to the purchase price, net of cash acquired. The final determination of the fair values will be completed within the one-year measurement period. The preliminary fair value of assets acquired and liabilities assumed is as follows:

Accounts receivable	\$ 24.5
Contract assets	16.1
Inventory	16.2
Property and equipment	52.4
Right-of-use assets	13.9
Other assets	3.7
Accounts payable and accrued liabilities	(35.3)
Lease liabilities	(15.0)
Purchase price, net of cash acquired	<u>\$ 76.5</u>

As part of our integration activities, we are consolidating our facility footprint which includes closing our Indianapolis, Indiana airframe maintenance facility and relocating the majority of those operations to the newly acquired Greensboro, North Carolina facility. We anticipate that the transition of the facility's operations will be completed in fiscal 2027 and we expect to incur approximately \$7.0 million for facility closure costs primarily related to severance and retention costs. Expenses incurred for integration activities during the three-month period ended November 30, 2025 was \$0.8 million.

Acquisition of ADI

On September 25, 2025, we acquired the outstanding shares of American Distributors Holding Co., LLC ("ADI"), including ADI American Distributors, LLC and other of ADI's subsidiaries, for a purchase price of \$137.7 million, subject to customary post-closing adjustments for cash, working capital, and indebtedness. ADI is a leading distributor of electronic components and assemblies to original equipment manufacturers ("OEMs") across the aerospace and defense industry. The purchase price was paid at closing except for \$4.5 million, which was placed on deposit with an escrow agent to secure potential indemnification obligations and fund post-closing adjustments for working capital and indebtedness.

We accounted for the acquisition using the acquisition method and included the results of ADI's operations in our consolidated financial statements from the effective date of the acquisition. ADI's results are reported within our Parts Supply segment. Transaction costs associated with the acquisition of \$4.0 million were expensed as incurred.

AAR CORP. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
November 30, 2025
(Unaudited)
(Dollars in millions, except per share amounts)

The purchase price was allocated to identifiable assets and liabilities based on information available at the date of acquisition. The allocation of the purchase price is preliminary and will potentially change in future periods as fair value estimates of the assets acquired and liabilities assumed are finalized, including those related to working capital and intangible assets. The final determination of the fair values will be completed within the one-year measurement period. The preliminary fair value of assets acquired and liabilities assumed is as follows:

Accounts receivable	\$ 13.1
Inventory	66.6
Intangible assets	75.8
Other assets	5.4
Accounts payable and other liabilities	(32.8)
Net assets acquired	128.1
Goodwill	9.6
Purchase price, net of cash acquired	<u>\$ 137.7</u>

Acquired amortizable intangible assets include customer relationships of \$43.3 million and backlog of \$16.4 million which are being amortized over 12.5 years and 3 years, respectively. We also recognized indefinite-lived trademarks of \$16.1 million. The goodwill associated with the ADI acquisition is deductible for tax purposes and is primarily attributable to the benefits we expect to derive from expected synergies including complementary product lines, cross-selling opportunities, operational efficiencies, and intangible assets that do not qualify for separate recognition, such as their assembled workforce.

Acquisition of Aerostrat

On August 11, 2025, we acquired the outstanding shares of Aerostrat Corp. (“Aerostrat”) for a base purchase price of \$15.0 million plus contingent consideration of up to \$5.0 million. Aerostrat is a leading long-range maintenance planning software provider used by airlines, maintenance, repair, and overhaul (“MRO”) facilities, and cargo companies to automate complex scheduling, ensure production capacity, and simplify aircraft allocation.

The base purchase price was paid at closing except for \$3.1 million, which was placed on deposit with an escrow agent to secure potential indemnification obligations and fund post-closing adjustments for working capital and indebtedness. The contingent consideration includes \$1.0 million subject to the successful launch of certain product offering by December 31, 2026 and up to \$4.0 million based on the achievement of adjusted revenue targets by August 1, 2028. The estimated fair value of the contingent consideration was \$5.0 million at the acquisition date and has been included in the purchase price.

We accounted for the acquisition using the acquisition method and included the results of Aerostrat’s operations in our consolidated financial statements from the effective date of the acquisition. Aerostrat’s results are reported within our Integrated Solutions segment. Transaction costs associated with the acquisition of \$0.5 million were expensed as incurred.

AAR CORP. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
November 30, 2025
(Unaudited)
(Dollars in millions, except per share amounts)

The purchase price was allocated to identifiable assets and liabilities based on information available at the date of acquisition. The allocation of the purchase price is preliminary and will potentially change in future periods as fair value estimates of the assets acquired and liabilities assumed are finalized, including those related to working capital and intangible assets. The final determination of the fair values will be completed within the one-year measurement period. The preliminary fair value of assets acquired and liabilities assumed is as follows:

Current assets	\$ 0.7
Intangible assets	10.3
Deferred revenue	(0.6)
Deferred tax liabilities	(2.6)
Net assets acquired	7.8
Goodwill	12.3
Purchase price, net of cash acquired	\$ 20.1

Acquired amortizable intangible assets include customer relationships of \$4.7 million and developed technology of \$4.9 million which are being amortized over 10 years and 20 years, respectively. Intangible assets also include tradenames of \$0.7 million which are indefinite-lived. The goodwill associated with the Aerostrat acquisition is not deductible for tax purposes and is primarily attributable to the benefits we expect to derive from expected synergies including complementary products and services, cross-selling opportunities and intangible assets that do not qualify for separate recognition, such as their assembled workforce.

Acquisition of Triumph Group's Product Support Business

On March 1, 2024, we completed the acquisition of Triumph Group, Inc.'s Product Support business ("Product Support") for an initial purchase price of \$725.0 million. The post-closing adjustments for cash, working capital and indebtedness were resolved in the first quarter of fiscal 2025 resulting in a \$2.9 million reduction in the purchase price. Product Support is a leading global provider of specialized MRO capabilities for critical aircraft components in the commercial and defense markets, providing MRO services for structural components, engine and airframe accessories, interior refurbishment and wheels and brakes. Product Support also designs proprietary designated engineering representative repairs and parts manufacturer approval parts.

Product Support's results are reported within our Repair & Engineering segment. The purchase price was paid at closing and was funded with debt financing. We accounted for the acquisition using the acquisition method and included the results of Product Support's operations in our consolidated financial statements from the effective date of the acquisition.

The final fair value of assets acquired and liabilities assumed is as follows:

Accounts receivable	\$ 42.3
Contract assets	18.7
Inventory	62.8
Rotable assets	21.9
Property & equipment	44.6
Intangible assets	179.4
Investment in joint venture	17.9
Other assets	4.1
Accounts payable	(21.6)
Other liabilities	(14.9)
Net assets acquired	355.2
Goodwill	364.8
Purchase price, net of cash acquired	\$ 720.0

AAR CORP. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
November 30, 2025
(Unaudited)
(Dollars in millions, except per share amounts)

Acquired amortizable intangible assets include customer relationships of \$96.1 million and developed technology of \$83.3 million which are being amortized over 12.5 years and 20 years, respectively. The goodwill associated with the Product Support acquisition is deductible for tax purposes and is primarily attributable to the benefits we expect to derive from expected synergies including facility rationalization, complementary products and services, cross-selling opportunities, in-sourcing repair services and intangible assets that do not qualify for separate recognition, such as their assembled workforce.

As part of our integration activities, we are consolidating our facility footprint which includes closing our Garden City, New York component repair facility and relocating those operations to certain Product Support facilities. We expect to have the transition of the facility's operations completed in fiscal 2026. Our integration activities include facility closure costs, product line exits, severance, retention, and other related costs. Expenses incurred for integration activities during the three-month periods ended November 30, 2025 and 2024, were \$0.9 million and \$2.3 million, respectively, and during the six - month periods ended November 30, 2025 and 2024 were \$1.9 million and \$3.8 million, respectively.

Acquisition of Trax USA Corp.

On March 20, 2023, we acquired the outstanding shares of Trax USA Corp. ("Trax") for a purchase price of \$120.0 million plus contingent consideration of up to \$20.0 million based on Trax's adjusted revenue in calendar years 2023 and 2024. Trax is a leading provider of aircraft MRO and fleet management software supporting a broad spectrum of maintenance activities for a diverse global customer base of airlines and MROs.

The purchase price was paid at closing except for \$12.0 million which was placed on deposit with an escrow agent to secure potential indemnification obligations and fund post-closing adjustments for working capital and indebtedness. The post-closing adjustments for working capital and indebtedness were finalized in the second quarter of fiscal 2024, resulting in a purchase price reduction of \$1.8 million and the release of \$3.0 million from escrow. During the fourth quarter of fiscal 2025, an additional \$4.4 million was released from escrow. The remaining escrow balance of \$5.4 million is expected to be released in fiscal 2026.

The contingent consideration is based on an adjusted cumulative revenue target across calendar years 2023 and 2024. The adjusted cumulative revenue target is based on revenue recognized under U.S. GAAP adjusted for certain events related to deferred revenue, customer commitments, and other adjustments. The contingent consideration also required certain of the former owners' continued employment through December 31, 2024 and is treated as compensation expense within Selling, general and administrative expenses.

We recognized compensation expense of \$0.6 million and \$2.1 million in the three-and six-month periods ended November 30, 2025 and 2024, respectively. No compensation expense has been recognized in fiscal 2026. As of November 30, 2025, we had a contingent consideration liability of \$8.1 million, which was classified as Accrued liabilities on our Condensed Consolidated Balance Sheet. In November 2025, Trax's former owners filed a demand for arbitration contesting the determination of the contingent consideration and certain tax indemnification matters. We strongly disagree with the claims by Trax's former owners and we believe we have adequate support for our determination of the contingent consideration and our positions on the tax indemnification matters.

3. Discontinued Operations

During the third quarter of fiscal 2018, we decided to pursue the sale of our Contractor-Owned, Contractor-Operated ("COCO") business previously included in our Expeditionary Services segment. Due to this strategic shift, the assets, liabilities, and results of operations of our COCO business have been reported as discontinued operations for all periods presented. Unless otherwise noted, amounts and disclosures throughout these Notes to Condensed Consolidated Financial Statements relate to our continuing operations.

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Following the sale of the last operating contract of the COCO business in 2020, our continuing involvement in the COCO business is limited to the lease of certain aircraft which is an obligation of the acquirer of the COCO business. The assets and liabilities of our discontinued operations are primarily comprised of right-of-use (“ROU”) assets and lease-related liabilities. Assets of discontinued operations are classified within Prepaid expenses and other current assets on our Condensed Consolidated Balance Sheets and were \$4.3 million and \$6.2 million as of November 30, 2025 and May 31, 2025, respectively. Liabilities of discontinued operations are classified within Accrued liabilities on our Condensed Consolidated Balance Sheets and were \$3.9 million and \$5.8 million as of November 30, 2025 and May 31, 2025, respectively.

4. Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service to a customer.

Our unit of accounting for revenue recognition is a performance obligation included in our customer contracts. A performance obligation reflects the distinct good or service that we must transfer to a customer. At contract inception, we evaluate if the contract should be accounted for as a single performance obligation or if the contract contains multiple performance obligations. In some cases, our contract with the customer is considered one performance obligation as it includes factors such as whether the good or service being provided is significantly integrated with other promises in the contract, whether the service provided significantly modifies or customizes another good or service or whether the good or service is highly interdependent or interrelated. If the contract has more than one performance obligation, we determine the standalone price of each distinct good or service underlying each performance obligation and allocate the transaction price based on their relative standalone selling prices.

The transaction price of a contract, which can include both fixed and variable amounts, is allocated to each performance obligation identified. Some contracts contain variable consideration, which could include incremental fees or penalty provisions related to performance. Variable consideration that can be reasonably estimated based on current assumptions and historical information is included in the transaction price at the inception of the contract but limited to the amount that is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Variable consideration that cannot be reasonably estimated is recorded when known.

Our performance obligations are satisfied over time as work progresses or at a point in time based on transfer of control of products and services to our customers. The majority of our sales from products typically represent distinct performance obligations and are recognized at a point in time upon transfer of control to the customer, which generally occurs upon shipment. In connection with certain sales of products, we also provide logistics services, which include inventory management, replenishment, and other related services. The price of such services is generally included in the price of the products delivered to the customer, and revenues are recognized upon delivery of the product, at which point the customer has obtained control of the product. We do not account for these services separate from the related product sales as the services are inputs required to fulfill part orders received from customers.

For our performance obligations that are satisfied over time, we measure progress in a manner that depicts the performance of transferring control to the customer. As such, we utilize the input method of cost-to-cost to recognize revenue over time as this depicts when control of the promised goods or services are transferred to the customer. Revenue is recognized based on the relationship of actual costs incurred to date to the estimated total cost at completion of the performance obligation.

We are required to make certain judgments and estimates, including estimated revenues and costs, as well as inflation and the overall profitability of the arrangement. Key assumptions involved can include customer volume, future labor costs and efficiencies, repair or overhaul costs, overhead costs, and ultimate timing of product delivery. Differences may occur between the judgments and estimates made by management and actual program results. For contracts that are deemed to be loss contracts, we establish forward loss reserves for total estimated costs that are in excess of total estimated consideration in the period in which they become known.

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We utilize the portfolio approach to estimate the amount of revenue to recognize for certain contracts which require over time revenue recognition. Such contracts are grouped together either by revenue stream, customer or product line with each portfolio of contracts grouped together based on having similar characteristics. The portfolio approach is utilized only when the result of the accounting is not expected to be materially different than if applied to individual contracts.

We also may enter into offset agreements or conditions as part of obtaining orders for our products and services from certain government customers in foreign countries. These agreements are designed to enhance the social and economic environment of the foreign country by requiring the contractor to promote investment in the country. These agreements also may be satisfied through our use of cash or other means of providing financial support for in-country projects with local companies. The amounts ultimately applied against our offset agreements are based on negotiations with the customer and satisfaction of our offset obligations are included in the estimates of our total costs to complete the contract.

When contracts are modified, we consider whether the modification either creates new or changes the existing enforceable rights and obligations. Contract modifications that are for goods or services that are not distinct from the existing contract, due to the significant integration with the original goods or services provided, are accounted for as if they were part of that existing contract with the effect of the contract modification recognized as an adjustment to revenue on a cumulative catch-up basis. When the modifications include additional performance obligations that are distinct, they are accounted for as a new contract and performance obligation, which are recognized prospectively.

Certain contracts with customers have options for the customer to acquire additional goods or services. In most cases, the pricing of these options are reflective of the standalone selling price of the good or service. These options do not provide the customer with a material right and are accounted for only when the customer exercises the option to purchase the additional goods or services. If the option on the customer contract was not indicative of the standalone selling price of the good or service, the material right would be accounted for as a separate performance obligation.

Under most of our U.S. government contracts, if the contract is terminated for convenience, we are entitled to payment for items delivered and fair compensation for work performed, the costs of settling and paying other claims, and a reasonable profit on the costs incurred or committed.

In the performance of our government contracts, we routinely request contract modifications that require additional funding from the customer. Most often, these requests are due to customer-directed changes in the scope of work. While we are entitled to recovery of these costs under our contracts, the administrative process with our customer may be protracted. Based on the circumstances, we periodically file requests for equitable adjustment (“REAs”) that are sometimes converted into claims. In some cases, these REAs are disputed by our customer. We believe our outstanding modifications, REAs and other similar claims will be resolved without material impact to our results of operations, financial condition or cash flows.

In the ordinary course of business, agencies of the U.S. and other governments audit our claimed costs and conduct inquiries and investigations of our business practices with respect to government contracts to determine whether our operations are conducted in accordance with these requirements and the terms of the relevant contracts. U.S. government agencies, including the Defense Contract Audit Agency (“DCAA”), routinely audit our claimed indirect costs, for compliance with the Cost Accounting Standards and the Federal Acquisition Regulations. These agencies also conduct reviews and investigations and make inquiries regarding our accounting and other systems in connection with our performance and business practices with respect to our government contracts and subcontracts.

Costs to fulfill and obtain a contract are considered for capitalization based on contract specific facts and circumstances. The incremental costs to fulfill a contract, including setup and implementation costs prior to beginning the period of performance, are capitalized when expenses are incurred prior to the start of satisfying a performance obligation. The capitalized costs are subsequently expensed over the contract’s period of performance.

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We have elected to use certain practical expedients permitted under Accounting Standards Codification (“ASC”) 606. Shipping and handling fees and costs incurred associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in Cost of sales on our Consolidated Statements of Operations, and are not considered a performance obligation to our customers. Our reported Sales on our Condensed Consolidated Statements of Operations include sales and related non-income taxes. We also utilize the “as invoiced” practical expedient in certain cases where performance obligations are satisfied over time and the invoiced amount corresponds directly with the value we are providing to the customer.

Cumulative Catch-up Adjustments

Changes in estimates and assumptions related to our arrangements accounted for using the cost-to-cost method are recorded using the cumulative catch-up method of accounting. These changes are primarily adjustments to the estimated profitability for our long-term programs where we provide component inventory management, supply chain logistics programs, and/or repair services.

For the three-month periods ended November 30, 2025 and 2024, we recognized no cumulative catch - up adjustments. For the six - month period ended November 30, 2025, we recognized no cumulative catch-up adjustments. For the six-month period ended November 30, 2024, we recognized favorable cumulative catch-up adjustments of \$2.4 million.

Contract Assets and Liabilities

The timing of revenue recognition, customer billings, and cash collections results in a contract asset or contract liability at the end of each reporting period. For instances where we recognize revenue prior to having an unconditional right to payment, we record a contract asset or contract liability. When an unconditional right to consideration exists, we reduce our contract asset or liability and recognize an unbilled or trade receivable. When amounts are dependent on factors other than the passage of time in order for payment from a customer to be due, we record a contract asset which consists of costs incurred where revenue recognized over time using the cost-to-cost model exceeds the amounts billed to customers. Contract liabilities include advance payments and billings in excess of revenue recognized. Certain customers make advance payments prior to the satisfaction of our performance obligations on the contract. These amounts are recorded as contract liabilities until such performance obligations are satisfied, either over time as costs are incurred or at a point in time when deliveries are made. Contract assets and contract liabilities are determined on a contract-by-contract basis.

Net contract assets and liabilities are as follows:

	November 30, 2025	May 31, 2025	Change
Contract assets – current	\$ 152.6	\$ 140.3	\$ 12.3
Contract assets – non-current	37.8	28.4	9.4
Contract liabilities:			
Deferred revenue – current	(37.8)	(40.3)	2.5
Deferred revenue on long-term contracts	(8.0)	(6.4)	(1.6)
Net contract assets	<u>\$ 144.6</u>	<u>\$ 122.0</u>	<u>\$ 22.6</u>

Contract assets – non-current is reported within Other non-current assets, deferred revenue – current is reported within Accrued liabilities, and deferred revenue on long-term contracts is reported within Other liabilities on our Condensed Consolidated Balance Sheets. Changes in contract assets and contract liabilities primarily result from the timing difference between our performance of services and payments from customers.

During the first quarter of fiscal 2025, our Mobility business received a stop-work order from our U.S. Government customer on the Next Generation Pallet contract as the program was terminated for convenience by the customer. Under the conditions for the termination for convenience, we have the right to submit a proposal for recovery of our incurred costs. In conjunction with the termination, we expensed equipment and inventory of \$12.7 million in the first quarter of fiscal 2025 and recognized a contract asset of \$9.5 million reflecting the estimated recovery on our incurred costs.

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During the third quarter of fiscal 2025, we submitted our termination settlement proposal to the customer and increased our contract asset to \$13.5 million based on the revised estimated recovery. In conjunction with the termination settlement proposal submission, we also expensed an additional \$1.0 million of equipment and other costs.

Changes in our deferred revenue were as follows for the three- and six-month periods ended November 30, 2025 and 2024:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2025	2024	2025	2024
Deferred revenue at beginning of period	\$ (40.7)	\$ (28.2)	\$ (46.7)	\$ (21.9)
Revenue deferred	(80.7)	(85.6)	(167.7)	(170.0)
Revenue recognized	82.6	87.5	176.3	161.7
Other ⁽¹⁾	(7.0)	(3.3)	(7.7)	0.6
Deferred revenue at end of period	<u>\$ (45.8)</u>	<u>\$ (29.6)</u>	<u>\$ (45.8)</u>	<u>\$ (29.6)</u>

⁽¹⁾ Other includes cumulative catch-up adjustments, foreign currency translation, acquisitions, and other adjustments.

Remaining Performance Obligations

As of November 30, 2025, we had approximately \$755 million of remaining performance obligations, also referred to as firm backlog, which excludes unexercised contract options and potential orders under our indefinite-delivery, indefinite-quantity contracts. We expect that approximately 65% of this backlog will be recognized as revenue over the next 12 months, an additional 20% of the firm backlog over the following 12 months, and the balance thereafter. The amount of remaining performance obligations that are expected to be recognized as revenue beyond 12 months primarily relates to our long-term programs where we provide component inventory management, supply chain logistics programs, and/or repair services.

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Disaggregation of Revenue

Third-party sales across the major customer markets for each of our operating segments for the three- and six-month periods ended November 30, 2025 and 2024 were as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2025	2024	2025	2024
Parts Supply:				
Commercial	\$ 268.1	\$ 220.8	\$ 522.6	\$ 431.2
Government and defense	85.5	52.9	148.8	92.2
	<u>\$ 353.6</u>	<u>\$ 273.7</u>	<u>\$ 671.4</u>	<u>\$ 523.4</u>
Repair & Engineering:				
Commercial	\$ 224.1	\$ 206.7	\$ 419.8	\$ 397.9
Government and defense	20.4	22.1	39.3	48.5
	<u>\$ 244.5</u>	<u>\$ 228.8</u>	<u>\$ 459.1</u>	<u>\$ 446.4</u>
Integrated Solutions:				
Commercial	\$ 73.0	\$ 72.0	\$ 145.4	\$ 142.0
Government and defense	102.8	91.4	215.4	190.3
	<u>\$ 175.8</u>	<u>\$ 163.4</u>	<u>\$ 360.8</u>	<u>\$ 332.3</u>
Expeditionary Services:				
Commercial	\$ 1.2	\$ 0.7	\$ 1.9	\$ 2.0
Government and defense	20.2	19.5	41.7	43.7
	<u>\$ 21.4</u>	<u>\$ 20.2</u>	<u>\$ 43.6</u>	<u>\$ 45.7</u>

Consolidated sales by geographic region for the three- and six-month periods ended November 30, 2025 and 2024 were as follows:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2025	2024	2025	2024
U.S./Canada	\$ 577.3	\$ 500.4	\$ 1,096.4	\$ 973.8
Europe/Africa	101.0	108.8	200.7	217.6
Asia/South Pacific	102.7	65.6	192.4	129.6
Other	14.3	11.3	45.4	26.8
	<u>\$ 795.3</u>	<u>\$ 686.1</u>	<u>\$ 1,534.9</u>	<u>\$ 1,347.8</u>

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5. Restricted Cash

Restricted cash represents cash on hand that is legally restricted as to withdrawal or usage. As of November 30, 2025, restricted cash includes \$13.0 million on deposit with escrow agents related to our recent acquisitions and \$7.6 million required to be set aside by a contractual agreement to provide servicing related to receivable securitization arrangements.

The restrictions related to our acquisitions lapse at the time of resolution of certain contingencies including tax contingencies. The restrictions related to the receivable securitization arrangements lapse at the time we remit the customer payments collected by us as servicer of previously sold customer receivables to the purchaser.

6. Accounts Receivable

Financial instruments that potentially subject us to concentrations of market or credit risk consist principally of trade receivables. While our trade receivables are diverse and represent a number of entities and geographic regions, the majority are with the U.S. government and its contractors and entities in the aviation industry. The composition of our accounts receivable is as follows:

	November 30, 2025	May 31, 2025
U.S. Government contracts:		
Trade receivables	\$ 38.7	\$ 26.6
Unbilled receivables	7.7	13.4
	46.4	40.0
All other customers:		
Trade receivables	323.6	283.4
Unbilled receivables	31.9	31.4
	355.5	314.8
	<u>\$ 401.9</u>	<u>\$ 354.8</u>

7. Equity

Common Stock Offering

During the second quarter of fiscal 2026, we sold 3,450,000 shares of our common stock at \$83.00 per share in a registered underwritten offering. After deducting underwriting fees and other offering expenses, we received \$273.9 million in net proceeds.

Stock - Based Compensation

In July 2025, as part of our annual long-term stock incentive compensation, we granted 85,605 shares of performance-based restricted stock and 64,795 shares of time-based restricted stock to eligible employees. The grant date fair value per share for these shares was \$79.45 (the closing price per share of our common stock on the grant date). We also granted 24,178 shares of time-based restricted stock to members of the Board of Directors with a grant date fair value per share of \$61.41 (the closing price per share of our common stock on the grant date).

Expenses charged to operations for restricted stock during the three-month periods ended November 30, 2025 and 2024 were \$3.3 million and \$4.1 million, respectively, and during the six - month periods ended November 30, 2025 and 2024 were \$7.5 million and \$8.2 million, respectively.

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In July 2025, as part of our annual long-term stock incentive compensation, we granted 154,185 stock options to eligible employees at an exercise price per share of \$79.45 and grant date fair value per share of \$28.71. The fair value of stock options was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.9 %
Expected volatility of common stock	34.1 %
Dividend yield	0.0 %
Expected option term in years	4.8

The total intrinsic value of stock options exercised during the six-month periods ended November 30, 2025 and 2024 was \$5.0 million and \$0.3 million, respectively. Expenses charged to operations for stock options during the three-month periods ended November 30, 2025 and 2024 were \$1.0 million and \$0.9 million, respectively, and during the six-month periods ended November 30, 2025 and 2024 were \$2.1 million and \$1.8 million, respectively.

Stock-based compensation expense is recognized on a straight-line basis over the requisite service period based on the equity's grant date fair value. For participants who are or become retirement-eligible during the service period, stock-based compensation expense is recognized over the period ending on the date the participant becomes retirement-eligible.

Earnings per Share

The potential dilutive effect of 109,000 shares relating to stock options was excluded from the computation of weighted average common shares outstanding – diluted for the six-month period ended November 30, 2025 as the shares would have been anti-dilutive. No stock options were determined to be anti-dilutive for the three - month period ended November 30, 2025. For the three - and six - month periods ended November 30, 2024, the potential dilutive effect of 154,000 shares and 154,000 shares, respectively, related to stock options were excluded.

8. Inventories

The summary of inventories is as follows:

	November 30, 2025	May 31, 2025
Aircraft and engine parts, components and finished goods	\$ 743.5	\$ 659.4
Raw materials and parts	138.6	119.9
Work-in-process	28.7	29.9
	<u>\$ 910.8</u>	<u>\$ 809.2</u>

9. Supplemental Cash Flow Information

	Six Months Ended November 30,	
	2025	2024
Interest paid	\$ 39.0	\$ 38.6
Income taxes paid	22.7	13.7
Income tax refunds received	0.1	0.1
Lease liabilities arising from obtaining or re-measuring ROU assets	3.7	3.1

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10. Sale of Receivables

On February 23, 2018, we entered into a Purchase Agreement with Citibank N.A. (“Purchaser”) for the sale, from time to time, of certain accounts receivable due from certain customers (the “Purchase Agreement”). Under the Purchase Agreement, the maximum amount of receivables sold is limited to \$150 million and Purchaser may, but is not required to, purchase the eligible receivables we offer to sell. The term of the Purchase Agreement runs through February 22, 2026, but, the Purchase Agreement may also be terminated earlier under certain circumstances. The term of the Purchase Agreement shall be automatically extended for annual terms unless either party provides advance notice that they do not intend to extend the term.

We have no retained interests in the sold receivables, other than limited recourse obligations in certain circumstances, and only perform collection and administrative functions for the Purchaser. We account for these receivable transfers as sales under ASC 860, *Transfers and Servicing*, and de-recognize the sold receivables from our Condensed Consolidated Balance Sheets. At November 30, 2025, we have utilized \$20.5 million which reduced the availability under the Purchase Agreement to \$129.5 million.

During the six-month periods ended November 30, 2025 and 2024, we sold \$110.8 million and \$111.1 million, respectively, of receivables under the Purchase Agreement and remitted \$104.0 million and \$100.9 million, respectively, to the Purchaser on their behalf. As of November 30, 2025 and May 31, 2025, we had collected cash of \$7.6 million and \$7.4 million, respectively, which was not yet remitted to the Purchaser as of those dates and was classified as Restricted cash on our Condensed Consolidated Balance Sheets.

We recognize discounts on the sale of our receivables and other fees related to the Purchase Agreement in Other expense, net on our Condensed Consolidated Statements of Operations. We incurred discounts on the sale of our receivables of \$0.3 million and \$0.2 million during the three-month periods ended November 30, 2025 and 2024, respectively. During the six-month periods ended November 30, 2025 and 2024, we incurred discounts on the sale of our receivables of \$0.5 million and \$0.5 million, respectively.

11. Financing Arrangements

A summary of the carrying amount of our debt is as follows:

	November 30, 2025	May 31, 2025
Senior Notes	\$ 700.0	\$ 550.0
Amended Revolving Credit Facility with interest payable monthly	260.0	427.0
Debt premium, net	2.7	—
Debt issuance costs, net	(10.0)	(9.0)
Long-term debt	<u>\$ 952.7</u>	<u>\$ 968.0</u>

Credit Agreement

On December 14, 2022, we entered into a new credit agreement with various financial institutions as lenders and Wells Fargo Bank, N.A. as administrative agent for the lenders (the “Credit Agreement”) that included an unsecured revolving credit facility (the “Revolving Credit Facility”) that we can draw upon for working capital and general corporate purposes. In conjunction with the Credit Agreement, we terminated our revolving credit facility under the credit agreement dated April 12, 2011, as amended, (the “2011 Credit Agreement”) with the outstanding borrowings under the 2011 Credit Agreement at the date of its termination rolled over to the Credit Agreement.

On March 1, 2024, we entered into an amendment (the “Revolver Amendment”) to our Credit Agreement, which governs the Company’s existing revolving credit facility (the revolving credit facility as amended by the Revolver Amendment, the “Amended Revolving Credit Facility”). Among other things, the Revolver Amendment (i) increased the aggregate commitments under the Amended Revolving Credit Facility to \$825.0 million from \$620 million under the Revolving Credit Facility, (ii) increased the maximum leverage ratio permitted under the financial covenants applicable to the Amended Revolving Credit Facility and (iii) included an additional pricing level that will increase the applicable interest rate margins on the Amended Revolving Credit Facility to 250 basis points (in the case of secured overnight financing rate (“SOFR”)) and 150 basis points (in the case of Base Rate loans) if our adjusted total debt to EBITDA ratio exceeds 3.75:1.00.

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Under certain circumstances, we may request an increase to the lending commitments under the Credit Agreement by an aggregate amount of up to \$300 million, not to exceed \$1,125 million in total. The Credit Agreement expires on December 14, 2027. Borrowings under the Credit Agreement bear interest at an applicable variable rate based on SOFR plus 112.5 to 250 basis points based on certain financial measurements plus 10 basis points if a SOFR loan, or at the offered fluctuating Base Rate plus 12.5 to 150 basis points based on certain financial measurements if a Base Rate loan.

Borrowings outstanding under the Amended Revolving Credit Facility at November 30, 2025 were \$260.0 million and there were \$10.0 million of outstanding letters of credit, which reduced the availability of this facility to \$555.0 million.

Our Credit Agreement requires us to comply with leverage and interest coverage ratios and comply with certain affirmative and negative covenants, including those relating to financial reporting and notification, compliance with applicable laws, and limitations on additional liens, indebtedness, acquisitions, investments and disposition of assets. Our Credit Agreement also requires our significant domestic subsidiaries to provide a guarantee of payment under the Credit Agreement.

Senior Notes – Original Issuance

On March 1, 2024, we issued \$550.0 million aggregate principal amount of 6.75% Senior Notes due 2029 (the “Notes”) to fund a portion of the purchase price for the acquisition of the Product Support business. The Notes were issued pursuant to an indenture (the “Base Indenture”), dated as of March 1, 2024, between us and Wilmington Trust, National Association (the “Trustee”), as trustee, and a First Supplemental Indenture, dated as of March 1, 2024 (together with the Base Indenture, the “Indenture”), among us, the Note Guarantors (as defined below) and the Trustee.

Our domestic subsidiaries that guarantee the Amended Revolving Credit Facility (collectively, the “Note Guarantors”) guaranteed (the “Note Guarantees”) all of the Company’s obligations under the Notes and the Indenture. The Notes and the Note Guarantees have not been, and will not be, registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Notes bear interest at a rate of 6.75% per year, payable semiannually in cash in arrears on March 15 and September 15 of each year, commencing September 15, 2024. The Notes will mature on March 15, 2029. At any time prior to March 15, 2026, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus an applicable “make-whole” premium. At any time prior to March 15, 2026, the Company may also redeem up to 40% of the Notes with net cash proceeds of certain equity offerings at a redemption price equal to 106.75% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. On or after March 15, 2026, the Company may redeem the Notes, in whole or in part, at specified redemption prices if redeemed during the twelve-month period beginning on March 15 of the years indicated below:

2026	103.375 %
2027	101.688 %
2028 and thereafter	100.000 %

The Notes are jointly and severally guaranteed by each of the Note Guarantors. The Notes and the Note Guarantees are the general unsecured obligations of us or each of the Note Guarantors and, as applicable, (i) rank equal in right of payment to all of our or such Note Guarantor’s existing and future senior indebtedness, (ii) rank senior in right of payment to all of our or such Note Guarantor’s obligations that are, by their terms expressly subordinated in right of payment to the Notes or the Note Guarantees, (iii) are effectively subordinated to all of our or such Note Guarantor’s secured indebtedness, to the extent of the value of the assets securing such indebtedness and (iv) in the case of the Note Guarantees, are structurally subordinated to indebtedness and other liabilities of our subsidiaries that are not Note Guarantors.

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The Indenture contains customary covenants, including limitations on the ability of us and our restricted subsidiaries to (i) incur debt, certain disqualified stock and preferred stock, (ii) create liens, (iii) pay dividends or distributions or redeem or repurchase equity, (iv) prepay subordinated debt or make certain investments, (v) transfer and sell assets, (vi) engage in consolidations, mergers or dispositions of all or substantially all of our or their assets, (vii) enter into agreements that restrict dividends, loans and other distributions from subsidiaries and (viii) enter into transactions with affiliates. These covenants are subject to a number of important exceptions and qualifications described in the Indenture. In addition, the Indenture contains a number of customary events of default, including, among other things, payment default, failure to comply with covenants or agreements contained in the Indenture or the Notes and certain provisions related to bankruptcy events.

Senior Notes – Subsequent Issuance

On August 14, 2025, we issued an additional \$150.0 million aggregate principal amount of our Notes (the “Additional Notes”). The Additional Notes were issued under the existing Indenture and other than with respect to the date of issuance and the offering price, the Additional Notes have the same terms as the Notes.

Debt issuance costs of \$2.5 million were incurred in connection with the Additional Notes which were issued at an original issuance premium 102% of their principal amount, or \$3.0 million. The premium and debt issuance costs are amortized and recognized as interest expense using the effective interest rate method, or, when the results are not materially different, on a straight-line basis over the expected term of the related debt. The premium and debt issuance costs are classified with Long-term debt on our Condensed Consolidated Balance Sheet and are amortized into interest expense over the contractual term of the Notes.

At November 30, 2025, our variable and fixed rate debt had a fair value that approximates their carrying values and is classified as Level 3 in the fair value hierarchy as their fair values are determined based upon one or more significant unobservable inputs.

At November 30, 2025, we were in compliance with the financial and other covenants in our financing agreements.

12. Other Non-current Assets

Investment in AAR Sumisho Aviation Services (ASAS)

Our investments in joint ventures include a 50% ownership interest in a joint venture to provide aviation aftermarket supply chain solutions to Japanese defense and global commercial markets. Each of the partners in the ASAS joint venture have provided financial guarantees to third-parties to guarantee the payments for ASAS’s financing arrangements, including inventory purchases. No liabilities have been recognized on the outstanding guarantees. We are unable to estimate our maximum exposure under these guarantees as they are largely dependent on the volume of inventory purchase orders outstanding.

Our sales to the ASAS JV, including service fees earned by us on providing support to the ASAS JV, were \$3.4 million and \$1.2 million during the three-month periods ended November 30, 2025 and 2024, respectively, and \$8.4 million and \$2.9 million during the six-month periods ended November 30, 2025 and 2024, respectively.

Investment in Indian Joint Venture

Our investments in joint ventures previously included a 40% ownership interest in a joint venture in India to operate an airframe maintenance facility. We had also guaranteed 40% of the Indian joint venture’s debt and each of the partners in the Indian joint venture had a loan to the joint venture proportionate to its equity ownership.

During the first quarter of fiscal 2025, we executed a Share Purchase Agreement with our Indian joint venture partners whereby we agreed to sell our equity to those partners for \$0.1 million conditional on the repayment of our loan and the release of our guarantee of the Indian joint venture’s debt. During the first quarter of fiscal 2025, we were released from our debt guarantee obligations and de-recognized the related \$9.4 million guarantee liability. In the second quarter of fiscal 2025, we received \$2.1 million reflecting the principal value of our shareholder loan. In conjunction with these transactions, the Share Purchase Agreement, and transition services arrangements, we recognized a gain of \$2.1 million during fiscal 2025.

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Investments in Aircraft Joint Ventures

Under the terms of servicing agreements with certain of our aircraft joint ventures, we provide administrative services and technical advisory services, including aircraft evaluations, oversight and logistical support of the maintenance process and records management. We also provide evaluation and inspection services prior to the purchase of an aircraft and remarketing services with respect to the divestiture of aircraft by the joint ventures.

During the three-month periods ended November 30, 2025 and 2024, we recognized revenue of \$1.0 million and \$0.6 million, respectively, for such services. During the six-month periods ended November 30, 2025 and 2024, we recognized revenue of \$2.1 million and \$1.1 million, respectively, for such services.

Investment in xCelle Americas, LLC (“xCelle Americas”)

Our investments in joint ventures include a 49.9% ownership interest in a joint venture to provide component repair services including overhaul of nacelles on next generation aircraft. In March 2025, we provided a loan to xCelle Americas for \$3.3 million with semi-annual principal payments over the five-year term of the loan. Interest is payable semi-annually at SOFR plus 2.7%.

13. Defined Benefit Pension Settlement

During the three-month period ended August 31, 2023, we settled all future obligations under our frozen U.S. defined benefit retirement plan (the “U.S. Retirement Plan”). The settlement included a combination of lump-sum payments to participants who elected to receive them and the transfer of the remaining benefit obligations to a third-party insurance company under group annuity contracts. The purchase of the group annuity contracts was funded directly by assets of the U.S. Retirement Plan and required no additional cash or asset contributions from us. As a result of the settlements, we recognized a non-cash, pre-tax pension settlement charge of \$26.7 million (\$16.1 million after-tax) related to the accelerated recognition of all unamortized net actuarial losses in Accumulated other comprehensive loss. Surplus plan assets of \$7.6 million remained after the settlement. In fiscal 2026, we utilized the remaining surplus plan assets to fund our non-elective, discretionary contributions to the 401(k) plan.

14. Accumulated Other Comprehensive Loss

Changes in our accumulated other comprehensive loss (“AOCL”) by component for the three-month periods ended November 30, 2025 and 2024 were as follows:

	Currency Translation Adjustments	Pension Plans	Total
Balance at September 1, 2025	\$ (2.0)	\$ (3.2)	\$ (5.2)
Other comprehensive loss	(1.2)	—	(1.2)
Balance at November 30, 2025	<u>\$ (3.2)</u>	<u>\$ (3.2)</u>	<u>\$ (6.4)</u>
Balance at September 1, 2024	\$ (4.0)	\$ (3.3)	\$ (7.3)
Other comprehensive loss	(3.3)	—	(3.3)
Balance at November 30, 2024	<u>\$ (7.3)</u>	<u>\$ (3.3)</u>	<u>\$ (10.6)</u>

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Changes in our AOCL by component for the six-month periods ended November 30, 2025 and 2024 were as follows:

	Currency Translation Adjustments	Pension Plans	Total
Balance at June 1, 2025	\$ (2.4)	\$ (3.2)	\$ (5.6)
Other comprehensive loss	(0.8)	—	(0.8)
Balance at November 30, 2025	<u>\$ (3.2)</u>	<u>\$ (3.2)</u>	<u>\$ (6.4)</u>
Balance at June 1, 2024	\$ (5.5)	\$ (3.3)	\$ (8.8)
Total other comprehensive loss	(1.8)	—	(1.8)
Balance at November 30, 2024	<u>\$ (7.3)</u>	<u>\$ (3.3)</u>	<u>\$ (10.6)</u>

15. Sale of Landing Gear Overhaul Business

On December 19, 2024, we entered into an agreement to divest our LGO business to GA Telesis for \$51 million subject to post-closing adjustments for working capital, cash, and debt. In the third quarter of fiscal 2025, the LGO assets and liabilities were reclassified to assets and liabilities held for sale and we recognized a non-cash, pre-tax impairment charge of \$63.0 million to adjust the carrying value of the LGO assets to their estimated fair value. Goodwill of \$14.6 million was also reclassified to assets held for sale and was included in the determination of the impairment charge.

The LGO business was reported within our Repair & Engineering segment. The divestiture did not represent a strategic shift that will have a major effect on our operations and financial results and, therefore, did not qualify for presentation as discontinued operations.

The sale closed in the fourth quarter of fiscal 2025 with net proceeds received of \$48.0 million. We recognized \$6.6 million of additional loss on the sale resulting from purchase price adjustments in the fourth quarter of fiscal 2025. We recognized a gain of \$1.0 million in the first quarter of fiscal 2026 for the final resolution of the purchase price adjustments.

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16. Business Segment Information

Our operating segments are comprised of:

- Parts Supply, primarily consisting of our sales of used serviceable material (“USM”), including aircraft, engine and airframe parts and components and distribution of new parts (“Distribution”);
- Repair & Engineering, primarily consisting of our MRO services across airframes (“Airframe MRO”) and components (“Component Services”);
- Integrated Solutions, primarily consisting of our fleet management and operations of customer-owned aircraft, customized performance-based supply chain logistics programs in support of the U.S. Department of Defense (“DoD”), the U.S. Department of State (“DoS”) and foreign governments, flight hour component inventory and repair programs for commercial airlines, and integrated software solutions, including Trax; and
- Expeditionary Services, primarily consisting of products and services supporting the movement of equipment and personnel by the U.S. and foreign governments and non-governmental organizations with sales derived from the engineering, design, integration, and manufacture of pallets, shelters, and containers.

The accounting policies for the segments are the same as those described in Note 1 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended May 31, 2025. Cost of sales consists principally of the cost of products, including material used in manufacturing operations, direct labor, and overhead.

Our Chief Operating Decision Maker (“CODM”) is our Chief Executive Officer and he evaluates performance on our operating segments using operating income as the primary profitability measure. Our operating segments are aligned principally around differences in products and services and is consistent with how our CODM allocates resources, assesses performance, and makes decisions.

The Company has not aggregated operating segments for purposes of identifying reportable segments. Inter-segment sales are recorded at fair value, which results in intercompany profit on inter-segment sales that is eliminated in consolidation. Corporate selling, general and administrative expenses include centralized functions such as legal, finance, treasury and human resources with a portion of the costs allocated to our operating segments.

Significant expenses for each segment are as follows:

	Three Months Ended November 30, 2025				
	Sales	Cost of Sales	Selling, General and Administrative	Other Segment Items	Operating Income
Parts Supply	\$ 353.6	\$ 283.7	\$ 29.7	\$ (0.7)	\$ 40.9
Repair & Engineering	244.5	194.9	25.8	1.1	22.7
Integrated Solutions	175.8	143.4	18.5	—	13.9
Expeditionary Services	21.4	17.2	1.9	(0.1)	2.4
	<u>\$ 795.3</u>	<u>\$ 639.2</u>	<u>\$ 75.9</u>	<u>\$ 0.3</u>	<u>\$ 79.9</u>
Corporate and other					(12.9)
					67.0
Gains related to sale and exit of businesses, net					(0.1)
Other expense, net					(0.2)
Interest expense					(19.1)
Interest income					0.5
Income before income taxes					<u>\$ 48.1</u>

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	Three Months Ended November 30, 2024				
	Sales	Cost of Sales	Selling, General and Administrative	Other Segment Items	Operating Income
Parts Supply	\$ 273.7	\$ 219.4	\$ 22.7	\$ —	\$ 31.6
Repair & Engineering	228.8	180.3	27.6	(1.9)	22.8
Integrated Solutions	163.4	140.5	16.7	(0.3)	6.5
Expeditionary Services	20.2	16.3	1.7	—	2.2
	<u>\$ 686.1</u>	<u>\$ 556.5</u>	<u>\$ 68.7</u>	<u>\$ (2.2)</u>	<u>\$ 63.1</u>
Corporate and other					(65.4)
					(2.3)
Losses related to sale and exit of businesses					(1.2)
Other expense, net					(0.2)
Interest expense					(19.3)
Interest income					0.5
Income before income taxes					<u>\$ (22.5)</u>

	Six Months Ended November 30, 2025				
	Sales	Cost of Sales	Selling, General and Administrative	Other Segment Items	Operating Income
Parts Supply	\$ 671.4	\$ 540.2	\$ 53.0	\$ (3.6)	\$ 81.8
Repair & Engineering	459.1	366.9	47.8	1.3	43.1
Integrated Solutions	360.8	302.7	34.7	(0.2)	23.6
Expeditionary Services	43.6	34.8	3.5	(0.1)	5.4
	<u>\$ 1,534.9</u>	<u>\$ 1,244.6</u>	<u>\$ 139.0</u>	<u>\$ (2.6)</u>	<u>\$ 153.9</u>
Corporate and other					(22.0)
					131.9
Losses related to sale and exit of businesses					0.6
Other expense, net					(0.3)
Interest expense					(37.9)
Interest income					0.8
Income before income taxes					<u>\$ 95.1</u>

	Six Months Ended November 30, 2024				
	Sales	Cost of Sales	Selling, General and Administrative	Other Segment Items	Operating Income
Parts Supply	\$ 523.4	\$ 419.1	\$ 43.0	\$ (0.4)	\$ 61.7
Repair & Engineering	446.4	355.3	50.7	(3.5)	43.9
Integrated Solutions	332.3	284.6	33.9	(0.4)	14.2
Expeditionary Services	45.7	42.0	3.2	—	0.5
	<u>\$ 1,347.8</u>	<u>\$ 1,101.0</u>	<u>\$ 130.8</u>	<u>\$ (4.3)</u>	<u>\$ 120.3</u>
Corporate and other					(79.2)
					41.1
Losses related to sale and exit of businesses					(1.3)
Other expense, net					(0.3)
Interest expense					(38.1)
Interest income					1.0
Income before income taxes					<u>\$ 2.4</u>

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Selected financial information for each segment is as follows:

	Three Months Ended November 30, 2025			Three Months Ended November 30, 2024		
	Third-Party Sales	Inter-segment Sales	Total Sales	Third-Party Sales	Inter-segment Sales	Total Sales
Parts Supply	\$ 353.6	\$ 13.3	\$ 366.9	\$ 273.7	\$ 2.7	\$ 276.4
Repair & Engineering	244.5	16.5	261.0	228.8	21.2	250.0
Integrated Solutions	175.8	2.4	178.2	163.4	0.3	163.7
Expeditionary Services	21.4	—	21.4	20.2	—	20.2
	<u>\$ 795.3</u>	<u>\$ 32.2</u>	<u>\$ 827.5</u>	<u>\$ 686.1</u>	<u>\$ 24.2</u>	<u>\$ 710.3</u>

	Six Months Ended November 30, 2025			Six Months Ended November 30, 2024		
	Third-Party Sales	Inter-segment Sales	Total Sales	Third-Party Sales	Inter-segment Sales	Total Sales
Parts Supply	\$ 671.4	\$ 15.4	\$ 686.8	\$ 523.4	\$ 5.2	\$ 528.6
Repair & Engineering	459.1	38.5	497.6	446.4	43.8	490.2
Integrated Solutions	360.8	3.9	364.7	332.3	0.6	332.9
Expeditionary Services	43.6	—	43.6	45.7	—	45.7
	<u>\$ 1,534.9</u>	<u>\$ 57.8</u>	<u>\$ 1,592.7</u>	<u>\$ 1,347.8</u>	<u>\$ 49.6</u>	<u>\$ 1,397.4</u>

	Three Months Ended November 30,		Six Months Ended November 30,	
	2025	2024	2025	2024
Capital expenditures:				
Parts Supply	\$ —	\$ 0.1	\$ 0.3	\$ 0.1
Repair & Engineering	4.0	5.4	8.9	7.9
Integrated Solutions	2.0	1.4	4.1	3.0
Expeditionary Services	1.1	1.1	1.8	4.5
Corporate and discontinued operations	0.3	0.3	1.0	0.7
	<u>\$ 7.4</u>	<u>\$ 8.3</u>	<u>\$ 16.1</u>	<u>\$ 16.2</u>

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	Three Months Ended November 30,		Six Months Ended November 30,	
	2025	2024	2025	2024
Depreciation and amortization: ¹				
Parts Supply	\$ 5.6	\$ 2.3	\$ 8.5	\$ 4.9
Repair & Engineering	6.7	6.4	13.3	13.0
Integrated Solutions	4.6	5.0	9.1	9.0
Expeditionary Services	0.5	0.4	0.9	0.8
Corporate and discontinued operations	4.0	4.9	8.7	9.8
	<u>\$ 21.4</u>	<u>\$ 19.0</u>	<u>\$ 40.5</u>	<u>\$ 37.5</u>

¹ Includes amortization of stock-based compensation.

	Three Months Ended November 30,		Six Months Ended November 30,	
	2025	2024	2025	2024
Earnings (Loss) from joint ventures:				
Parts Supply	\$ 0.7	\$ 0.1	\$ 3.6	\$ 0.6
Repair & Engineering	(0.8)	1.8	(0.7)	3.6
	<u>\$ (0.1)</u>	<u>\$ 1.9</u>	<u>\$ 2.9</u>	<u>\$ 4.2</u>

	November 30,	May 31,
	2025	2025
Total assets:		
Parts Supply	\$ 1,092.1	\$ 818.8
Repair & Engineering	1,315.5	1,155.2
Integrated Solutions	619.9	620.8
Expeditionary Services	84.9	79.0
Corporate and discontinued operations	130.1	170.8
	<u>\$ 3,242.5</u>	<u>\$ 2,844.6</u>

	November 30,	May 31,
	2025	2025
Investments in joint ventures:		
Parts Supply	\$ 12.0	\$ 8.4
Repair & Engineering	22.6	23.9
	<u>\$ 34.6</u>	<u>\$ 32.3</u>

17. Legal Proceedings

We are involved in various claims and legal actions, including environmental matters, arising in the ordinary course of business. We are not a party to any material pending legal proceeding (including any governmental or environmental proceeding) other than routine litigation incidental to our business except for the following:

Russian Bankruptcy Litigation

During calendar years 2016 and 2017, certain subsidiaries of the Company purchased four engines from VIM-AVIA Airlines, LLC (“VIM-AVIA”), a company organized in Russia. Subsequent to the purchase of the engines, VIM-AVIA declared bankruptcy in Russian courts, and shortly thereafter the receiver of the VIM-AVIA bankruptcy estate (“Receiver”) and one of the major creditors of VIM-AVIA filed a clawback action in the Arbitration Court of the Russian Republic of Tartarstan (the “Russian Trial Court”) against our subsidiaries alleging that the contracts entered into with VIM-AVIA in the 2016-2017 timeframe are invalid. The clawback action alleged that our subsidiaries owe the VIM-AVIA bankruptcy estate approximately \$13 million, the alleged fair market value of the four engines at the time of sale.

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On March 3, 2023, the Russian Trial Court awarded a \$1.8 million judgment against the Company relating to one engine, and dismissed all the other claims against the Company relating to the three remaining engines. The Company recognized a corresponding charge of \$1.8 million in the third quarter of fiscal 2023. Further court proceedings and multiple appeals ensued in 2024 and 2025.

On September 26, 2023, the Russian Eleventh Arbitration Court of Appeal (the “Russian Appellate Court”) issued an order (i) affirming the Russian Trial Court’s adverse judgment against the Company relating to one of the four engines; (ii) reversing the Russian Trial Court’s dismissal of the claims relating to the remaining three engines; and (iii) awarding a judgment against the Company in the total amount of \$13.0 million. During the first quarter of fiscal 2024, the Company recognized a charge for \$11.2 million representing the judgment against the Company for the remaining three engines.

Ultimately, on October 11, 2024, the Russian Court of Cassation issued a ruling that effectively affirmed (i) the \$1.8 million judgment against the Company relating to one of the four engines, and (ii) the dismissal of the Receiver’s clawback claims relating to the remaining three engines. On February 10, 2025, the Russian Supreme Court denied both the Company’s request and the Receiver’s request for review of the October 11, 2024 ruling. The \$1.8 million judgment against the Company is now final and not subject to further review in the Russian courts. The Receiver’s claims against the Company in the VIM / AVIA bankruptcy litigation have therefore been concluded and \$11.2 million liability was reversed in the third quarter of fiscal 2025.

The Company believes that the claims brought against it by the Receiver, and the resulting \$1.8 million judgment against it, were a result of, among other things, a hostile business and legal environment for foreign companies in Russia, which has been caused by developments in the Russia/Ukraine conflict, including the imposition of a range of sanctions and export controls on Russian entities and individuals by the U.S. and its North Atlantic Treaty Organization allies.

Although there can be no assurances, the Company also believes it would have strong defenses to any attempt that may be made to recognize and enforce the judgment outside of Russia. The Company’s ability to satisfy the judgment, in whole or in part, may be restricted by the Company’s obligation to comply with U.S. trade restrictions likely applicable to undisclosed creditors of the VIM-AVIA bankruptcy estate. As of November 30, 2025, our Condensed Consolidated Balance Sheet included a liability for the matter, including accrued interest, of \$2.0 million classified as long-term in Other liabilities.

Performance Guarantee

In conjunction with the fiscal 2021 sale of our Composites business, we retained a performance guarantee to a customer of the Composites business (the “Customer”) under an existing contract providing flap track fairings on the A220 aircraft (“A220 Contract”). The term of the A220 Contract and our performance guarantee extend for the duration that A220 aircraft are in service and the customer continues to maintain support for the A220 aircraft. The performance guarantee does not contain a financial cap.

In March 2022, the buyer of the Composites business (the “Buyer”) filed for bankruptcy and moved to have the bankruptcy court reject the A220 Contract. The Customer also notified us that it believes the Buyer has failed to timely deliver products in accordance with the terms of the A220 Contract and that the Customer has incurred losses related to the asserted non-compliance that the Customer believes is covered by our performance guarantee. To date, the Customer has provided us with limited details in support of the extent of the Customer’s claimed losses with respect to the A220 Contract and its contention that we may be responsible under our performance guarantee to reimburse the Customer for any portion of its claimed losses. The Customer filed suit against us during the fourth quarter of fiscal 2023 claiming damages of at least \$32 million.

In this regard, while we are continuing to seek additional detail around the facts and legal basis underlying the claim for losses the Customer attributed to the A220 Contract and the Customer’s corresponding claim under the performance guarantee, we strongly disagree with the premise of the Customer’s claim based on the information available and known to us at this time, and we believe that we have numerous defenses available against this claim that we will vigorously pursue. While it is reasonably possible that we will incur a loss from the claim under the performance guarantee, we are unable to estimate the range of loss on this claim. There can be no assurance that the Customer’s claim under the performance guarantee will not have a material adverse effect on our operations, financial position and cash flows.

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Self-Reporting of Potential Foreign Corrupt Practices Act Violations

As previously disclosed, in 2019, the Company retained outside counsel to investigate possible violations of the U.S. Foreign Corrupt Practices Act (the “FCPA”) relating to certain transactions in Nepal and South Africa and self-reported these matters to the U.S. Department of Justice (the “DoJ”), the SEC, and the U.K. Serious Fraud Office.

On December 19, 2024, after cooperating with the DoJ’s and SEC’s investigations, the Company resolved with the DoJ pursuant to a Non-Prosecution Agreement (“NPA”) and with the SEC pursuant to a Cease-and-Desist Order (the “SEC Order”), both dated December 19, 2024. Pursuant to the NPA, the DoJ agreed that it will not prosecute the Company for conduct described in the NPA provided that the Company complies with the terms of the NPA for the NPA’s 18-month term.

In the second quarter of fiscal 2025, we recognized a charge for the \$55.6 million under the NPA and SEC Order.

Enforcement Proceeding in Nepal

As previously disclosed, the Company became aware via news reports that Nepal’s Commission for Investigation of Abuse of Authority (“CIAA”) apparently initiated a criminal proceeding in April 2024 against over 35 entities and individuals, including AAR International, Inc., a subsidiary of the Company. The charges alleged violations of Nepalese public procurement law and were related to the same transactions in Nepal that the Company previously self-reported, as described above. The proceeding also named a former AAR International, Inc. employee, as well as John Holmes in his capacity as president of AAR International, Inc. at the time of the alleged conduct.

AAR International, Inc. does not accept or admit these charges, and neither AAR International, Inc. nor Mr. Holmes appeared before the Special Court for several reasons including because the Company believes that any proceedings before the Special Court lack appropriate due process protections.

Based on news reports and judgments from the Nepalese court, we understand that several defendants were convicted in connection with the charges, including AAR International, Inc. The conviction against AAR International, Inc. purportedly carries a fine of approximately \$0.9 million as well as a prison sentence of 1.5 years. AAR understands that Mr. Holmes was not personally convicted, but because under Nepalese law it is the responsibility of the company’s principal business executive to accept the sentence of the company, Mr. Holmes has been assigned the company’s sentence by the court. The Company does not currently intend to participate in the proceedings, and does not intend to pay the fine, believing the proceedings and outcome lack due process. The Company does not believe that the outcome of these proceedings will have a material adverse effect on the Company’s operations, financial position, or cash flows. We recognized a liability for the \$0.9 million fine in the second quarter of fiscal 2025.

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18. Subsequent Events

Pending Acquisition of the Aircraft Reconfig Technologies Business

On December 17, 2025, we entered into an agreement to acquire the outstanding shares of Aircraft Reconfig Technologies (“ART”), a leading aircraft interiors engineering company for \$35 million subject to customary post-closing adjustments for cash, working capital, and indebtedness. The acquisition is expected to close in the fourth quarter of fiscal 2026, subject to customary closing conditions, including receipt of certain regulatory approvals.

Investment in xCelle Asia Joint Venture

In December 2025, we invested \$7.1 million for a 49.9% interest in xCelle Asia Limited (“xCelle Asia JV”) based in Thailand. The xCelle Asia JV is expected to perform nacelle MRO services, including on-wing and on-site inspections and rotatable support for next generation aircraft nacelles.

Sale of Corporate Headquarters Building

In December 2025, we entered into a non-binding letter of intent to sell our corporate headquarters building in Wood Dale, Illinois in connection with our corporate headquarters relocation to Chicago, Illinois. The estimated purchase price for the property is \$26.0 million and we expect to leaseback the building for approximately 2.5 years. With the decision to exit the property, we expect to classify the carrying value of the property of approximately \$17 million as assets held for sale in the third quarter of fiscal 2026.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)

General Overview and Outlook

We report our activities in four business segments:

- Parts Supply, primarily consisting of our sales of used serviceable material (“USM”), including aircraft, engine and airframe parts and components and distribution of new parts (“Distribution”);
- Repair & Engineering, primarily consisting of our MRO services across airframes (“Airframe MRO”) and components (“Component Services”);
- Integrated Solutions, primarily consisting of our fleet management and operations of customer-owned aircraft, customized performance-based supply chain logistics programs in support of the U.S. Department of Defense (“DoD”), the U.S. Department of State (“DoS”) and foreign governments, flight hour component inventory and repair programs for commercial airlines, and integrated software solutions, including Trax; and
- Expeditionary Services, primarily consisting of products and services supporting the movement of equipment and personnel by the U.S. and foreign governments and non-governmental organizations with sales derived from the engineering, design, integration, and manufacture of pallets, shelters, and containers.

Our chief operating decision making officer (“CODM”) is our Chief Executive Officer and he evaluates performance on our operating segments using operating income as the primary profitability measure. Our operating segments are aligned principally around differences in products and services. The Company has not aggregated operating segments for purposes of identifying reportable segments. Inter-segment sales are recorded at fair value which results in intercompany profit on inter-segment sales that is eliminated in consolidation. Corporate selling, general and administrative expenses include centralized functions such as legal, finance, treasury and human resources with a portion of the costs allocated to our operating segments.

During the first quarter of fiscal 2026, we executed a restructuring plan to streamline operations and reduce costs. As part of this plan, we eliminated approximately 60 positions and recognized severance charges of \$1.0 million.

Parts Supply

Our Parts Supply segment primarily consists of sales and leasing of USM and aftermarket distribution of new, original equipment manufacturer (“OEM”)-supplied replacement parts.

We distribute new OEM-supplied replacement parts to aircraft operators, airlines, government customers and other MRO companies across the world. Our parts are supplied to narrow-body, wide-body and regional aircraft. In most cases, we enter exclusive relationships with OEM manufacturers for a given market where we are the only provider of that supplier’s product category. We provide global scale, independence, and highly technical sales capabilities across both commercial and government end-markets.

USM is an important category of the aviation aftermarket in which parts removed from engines or airframes can be refurbished to be utilized as replacement parts in the aftermarket. We utilize a network of third - party repair facilities to perform this work. USM parts often represent a cost - effective and more timely solution for operators when compared to sourcing new parts.

On September 25, 2025, we acquired the outstanding shares of American Distributors Holding Co., LLC (“ADI”), including ADI American Distributors, LLC and other of ADI’s subsidiaries, for a purchase price of \$137.7 million subject to customary post-closing adjustments for cash, working capital, and indebtedness. ADI is a leading distributor of electronic components and assemblies to OEMs across the aerospace and defense industry. The purchase price was paid at closing except for \$4.5 million which was placed on deposit with an escrow agent to secure potential indemnification obligations and fund post-closing adjustments for working capital and indebtedness.

Repair & Engineering

Our Airframe MRO services are primarily comprised of major airframe inspection, maintenance, repair, and overhaul services, painting services, line maintenance, airframe modifications, structural repairs, avionics service and installation, exterior and interior refurbishment and engineering services and support for many types of commercial and military aircraft. Component Services are primarily comprised of MRO services for structural components, engine and airframe accessories, and interior refurbishment.

We are currently expanding both our Miami and Oklahoma City airframe maintenance facilities to meet growing customer demand. In Miami, we are constructing a 114,000 square foot facility with three bays adjacent to our existing hangar. In Oklahoma City, we are constructing an 80,000 square foot facility with three bays and warehouse space adjacent to our existing hangar. The Oklahoma City expansion is expected to be complete in early calendar 2026 and the Miami expansion is expected to be complete in mid-to-late calendar 2026.

On November 3, 2025, we acquired the outstanding shares of HAECO Americas, LLC and its subsidiary HAECO Airframe Services, LLC (together, “HAECO Americas”) from HAECO USA, Inc. for a purchase price of \$76.5 million subject to customary post-closing adjustments for cash, working capital, and indebtedness. HAECO Americas provides heavy aircraft maintenance, repair, and overhaul (“MRO”) and modification services across its hangars located in Greensboro, North Carolina and Lake City, Florida.

On December 17, 2025, we entered into an agreement to acquire the outstanding equity of Aircraft Reconfig Technologies (“ART”), a leading aircraft interiors engineering company for \$35 million subject to customary post-closing adjustments for cash, working capital, and indebtedness. The acquisition is expected to close in the fourth quarter of fiscal 2026, subject to customary closing conditions, including receipt of certain regulatory approvals.

In fiscal 2025, we sold our Landing Gear Overhaul (“LGO”) business to GA Telesis for net proceeds of \$48 million subject to post-closing adjustments for working capital, cash, and debt. We recognized a loss on the divestiture of \$71.1 million which included goodwill of \$14.6 million.

Our Repair & Engineering segment also develops Parts Manufacturer Approval (“PMA”) parts for aftermarket applications. PMA is a designation under Federal Aviation Administration (“FAA”) regulations that permits the design of approved parts for specific aircraft components that can be provided by non-OEM sources at cost-efficient and sometimes improved availability.

Integrated Solutions

Our Integrated Solutions segment primarily consists of our fleet management and operations of customer-owned aircraft, customized performance-based supply chain logistics programs in support of the DoD and foreign governments, flight hour component inventory and repair programs for commercial airlines and integrated software solutions including Trax.

Fleet management and operations of customer-owned aircraft is performed for the DoS under the INL/A WASS contract. We are the prime contractor on this ten-year performance-based contract which began in fiscal 2018. Our services under the contract include operating and maintaining the global DoS fleet of fixed- and rotary-wing aircraft.

Supply chain logistics programs are primarily comprised of material planning, sourcing, logistics, information and program management and parts and component repair and overhaul. Flight hour component inventory and repair programs for commercial airlines are primarily comprised of outsourcing programs for airframe parts and components including warranty claim management in support of our airline customers’ maintenance activities.

Our integrated software solutions are primarily comprised of our Trax software which we acquired in fiscal 2023. Trax has the first fully cloud-based electronic enterprise resource platform for the MRO industry and also offers a full suite of “paperless” mobility apps that are in process of automating MRO workflows with artificial intelligence. In addition, we acquired Aerostrat, a leading long-range maintenance planning software company, in the first quarter of fiscal 2026 for a purchase price of \$15 million plus contingent consideration of up to \$5 million.

Expeditionary Services

The Expeditionary Services segment primarily consists of products and services supporting the movement of equipment and personnel by the U.S. and foreign governments and non-governmental organizations. We design, manufacture, and repair transportation pallets and a wide variety of containers and shelters used in support of military and humanitarian tactical deployment activities. The containers and shelters are used in numerous mission requirements, including armories, supply and parts storage, refrigeration systems, tactical operation centers, briefing rooms, laundry and kitchen facilities, water treatment, and sleeping quarters. Shelters include both stationary and vehicle-mounted applications. We also provide engineering, design, and system integration services for specialized command and control systems.

Over the long-term, we expect to see strength in our aviation products and services given our offerings of value-added solutions to both commercial and government and defense customers. We believe long-term commercial aftermarket growth trends are favorable. As we continue to invest in the pipeline of opportunities in the government market, our long-term strategy continues to emphasize investing in the business and capitalizing on opportunities in both the commercial and government markets.

Discussion of Results of Operations

Three- and Six-Month Periods Ended November 30, 2025 and 2024

	Three Months Ended November 30,			Six Months Ended November 30,		
	2025	2024	% Change	2025	2024	% Change
Sales:						
Commercial	\$ 566.4	\$ 500.2	13.2 %	\$ 1,089.7	\$ 973.1	12.0 %
Government and defense	228.9	185.9	23.1 %	445.2	374.7	18.8 %
	<u>\$ 795.3</u>	<u>\$ 686.1</u>	15.9 %	<u>\$ 1,534.9</u>	<u>\$ 1,347.8</u>	13.9 %
Gross Profit:						
Commercial	\$ 110.1	\$ 97.8	12.6 %	\$ 199.6	\$ 190.6	4.7 %
Government and defense	46.8	30.8	51.9 %	91.0	55.2	64.9 %
	<u>\$ 156.9</u>	<u>\$ 128.6</u>	22.0 %	<u>\$ 290.6</u>	<u>\$ 245.8</u>	18.2 %
Gross Profit Margin:						
Commercial	19.4 %	19.6 %		18.3 %	19.6 %	
Government and defense	20.4 %	16.6 %		20.4 %	14.7 %	
Consolidated	19.7 %	18.7 %		18.9 %	18.2 %	

Three-Month Periods Ended November 30, 2025 and 2024

Consolidated sales for the second quarter of fiscal 2026 increased \$109.2 million, or 15.9%, over the prior year quarter primarily due to an increase in sales to commercial customers. Consolidated sales to commercial customers increased \$66.2 million, or 13.2%, over the prior year quarter primarily due to strong demand and volume growth in our new parts Distribution activities, including from our recent ADI acquisition which contributed sales of \$19.3 million. Our consolidated sales to government customers increased \$43.0 million, or 23.1%, primarily due to volume growth in our Parts Supply segment from our new parts Distribution activities.

Consolidated cost of sales increased \$80.9 million, or 14.5%, over the prior year quarter which was largely in line with the consolidated sales increase of 15.9% discussed above.

Consolidated gross profit for the second quarter of fiscal 2026 increased \$28.3 million, or 22.0%, over the prior year quarter. Gross profit on sales to government customers increased \$16.0 million, or 51.9%, primarily attributable to growth from recently awarded contracts across our programs activities. The gross profit margin on sales to government customers increased to 20.4% from 16.6% in the prior year quarter primarily due to the mix of services across our programs activities, including our recently awarded contracts.

Gross profit on sales to commercial customers increased \$12.3 million, or 12.6%, over the prior year quarter primarily due to strong demand and volume growth in our new parts Distribution activities, including from our recent ADI acquisition. The gross profit margin on sales to commercial customers decreased slightly to 19.4% from 19.6% primarily due to the mix of products and services.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses decreased \$44.4 million, or 33.4%, from the prior year quarter primarily due to the settlement and related costs of \$59.2 million in the second quarter of fiscal 2025. In addition, acquisition, amortization, and integration expenses increased \$6.5 million over the prior year quarter reflecting the ADI and HAECO Americas acquisitions.

As a percent of sales, selling, general and administrative expenses decreased to 11.2% from 19.4% in the prior year primarily due to settlement of the FCPA matters.

Interest Expense

Interest expense decreased \$0.2 million in the second quarter of fiscal 2026 compared to the prior year quarter reflecting the impact of both lower interest rates and lower average borrowings. Our average borrowing rate on our Revolving Credit Facility was 5.91% in the second quarter of fiscal 2026 compared to 6.81% in the prior year quarter.

Income Taxes

Our effective income tax rate for continuing operations was 28.1% for the second quarter of fiscal 2026 compared to 36.0% in the prior year quarter. Our income tax expense was \$8.1 million in the second quarter of fiscal 2025 while our loss before income taxes was \$(22.5) million. The majority of the FCPA settlement charge was nondeductible for income tax purposes resulting in no income tax benefit.

Six-Month Periods Ended November 30, 2025 and 2024

Consolidated sales for the six-month period ended November 30, 2025 increased \$187.1 million, or 13.9%, over the prior year period primarily due to an increase in sales to commercial customers. Consolidated sales to commercial customers increased \$116.6 million, or 12.0%, over the prior year period primarily due to strong demand and volume growth in our new parts Distribution activities, including from our recent ADI acquisition which contributed sales of \$19.3 million. Our consolidated sales to government customers increased \$70.5 million, or 18.8%, primarily due to volume growth in our Parts Supply segment from our new parts Distribution activities.

In addition, our Mobility business received a stop-work order from our U.S. Government customer on the Next Generation Pallet contract as the program was terminated for convenience by the customer in the first quarter of fiscal 2025. In conjunction with the termination, we recognized sales of \$9.5 million reflecting the estimated recovery on our incurred costs in the six-month period ended November 30, 2024.

Consolidated cost of sales increased \$142.3 million, or 12.9%, over the prior year period which was largely in line with the consolidated sales increase of 13.9% discussed above.

Consolidated gross profit for the six-month period ended November 30, 2025 increased \$44.8 million, or 18.2%, over the prior year period. Gross profit on sales to government customers increased \$35.8 million, or 64.9%, primarily attributable to volume growth in our Parts Supply segment from our new parts Distribution activities. The gross profit margin on sales to government customers increased to 20.4% from 14.7% in the prior year period primarily due to the mix of services across our programs activities, including our recently awarded contracts.

Gross profit on sales to commercial customers increased \$9.0 million, or 4.7%, over the prior year quarter primarily due to strong demand and volume growth in our new parts Distribution activities, including from our recent ADI acquisition. The gross profit margin on sales to commercial customers decreased slightly to 18.3% from 19.6% primarily due to the mix of products and services.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses decreased \$49.1 million, or 23.5%, from the prior year period primarily due to the FCPA matters that were settled in the second quarter of fiscal 2025.

Interest Expense

Interest expense for the six-month period ended November 30, 2025 decreased \$0.2 million reflecting the impact of both lower interest rates and lower average borrowings. Our average borrowing rate was 6.02% for the six-month period ended November 30, 2025 compared to 6.80% in the prior year period.

Income Taxes

Our effective income tax rate for continuing operations was 27.4% for the six-month period ended November 30, 2025. In the prior year period, our income tax expense was \$15.0 million while our income before income taxes was \$2.4 million. The majority of the FCPA settlement charge was nondeductible for income tax purposes resulting in no income tax benefit.

Operating Segment Results of Operations**Three-Month Periods Ended November 30, 2025 and 2024***Parts Supply Segment*

	Three Months Ended November 30,		
	2025	2024	% Change
Third-party sales	\$ 353.6	\$ 273.7	29.2 %
Operating income	40.9	31.6	29.4 %
Operating margin	11.6 %	11.5 %	

Sales in the Parts Supply segment increased \$79.9 million, or 29.2%, over the prior year quarter primarily due to a \$77.9 million increase in sales in our new parts Distribution activities from increased demand and growth from new and expanded distribution agreements. The ADI acquisition contributed sales of \$28.0 million during the second quarter of fiscal 2026.

Operating income in the Parts Supply segment increased \$9.3 million, or 29.4%, over the prior year quarter, primarily due to the volume growth in our new parts Distribution activities. Operating margin increased slightly to 11.6% from 11.5% in the prior year quarter, primarily due to the mix of products sold within the segment, including the profitability of the recent ADI acquisition.

Repair & Engineering Segment

	Three Months Ended November 30,		
	2025	2024	% Change
Third-party sales	\$ 244.5	\$ 228.8	6.9 %
Operating income	22.7	22.8	(0.4)%
Operating margin	9.3 %	10.0 %	

Sales in the Repair & Engineering segment increased \$15.7 million, or 6.9%, over the prior year quarter primarily due to growth within our Airframe MRO services of \$29.3 million. The HAECO Americas acquisition contributed sales of \$19.4 million which was more than offset by the divestiture of our LGO business in the fourth quarter of fiscal 2025. The LGO business contributed sales of \$20.4 million in the second quarter of fiscal 2025.

Operating income in the Repair & Engineering segment decreased \$0.1 million, or 0.4%, from the prior year quarter with the operating margin decreasing to 9.3% from 10.0%. These decreases were primarily due to lower profitability of the recent HAECO Americas acquisition.

Integrated Solutions Segment

	Three Months Ended November 30,		
	2025	2024	% Change
Third-party sales	\$ 175.8	\$ 163.4	7.6 %
Operating income	13.9	6.5	113.8 %
Operating margin	7.9 %	4.0 %	

Sales in the Integrated Solutions segment increased \$12.4 million, or 7.6%, over the prior year quarter primarily due to higher government program activity.

Operating income in the Integrated Solutions segment increased \$7.4 million, or 113.8%, over the prior year quarter and the operating margin increased to 7.9% from 4.0%. These increases were primarily attributable to our government programs activity and its sales growth as well as higher profitability from the mix of products and services.

Expeditionary Services Segment

	Three Months Ended November 30,		
	2025	2024	% Change
Third-party sales	\$ 21.4	\$ 20.2	5.9 %
Operating income	2.4	2.2	9.1 %
Operating margin	11.2 %	10.9 %	

Sales in the Expeditionary Services segment increased \$1.2 million, or 5.9%, over the prior year period primarily due to volume growth across the containers and shelters product lines.

Operating income in the Expeditionary Services segment increased \$0.2 million, or 9.1%, over the prior year quarter and the operating margin increased to 11.2% from 10.9%. These increases were primarily attributable to the mix of products sold.

Six-Month Periods Ended November 30, 2025 and 2024*Parts Supply Segment*

	Six Months Ended November 30,		
	2025	2024	% Change
Third-party sales	\$ 671.4	\$ 523.4	28.3 %
Operating income	81.8	61.7	32.6 %
Operating margin	12.2 %	11.8 %	

Sales in the Parts Supply segment for the six-month period ended November 30, 2025 increased \$148.0 million, or 28.3%, over the prior year period primarily due to a \$113.4 million increase in sales in our new parts Distribution activities from increased demand and growth from new and expanded distribution agreements. The ADI acquisition contributed sales of \$28.0 million during the six-month period ended November 30, 2025. Whole asset sales in our aftermarket parts trading activities increased \$19.0 million over the prior year period.

Operating income in the Parts Supply segment increased \$20.1 million, or 32.6%, over the prior year period primarily due to improved profitability from the increased sales volume within our new parts distribution activities.

Repair & Engineering Segment

	Six Months Ended November 30,		
	2025	2024	% Change
Third-party sales	\$ 459.1	\$ 446.4	2.8 %
Operating income	43.1	43.9	(1.8)%
Operating margin	9.4 %	9.8 %	

Sales in the Repair & Engineering segment for the six-month period ended November 30, 2025 increased \$12.7 million, or 2.8%, over the prior year period primarily due to growth for our component repair services of \$24.5 million and our Airframe MRO services of \$23.0 million. The HAECO Americas acquisition contributed sales of \$19.4 million in the current period which was more than offset by the divestiture of our LGO business in the fourth quarter of fiscal 2025. The LGO business contributed sales of \$39.6 million in the prior year period.

Operating income in the Repair & Engineering segment decreased \$0.8 million, or 1.8%, from the prior year period and the operating margin decreased to 9.4% from 9.8%. These decreases were primarily attributable to the mix of products and services sold across the segment.

Integrated Solutions Segment

	Six Months Ended November 30,		
	2025	2024	% Change
Third-party sales	\$ 360.8	\$ 332.3	8.6 %
Operating income	23.6	14.2	66.2 %
Operating margin	6.5 %	4.3 %	

Sales in the Integrated Solutions segment for the six-month period ended November 30, 2025 increased \$28.5 million, or 8.6%, over the prior year period primarily due to higher government program activity.

Changes in estimates and assumptions related to our arrangements accounted for using the cost-to-cost method are recorded using the cumulative catch-up method of accounting. In the six-month period ended November 30, 2024, we recognized favorable cumulative catch-up adjustments of \$2.4 million compared to no cumulative catch-up adjustments in the current year period. These adjustments relate to our long-term, power-by-the-hour programs where we provide component inventory management and repair services to commercial customers.

Operating income in the Integrated Solutions segment increased \$9.4 million, or 66.2%, over the prior year period and the operating margin increased to 6.5% from 4.3%. These increases were primarily attributable to our government programs activity and its sales growth as well as higher profitability from the mix of products and services.

Expeditionary Services Segment

	Six Months Ended November 30,		
	2025	2024	% Change
Third-party sales	\$ 43.6	\$ 45.7	(4.6)%
Operating income	5.4	0.5	980.0 %
Operating margin	12.4 %	1.1 %	

Sales in the Expeditionary Services segment for the six-month period ended November 30, 2025 decreased \$2.1 million, or 4.6%, from the prior year period primarily due to the sales recognized in conjunction with the termination of our Next Generation Pallet contract in the prior year period.

Operating income in the Expeditionary Services segment increased \$4.9 million, or 980.0%, over the prior year period primarily due to the impact of termination of the Next Generation Pallet contract. In conjunction with the termination in the six-month period ended November 30, 2024, we expensed equipment and inventory of \$12.7 million and recognized a contract asset of \$9.5 million reflecting the estimated recovery on our incurred costs. Operating margin increased to 12.4% from 1.1% in the prior year period primarily due to the contract termination.

Liquidity, Capital Resources and Financial Position

Our operating activities are funded and commitments met through the generation of cash from operations. Our ability to generate cash from operations is influenced primarily by our operating performance and changes in working capital. In addition to operations, our current capital resources include an unsecured revolving credit facility under the Credit Agreement referred to below and an accounts receivable financing program. Periodically, we may also raise capital through common stock and debt financings in the public or private markets. We continually evaluate various financing arrangements, including the issuance of common stock or debt, which would allow us to improve our liquidity position and finance future growth on commercially reasonable terms. Our continuing ability to borrow from our lenders and issue debt and equity securities to the public and private markets in the future may be negatively affected by a number of factors, including the overall health of the credit markets, general economic conditions, airline industry conditions, geo-political events, our debt service obligations, and our operating performance.

At November 30, 2025, our liquidity and capital resources included working capital of \$1,096.1 million inclusive of cash of \$75.6 million. We expect that our cash on hand, coupled with future cash flows from operations and other available sources of liquidity discussed below, will provide ample liquidity to enable us to meet our cash requirements for at least the next 12 months and foreseeable future thereafter.

Borrowings

On March 1, 2024, we entered into an amendment (the “Revolver Amendment”) to our Credit Agreement, which governs the Company’s existing revolving credit facility (the revolving credit facility as amended by the Revolver Amendment, the “Amended Revolving Credit Facility”). Among other things, the Revolver Amendment (i) increased the aggregate commitments under the Amended Revolving Credit Facility to \$825.0 million from \$620.0 million under the Revolving Credit Facility, (ii) increased the maximum leverage ratio permitted under the financial covenants applicable to the Amended Revolving Credit Facility and (iii) included an additional pricing level that increases the interest rate margins on the Amended Revolving Credit Facility to 250 basis points (in the case loans based on the secured overnight financing rate (“SOFR”)) and 150 basis points (in the case of Base Rate loans) if our adjusted total debt to EBITDA ratio exceeds 3.75:1.00.

Under certain circumstances, we may request an increase to the lending commitments under the Credit Agreement by an aggregate amount of up to \$300 million, not to exceed \$1,125 million in total. The Credit Agreement expires on December 14, 2027. Borrowings under the Credit Agreement bear interest at a variable rate based on SOFR plus 112.5 to 250 basis points based on certain financial measurements if a SOFR loan, or at the offered fluctuating Base Rate plus 12.5 to 150 basis points based on certain financial measurements if a Base Rate loan.

At November 30, 2025, borrowings outstanding under the Amended Revolving Credit Facility were \$260.0 million and there were approximately \$10.0 million of outstanding letters of credit, which reduced the availability under this facility to \$555.0 million. There are no other terms or covenants limiting the availability of the Amended Revolving Credit Facility. As of November 30, 2025, we also had other financing arrangements that did not limit availability on our Amended Revolving Credit Facility, including foreign lines of credit of \$9.8 million.

On March 1, 2024, we issued \$550.0 million aggregate principal amount of 6.75% Senior Notes due 2029 (the “Notes”) to fund a portion of the purchase price for the acquisition of the Product Support business. The Notes bear interest at a rate of 6.75% per year, payable semiannually in cash in arrears on March 15 and September 15 of each year, commencing September 15, 2024. The Notes will mature on March 15, 2029.

At any time prior to March 15, 2026, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus an applicable “make-whole” premium. At any time prior to March 15, 2026, the Company may also redeem up to 40% of the Notes with net cash proceeds of certain equity offerings at a redemption price equal to 106.75% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. On or after March 15, 2026, the Company may redeem the Notes, in whole or in part, at specified redemption prices ranging from 100.000% to 103.375% depending on the date of redemption.

On August 14, 2025, we issued an additional \$150.0 million aggregate principal amount of our Notes (the “Additional Notes”). Other than with respect to the date of issuance and the offering price, the Additional Notes have the same terms as the Notes. Debt issuance costs of \$2.5 million were incurred in connection with the Additional Notes which were issued at an original issuance premium 102% of their principal amount, or \$3.0 million.

Our financing arrangements require us to comply with leverage and interest coverage ratios and comply with certain affirmative and negative covenants, including those relating to financial reporting and notification, compliance with applicable laws, and limitations on additional liens, indebtedness, acquisitions, investments and disposition of assets. Our financing arrangements also generally require our significant domestic subsidiaries to provide a guarantee of payment. At November 30, 2025, we were in compliance with the financial and other covenants under each of our financing arrangements.

Sale of Receivables

We maintain a Purchase Agreement with Citibank N.A. (“Purchaser”) for the sale, from time to time, of certain accounts receivable due from certain customers (the “Purchase Agreement”). Under the Purchase Agreement, the maximum amount of receivables sold is limited to \$150.0 million and Purchaser may, but is not required to, purchase the eligible receivables we offer to sell. The term of the Purchase Agreement expires after February 22, 2026, but, the Purchase Agreement may be terminated earlier under certain circumstances. The term of the Purchase Agreement is automatically extended for annual terms unless either party provides advance notice that they do not intend to extend the term.

We have no retained interests in the sold receivables, other than limited recourse obligations in certain circumstances, and only perform collection and administrative functions for the Purchaser. We account for these receivable transfers as sales under Accounting Standards Codification 860, *Transfers and Servicing*, and de-recognize the sold receivables from our Condensed Consolidated Balance Sheet. At November 30, 2025, we have utilized \$20.5 million which reduced the availability under the Purchase Agreement to \$129.5 million.

Common Stock Offering

During the second quarter of fiscal 2026, we sold 3,450,000 shares of our common stock at \$83.00 per share in a registered underwritten offering. After deducting underwriting fees and other offering expenses, we received \$273.9 million in net proceeds.

Stock Repurchase Program

On December 16, 2021, our Board of Directors authorized a renewal of our stock repurchase program, under which we may repurchase up to \$150 million of our common stock with no expiration date. No repurchases were made during the six-month period ended November 30, 2025. Since inception of the renewal authorization, we have repurchased 2.4 million shares for an aggregate purchase price of \$107.5 million. The timing and amount of repurchases are subject to prevailing market conditions and other considerations, including our liquidity and acquisition and other investment opportunities.

Cash Flows from Operating Activities

Net cash used in operating activities was \$31.3 million in the six-month period ended November 30, 2025 compared to cash provided of \$3.4 million in the prior year period. The increase in the cash used in operating activities from the prior year of \$34.7 million was primarily attributable to working capital changes, including the timing of vendor payments.

Cash Flows from Investing Activities

Net cash used in investing activities was \$237.1 million in the six-month period ended November 30, 2025 compared to \$13.2 million in the prior year period. The increase in cash used in investing activities from the prior year of \$223.9 million was primarily related to ADI and HAECO Americas acquisitions in the second quarter of fiscal 2026.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$255.4 million in the six-month period ended November 30, 2025 compared to cash used of \$3.8 million in the prior year period. The increase in cash provided by financing activities over the prior year of \$259.2 million was primarily related to the common stock offering we completed in the second quarter of fiscal 2026.

Critical Accounting Policies and Significant Estimates

We make a number of significant estimates, assumptions and judgments in the preparation of our financial statements. See *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K for the year ended May 31, 2025 for a discussion of our critical accounting policies. There have been no significant changes to the application of our critical accounting policies during the second quarter of fiscal 2026.

Forward-Looking Statements

This report contains certain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future operating and financial performance and financial condition, or targets, goals, commitments, and other business plans, and often may also be identified because they contain words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or similar expressions and the negatives of those terms.

These forward-looking statements are based on beliefs of our management, as well as assumptions and estimates based on information available to us as of the dates such assumptions and estimates are made, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors, including: (i) factors that adversely affect the commercial aviation industry; (ii) adverse events and negative publicity in the aviation industry; (iii) a reduction in sales to the U.S. government and its contractors; (iv) cost overruns and losses on fixed-price contracts; (v) nonperformance

by subcontractors or suppliers; (vi) our ability to manage our operational footprint; (vii) a reduction in outsourcing of maintenance activity by airlines; (viii) a shortage of skilled personnel or work stoppages; (ix) competition from other companies; (x) financial, operational and legal risks arising as a result of operating internationally; (xi) inability to integrate acquisitions effectively and execute operational and financial plans related to the acquisitions; (xii) failure to realize the anticipated benefits of acquisitions; (xiii) circumstances associated with divestitures; (xiv) inability to recover costs due to fluctuations in market values for aviation products and equipment; (xv) cyber or other security threats or disruptions; (xvi) a need to make significant capital expenditures to keep pace with technological developments in our industry; (xvii) restrictions on use of intellectual property and tooling important to our business; (xviii) inability to fully execute our stock repurchase program and return capital to stockholders; (xix) limitations on our ability to access the debt and equity capital markets or to draw down funds under loan agreements; (xx) non-compliance with restrictive and financial covenants contained in our debt and loan agreements; (xxi) changes in or non-compliance with laws and regulations related to federal contractors, the aviation industry, international operations, safety, and environmental matters, and the costs of complying with such laws and regulations; and (xxii) exposure to product liability and property claims that may be in excess of our liability insurance coverage. 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.

For a discussion of these and other risks and uncertainties, refer to our Annual Report on Form 10-K, Part I, “Item 1A, Risk Factors” and our other filings from time to time with the SEC. These events and uncertainties are difficult or impossible to predict accurately and many are beyond our control. The risks described in these reports are not the only risks we face, as additional risks and uncertainties are not currently known or foreseeable or impossible to predict accurately or risks that are beyond our control or deemed immaterial may materially adversely affect our business, financial condition or results of operations in future periods. We assume 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.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk includes fluctuating interest rates under our credit agreements, changes in foreign exchange rates, and credit losses on accounts receivable. See Note 1 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended May 31, 2025 for a discussion of accounts receivable exposure.

Foreign Currency Risk. Revenues and expenses of our foreign operations are translated at average exchange rates during the period, and balance sheet accounts are translated at period-end exchange rates. Balance sheet translation adjustments are excluded from the results of operations and are recorded in stockholders’ equity as a component of accumulated other comprehensive loss. A hypothetical 10 percent devaluation of the U.S. dollar against foreign currencies would not have had a material impact on our financial position or continuing operations for the quarter ended November 30, 2025.

Interest Rate Risk. Refer to the section Quantitative and Qualitative Disclosures about Market Risk in our Annual Report on Form 10-K for the year ended May 31, 2025. There were no significant changes during the quarter ended November 30, 2025.

Item 4 – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of November 30, 2025. This evaluation was carried out under the supervision and with participation of our Chief Executive Officer and our Interim Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Therefore, effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were effective as of November 30, 2025 to provide reasonable assurance that information required to be disclosed in the reports that are filed under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported in a timely manner.

There were no changes in our internal control over financial reporting during the quarter ended November 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As permitted by the U.S. Securities and Exchange Commission, this evaluation excludes the operations of ADI and HAECO Americas, which were acquired during the six-month period ended November 30, 2025.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

The information in Note 17 to the Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference. There are no matters which constitute material pending legal proceedings to which we are a party other than those incorporated into this item by reference from Note 17 to our Condensed Consolidated Financial Statements for the quarter ended November 30, 2025 contained in this Quarterly Report on Form 10-Q.

Item 1A – Risk Factors

There have been no material changes in the risk factors disclosed under Part I, Item 1A “Risk Factors” contained in our Annual Report on Form 10-K for the fiscal year ended May 31, 2025.

Item 5 – Other Information

On August 6, 2025, John M. Holmes, the Company’s Chairman, President and Chief Executive Officer, adopted a pre-arranged trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act (the “10b5-1 Plan”). Mr. Holmes’s 10b5-1 Plan provides for the potential sale of up to an aggregate 61,539 shares of the Company’s common stock between November 5, 2025, and February 2, 2026, pursuant to the terms of the 10b5-1 Plan. Mr. Holmes adopted the 10b5-1 Plan during an open trading window in accordance with the Company’s Insider Trading Policy. Mr. Holmes sold 38,462 shares of the Company’s common stock under the 10b5-1 Plan on November 5, 2025.

Aside from as described above, no other director or “officer” (as defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” as such terms are defined under Item 408 of Regulation S-K during the three months ended November 30, 2025.

Item 6 – Exhibits

The exhibits to this report are listed on the following index:

Exhibit No.	Description	Exhibits
31.	Rule 13a-14(a)/15(d)-14(a) Certifications	31.1 Section 302 Certification of Chief Executive Officer of Registrant (filed herewith). 31.2 Section 302 Certification of Interim Chief Financial Officer of Registrant (filed herewith).
32.	Section 1350 Certifications	32.1 Section 906 Certification of Chief Executive Officer of Registrant (filed herewith). 32.2 Section 906 Certification of Interim Chief Financial Officer of Registrant (filed herewith).
101.	Interactive Data File	101 The following materials from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended November 30, 2025, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at November 30, 2025 and May 31, 2025, (ii) Condensed Consolidated Statements of Operations for the three -months ended November 30, 2025 and 2024, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three- months ended November 30, 2025 and 2024, (iv) Condensed Consolidated Statements of Cash Flows for the three-months ended November 30, 2025 and 2024, (v) Condensed Consolidated Statement of Changes in Equity for the three -months ended November 30, 2025 and 2024, and (vi) Notes to Condensed Consolidated Financial Statements.**
104.	Cover Page Interactive Data File	104 Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AAR CORP.

(Registrant)

Date: January 6, 2026

/s/ SARAH L. FLANAGAN
Sarah L. Flanagan
*Interim Chief Financial Officer and Vice President of Financial
Operations*
(Principal Financial Officer)

SECTION 302
CERTIFICATION

I, John M. Holmes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AAR CORP. (the "Registrant") for the quarterly period ended November 30, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

DATE: January 6, 2026

/s/ JOHN M. HOLMES

John M. Holmes

Chairman, President, and Chief Executive Officer

(Principal Executive Officer)

SECTION 302
CERTIFICATION

I, Sarah L. Flanagan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AAR CORP. (the "Registrant") for the quarterly period ended November 30, 2025;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

DATE: January 6, 2026

/s/ SARAH L. FLANAGAN

Sarah L. Flanagan

Interim Chief Financial Officer and Vice President of Financial Operations

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the AAR CORP. (the "Company") quarterly report on Form 10-Q for the period ended November 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Holmes, Chairman, President, and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 6, 2026

/s/ JOHN M. HOLMES

John M. Holmes

Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the AAR CORP. (the "Company") quarterly report on Form 10-Q for the period ended November 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sarah L. Flanagan, Interim Chief Financial Officer and Vice President of Financial Operations of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 6, 2026

/s/ SARAH L. FLANAGAN

Sarah L. Flanagan

*Interim Chief Financial Officer and Vice President of Financial
Operations*

(Principal Financial Officer)
