



P A R K
E L E C T R O C H E M I C A L
C O R P .

an Aerospace Company

FY2019 Q4 Investor Conference Call
May 17, 2019



Forward Looking Disclaimer

This presentation contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events or our future financial or operating performance, and include Park's expectations regarding revenues, EBITDA, EBIT, and growth opportunities and projected pro forma financial information for Park's business. The forward-looking statements contained in this presentation are based on management's good-faith belief and reasonable judgment based on current information, and these statements are qualified by important risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those forecasted or indicated by such forward-looking statements.

With respect to projected pro forma information regarding our business after the sale of the Company's Electronics Business, potential risks and uncertainties include:

- *The Company has greater exposure to the risks of the aerospace industry generally, including volume of commercial and business air travel, airline industry confidence and investment, energy and fuel costs, global military and defense budgets, global politics and trade policy, global environmental and conservation policy, aerospace OEM product life cycles and new program development, and overall perception of air travel safety, convenience, and affordability versus other modes of transportation.*
- *The Company has a greater portion of its production concentrated in fewer manufacturing locations. Natural disasters, location specific labor issues or business or environmental regulation may have a greater impact on the operations of the Company.*
- *Increased customer concentration relative to total revenue. The Company's revenue derived from its top customer is larger as a percentage of total revenue. Factors relating to pricing and contract negotiation, timing of purchases, and the overall customer relationship is even more critical and could adversely affect the Company's overall operations to a greater degree.*
- *Increased supplier concentration. The Company has increased risk, relative to its overall operations, associated with a certain supplier, which is the sole source supplier for many of the Company's products. Any disruption, economic changes or quality issues with this supplier could negatively affect the Company's overall operations to a greater degree.*
- *Increased dependency on certain aircraft OEM programs. The Company has significant exposure to certain aircraft programs that are subject to market demand, manufacturing delays or issues, safety or qualification issues, and trade, tax and political issues, which could in turn negatively affect the Company.*
- *Vulnerabilities associated with changes in supply chain or sourcing strategies by Tier 1 aerospace suppliers or OEMs. OEMs may decide to bring fabrication or assembly work that is currently performed by the Company's direct customers in-house. OEMs may also demand price reductions from the Company's direct customers, which may have an adverse effect on the Company. The Company is also dependent on the commercial success of certain jet engine programs, which are in direct competition with other jet engine programs on factors such as price, efficiency, repair and maintenance factors and timely delivery, which are outside the Company's direct control.*
- *The Company competes for manufacturing and engineering talent in a competitive labor market. Personnel turnover and training costs could negatively impact the Company's operations.*

Additional information about potential factors that could affect the Company's business and financial results is included under the caption "Factors That May Affect Future Results" in Item 1 and in Item 1A "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended February 25, 2018 and in subsequent reports filed with or furnished to the Securities and Exchange Commission. Except as may be required by any applicable laws, the Company assumes no obligation to publicly update such forward-looking statements, which are made as of the date hereof or the earlier date specified herein, whether as a result of new information, future developments, or otherwise.



Park's Transformation from an Electronics Company to an Aerospace Company

Mid-1980's...Park had become a leading global Electronics Printed Circuit Material Company

January 2007...Park commits to Aerospace as second major area of business focus

January 2008...Groundbreaking for Park's new Aerospace Manufacturing and Development facility in empty field in Newton, KS

May 2009...Park opens new Newton, KS Aerospace Facility

December 4, 2018...Park sells its legacy Electronics Business to AGC Inc. of Tokyo, Japan

December 2018...Transformation of Park from an Electronics Company to an Aerospace Company is Complete!



Park...an Aerospace Company

- Park develops and manufactures Solution and Hot-Melt Advanced Composite Materials used to produce composite structures for global aerospace markets, including:
 - ✓ Wide array of prepreg materials specifically designed for hand lay-up or automated fiber placement (AFP) manufacturing applications
 - ✓ Film Adhesive materials (undergoing qualification with Major Aerospace OEM)
 - ✓ Lightning Strike Protection materials ("Electroglide®")

- Park's Advanced Composite Materials are used to produce primary and secondary structures for:
 - ✓ Jet Engines
 - ✓ Large Transport Aircraft
 - ✓ Regional Transport Aircraft
 - ✓ Military Aircraft
 - ✓ Unmanned Aerial Vehicles (UAVs or "Drones")
 - ✓ Business Jets & General Aviation Aircraft
 - ✓ Rotary Wing Aircraft



Park...an Aerospace Company (Continued)

- Park also offers:
 - ✓ Specialty Ablative materials for Rocket Motors and Nozzles
 - ✓ Specially designed materials for Radome Applications

- As a complement to Park's Advanced Composite Materials offering, Park designs and fabricates Composite Parts, Structures and Assemblies and Low-Volume Tooling for the Aerospace Industry
 - ✓ Parts include Park's patented "Sigma Strut"TM and "Alpha Strut"TM product lines
 - ✓ Target Markets for parts and structures:
 - ❖ Prototype and Development Aircraft
 - ❖ Special Mission Aircraft
 - ❖ Aircraft "STC" Mods
 - ❖ Spares for Legacy Military and Civilian Aircraft
 - ❖ Exotic Spacecraft



Newton, KS Facilities



Reconciliation of FY2019 Q4 EPS and EPS Before Special Items*

	<u>14 Weeks</u>
	<u>March 3, 2019</u>
Sales	\$ 16,659
Net Earnings before Special Items	\$ 3,944
Special Items, Net of Tax:	
Stock Option Modification	(408)
Loss on Sale of Marketable Securities	(1,160)
Tax Cut and Jobs Act	(788)
Net Earnings from Continuing Operations	<u>\$ 1,588</u>
 Diluted Earnings before Special Items	 \$ 0.19
Special Items:	
Stock Option Modification	(0.02)
Loss on Sale of Marketable Securities	(0.05)
Tax Cut and Jobs Act	(0.04)
Diluted Earnings per Share from Continuing Operations	<u><u>\$ 0.08</u></u>
 Weighted Average Shares Outstanding:	
Basic	20,370
Diluted	20,501

*From Continuing Operations



FY2019 Quarterly Results*

(In Thousands)

	Q1	Q2	Q3	Q4**	FY2019
Sales	\$10,393	\$11,211	\$12,853	\$16,659	\$51,116
Gross Profit	\$2,852	\$3,145	\$4,284	\$5,903	\$16,184
Gross Margin	27.4%	28.1%	33.3%	35.4%	31.7%
EBITDA	\$1,385	\$1,664	\$2,948	\$4,251	\$10,248

➤ What we said about Q4 during our January 3, 2019 FY2019 Q3 Investor Call:

- ✓ Sales estimate: \$16 Million to \$17 Million
- ✓ EBITDA estimate: Approximately \$4 Million

➤ How were we able to meet the sales and EBITDA objectives for Q4?

- ✓ 70 hour work weeks
- ✓ Bringing Third Shift on now
- ✓ Why we waited

*From Continuing Operations

**14 Week Quarter



FY2017, FY2018 and FY2019 Results*

(In Thousands)

	FY2017	FY2018	FY2019
Sales	\$31,837	\$40,230	\$51,116
Gross Profit	\$8,299	\$11,288	\$16,184
Gross Margin	26.7%	28.1%	31.7%
Actual EBITDA	\$1,055	\$4,704**	\$10,248

- What we indicated about FY2019 on Slide 16 of our January 4, 2018 Investor Call Presentation:
 - ✓ Sales estimate: \$50 Million to \$54 Million
 - ✓ **Pro-Forma** EBITDA estimate: \$10.5 Million to \$13 Million
 - Pro-Forma Assumptions

*From Continuing Operations

**Before Special Items



FY2020 Q1 and Q2 Forecast Estimates*

(In Thousands)

	FY19 Q1	FY19 Q2	FY19 Q3	FY19 Q4**	FY20 Q1	FY20 Q2
Sales	\$10,393	\$11,211	\$12,853	\$16,659	\$14.25M to \$15.25M	\$15.0M to \$16.0M
EBITDA	\$1,385	\$1,664	\$2,948	\$4,251	\$3.4M to \$3.8M	\$3.5M to \$4.0M

➤ Our Philosophy relating to forecasts



Park's Long-Term Forecast Estimates

	FY20	FY21	FY22	FY23
Sales	\$59M to \$64M	\$69M to \$73M	\$78M to \$84M	\$87M to \$92M
EBITDA	\$14.5M to \$16.5M	\$17.5M to \$21M	\$21.5M to \$24.5M	\$25M to \$27.5M
EBIT	\$13M to \$15M	\$16M to \$19.5M	\$19.5M to \$22.5M	\$23M to \$25.5M

- FY20 Forecast is a Pro-Forma forecast which assumes all legacy costs from prior business structure are eliminated at the beginning of FY20
- Forecast assumes Organic Growth and no Additional Revenue from Acquisitions
- Note that Jet Engine Company Forecast does not fully ramp up until FY26
- The above Long-Term Forecast was contained in January 16, 2019 21st Annual Needham Growth Conference Presentation (Posted on Park's website)
- The above Forecast is included in this May 17, 2019 Investor Presentation for Convenient Reference only and is Not being updated or confirmed at this time
- Park's current intention, which is subject to change, is to update our Long-Term Forecast annually toward the beginning of each Calendar Year



Cash, Dividend and Acquisition and JV Strategy

- Doing the Cash Math Update:
 - ✓ \$152M cash at end of Q4 of FY19
 - ✓ 19M transition tax installment payments
 - ✓ 18M* Newton, KS expansion
 - ✓ \$115M**
 - ✓ Approximately \$115M of cash remaining after the costs and expenses listed above are paid
- \$507 million, or \$24.75 per share, in Cash Dividends paid since FY05
- Park has paid 34 years of regular, quarterly cash dividends without ever skipping a dividend or reducing the dividend amount
- Park has Zero Long-Term Debt
- Acquisition Philosophy and Strategy..."Hit 'em Where They Ain't!"
- Seeking JV Partner in Asia

*estimated remaining cash outlay

**concept number; not precise computation



Major Jet Engine Company Programs

- 13 Year Firm Pricing LTA with Middle River Aerostructure Systems (MRAS)
- POs for Composite Materials for Critical Structure for GE9X Engines for B777X
- Redundant Factory Announced and in Progress
- Sole Source for Composite Materials, including Lightning Strike Protection Materials and Film Adhesive Materials (undergoing qualification), for Engine Nacelles, Thrust Reversers and Inner Fixed Structures for Multiple Programs, including:
 - ✓ B747-8 with Genx 2B Engines
 - ✓ A320NEO with LEAP-1A Engines
 - ✓ Comac 919 with LEAP-1C Engines
 - ✓ Bombardier Global 7500 with Passport 20 Engines
- Park Composite Materials are Sole Source on large primary structure component for Passport 20 Engines



The Legendary Boeing 747



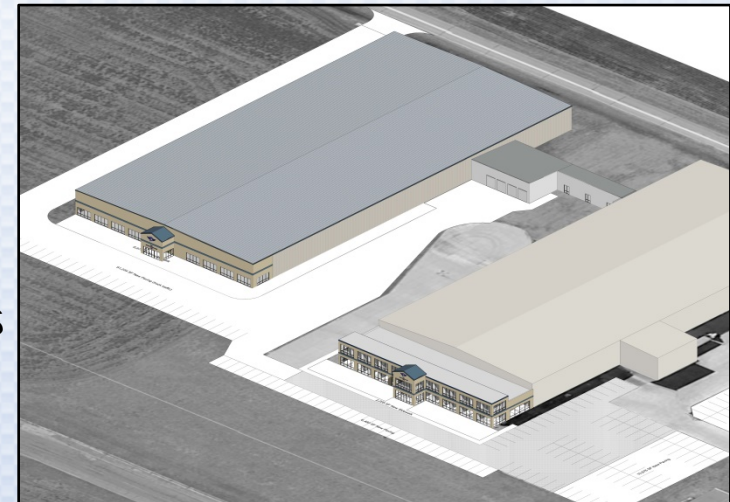
Major Jet Engine Company Programs (Continued)

- Joint Development and Collaboration projects related to:
 - ✓ AFP Manufacturing...Development complete and Park Material is qualified and in full production
 - ✓ Lightning Strike Protection Material...Development complete and qualified and in full production
 - ✓ Film Adhesive Material...Development complete and undergoing qualification and expected to be in production in CY2020
- Revenues from Major Jet Engine Company Programs were \$21.7 Million in FY19
- Annual Revenues from Major Jet Engine Company Programs expected to exceed \$50 Million by CY2025 based upon Customer Provided Forecast



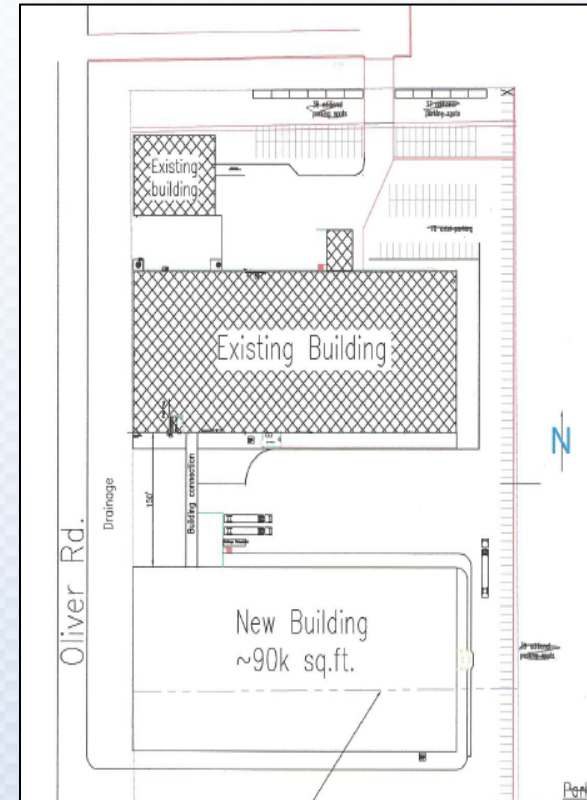
Major Expansion of Park's Newton, KS Facilities

- December 2018...Park announced Major Expansion of Newton, KS Aerospace Manufacturing and Development Facilities
 - ✓ Redundant Plant for Large Jet Engine Company and its Aircraft OEM Customers; Park promised to build plant once firm pricing through 2029 agreed to
 - ✓ Redundant Plant also needed for Manufacturing Capacity by CY2021 based upon Customer Provided Forecast
 - ✓ Approximately 90,000 square feet
 - ✓ Expansion will double size of current Newton, KS facilities
 - ✓ Approximately \$20 Million Investment (**update**)
 - ✓ Ground Breaking planned for June
 - ✓ Completion expected by mid-2020 calendar year
- Expansion includes:
 - ✓ New Hot-Melt Film and Tape Manufacturing Lines
 - ✓ New Mixing and Delivery Systems
 - ✓ New R & D Lab
 - ✓ Expanded Production Lab



Major Expansion (Continued)

- ✓ Additional Slitting Capacity
 - ✓ Additional Freezer and Storage Space
 - ✓ Space to accommodate additional Hot-Melt Tape Line or Solution Treating Line
 - ✓ Space to accommodate Confidential Joint Development Project with Major Aerospace Customer
 - ✓ Additional Office Space
- Hot-Melt Manufacturing Capacity:
- ✓ Current: Approximately \$40 Million
 - ✓ Expansion will provide approximately \$50 Million of Additional Capacity
 - ✓ With additional \$4 Million to \$5 Million Investment, another \$50 Million of Additional Capacity could be made available (space is provided for in new facility)
- Current Solution Treating Capacity: Approximately \$55 Million



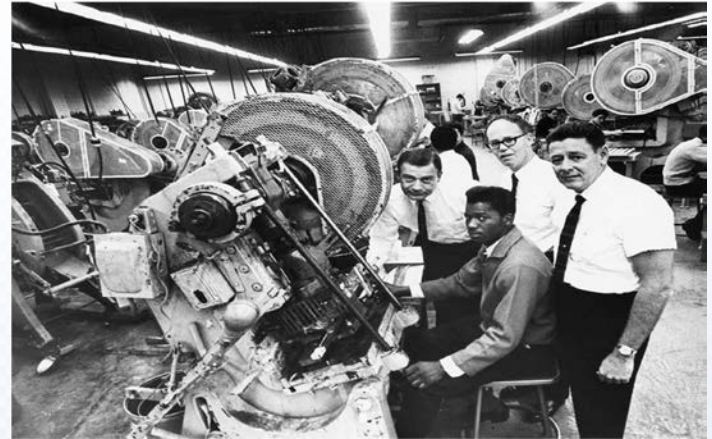
Other Recent Developments

- Middle River Aerostructure Systems (MRAS) now owned by ST Engineering Aerospace
 - ✓ ST Engineering Aerospace is a major global Aerospace company based in Singapore
 - ✓ Park is very pleased with this result
- Park is now one of two remaining American-owned Aerospace composite materials manufacturers
- Park Name Change
- Securities Analyst coverage of Park



Park's 65th Anniversary

- Park founded on March 31, 1954 by Jerry Shore and Tony Chiesa with ~ \$60 Thousand Investment
- Company started in a small "factory" (garage?) in Woodside, Queens with 5 employees
- 1954 Results:
 - ✓ Sales: \$124,206.59
 - ✓ Pretax Profit: \$887.38
 - ✓ Taxes Paid: \$226.21
- First Invoice: \$300 (hand written)
- Many obstacles and roadblocks thrown Park's way in early days, but our Beloved Founders were UNSTOPPABLE
- The Unstoppable Spirit of our Beloved Founders lives with us today in our Minds and our Hearts



Park's Founders



Park's First Location



The Long Journey

- Long and Difficult 10 Year Journey, but we persevered and we did not quit
 - ✓ Many Challenges needed to be overcome
 - ✓ Much Adversity needed to be faced
 - ✓ Many Sacrifices needed to be made
- We were laughed at and dismissed as irrelevant by some...but they are not laughing now
- Many, maybe most, thought we were crazy to try to do what we did...and maybe they were right
- But it is amazing and incredible what can be achieved and accomplished with Pure Determination and Sheer Will and the Unstoppable Spirit we inherited from our Beloved Founders
- We have not yet achieved Greatness as a company, which is our Singular Objective, but we have accomplished Great Things against serious odds
- We are an Aerospace Company Now...and we Earned it
- The Foundation for Our Future has been Built...



An aerial photograph of a vast, rugged mountain range covered in snow. The peaks are sharp and jagged, with deep shadows in the valleys. A clear blue sky is visible above the mountains. In the top right corner, a portion of a white aircraft wing is visible, suggesting the photo was taken from a plane.

Thank You!



Park Electrochemical Corp.

May 17, 2019 Investor Conference Call – Supplementary Financial Information

The financial and other data contained herein (the “Supplementary Data”) is being provided pursuant to the requirements of Regulation G promulgated by the U.S. Securities and Exchange Commission (the “SEC”). The Supplementary Data is time-sensitive information and is accurate as of May 17, 2019. Park Electrochemical Corp. (“Park” or the “Company”) is under no obligation to (and expressly disclaims any such obligation to) update or alter the Supplementary Data whether as a result of new information, future events or otherwise.

The Supplementary Data should be read in conjunction with our 2019 fourth quarter earnings news release dated May 17, 2019 and the reports and documents that we file from time to time with the SEC. In particular, please read our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K that we may file from time to time. Park currently expects to file its Annual Report on Form 10-K for the fiscal year ended March 3, 2019 on or about May 17, 2019. We make available free of charge on or through our website located at www.parkelectro.com our SEC filings on Forms 10-K, 10-Q and 8-K and any amendments to those filings as soon as reasonably practicable after electronic filing with the SEC.

Information to be presented at the May 17, 2019 investor conference call by P. Matthew Farabaugh, Senior Vice President and Chief Financial Officer

Certain statements we may make during the course of this discussion which do not relate to historical financial information may be deemed to constitute forward-looking statements. Any forward-looking statements are subject to various factors that could cause actual results to differ materially from our expectations. We have set forth in our most recent Annual Report on Form 10-K for the fiscal year ended February 25, 2018 various factors that could affect future results. Those factors are found in Items 1 and 1A of that Form 10-K. Any forward-looking statements we may make are subject to those factors.

As previously reported, Park sold its Electronics Business to AGC Inc. on December 4, 2018. Accordingly, my comments will focus on Park’s Aerospace Business, the business which remains with Park going forward. All comparisons to prior periods have been updated to exclude Park’s former Electronics Business.

I’d like to briefly review some of the items in our fiscal year 2019 fourth quarter ended March 3, 2019 P&L. It is important to note that the fourth quarter ended March 3, 2019 was a 14- week period compared to the FY2018 fourth quarter ended February 25, 2018 and the FY2019 third quarter ended November 25 2018, which were 13-week periods. In addition, the fiscal year ended March 3, 2019 was a 53-week period compared to the fiscal year ended February 25, 2018, which was a 52-week period.

APPENDIX I

Park's sales were \$16.7 million in the 2019 fiscal year fourth quarter compared to \$9.9 million in the 2018 fiscal year fourth quarter and \$12.9 million in the 2019 fiscal year third quarter.

Gross Profit for the 2019 fiscal year fourth quarter was \$5.9 million, or 35.4% of sales, compared to \$2.8 million, or 28.4% of sales, for the 2018 fiscal year fourth quarter and \$4.3 million, or 33.3% of sales, for the 2019 fiscal year third quarter.

Before special items, selling, general and administrative expenses for the 2019 fiscal year fourth quarter were \$2.2 million, or 13.4% of sales, compared to \$2.2 million, or 21.8% of sales, for the 2018 fiscal year fourth quarter and \$2.0 million, or 15.4% of sales, for the 2019 fiscal year third quarter. Investment income, net of interest expense, in the 2019 fiscal year fourth quarter was \$1.3 million compared to \$84,000 in the 2018 fiscal year fourth quarter and \$393,000 in the 2019 fiscal year third quarter.

Before special items, earnings before income taxes for the 2019 fiscal year fourth quarter were \$5.0 million, or 29.7% of sales, compared to \$742,000, or 7.5% of sales, for the 2018 fiscal year fourth quarter and \$2.7 million, or 21.0% of sales, for the 2019 fiscal year third quarter.

Before special items, net earnings for the 2019 fiscal year fourth quarter were \$3.9 million, or 23.7% of sales, compared to \$659,000, or 6.6% of sales, for the 2018 fiscal year fourth quarter and \$2.1 million, or 16.2% of sales, for the 2019 fiscal year third quarter.

Depreciation and amortization expense in the 2019 fiscal year fourth quarter was \$462,000 compared to \$457,000 in the 2018 fiscal year fourth quarter and \$453,000 in the 2019 fiscal year third quarter. Capital expenditures in the 2019 fiscal year fourth quarter were \$2.4 million compared to \$142,000 in the 2018 fiscal year fourth quarter and \$229,000 in the 2019 fiscal year third quarter.

EBITDA for the 2019 fiscal year fourth quarter was \$4.3 million compared to \$1.3 million for the 2018 fiscal year fourth quarter and \$2.9 million for the 2019 fiscal year third quarter. EBITDA for the 2019 fiscal year was \$10.2 million compared to \$4.7 million for last year's comparable period.

The effective tax rate before special items was 20.4% in the 2019 fiscal year fourth quarter compared to 11.2% in the 2018 fiscal year fourth quarter and 22.9% in the 2019 fiscal year third quarter.

For the 2019 fiscal year fourth quarter, the top five customers were AAE Aerospace, GE Aviation (including its subcontractors), GKN, Meggitt and Nordam, in alphabetical order. The top five customers totaled approximately 69% of total sales during the 2019 fourth quarter. Our top 10 customers totaled approximately 81% of total sales and the top 20 customers totaled approximately 90% of total sales for the 2019 fiscal year fourth quarter.

Safe Harbor Statement

APPENDIX I

The Supplementary Data may contain “forward-looking statements,” as defined under the Federal Securities Laws, including the Private Securities Litigation Reform Act of 1995. Certain portions of the Supplementary Data which do not relate to historical financial information may be deemed to constitute forward-looking statements that are subject to various factors which could cause actual results to differ materially from Park’s expectations or from results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements. Generally, you can identify forward-looking statements by the use of words such as “expect,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “goal,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believes,” “predicts,” “potential,” “continue” and similar expressions or the negative or other variations thereof. Such forward-looking statements are based on current expectations that involve a number of uncertainties and risks that may cause actual events or results to differ materially from Park’s expectations. Factors that could cause actual events or results to differ materially include but are not limited to general conditions in the aerospace industry, Park’s competitive position, the status of Park’s relationships with its customers, economic conditions in international markets, the cost and availability of raw materials, transportation and utilities, and the various other factors set forth under the caption “Factors That May Affect Future Results” in Item 1 and in Item 1A “Risk Factors” of Park’s Annual Report on Form 10-K for the fiscal year ended February 25, 2018. These and other risks may be detailed from time to time in Park’s periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its fiscal year 2018 Annual Report on Form 10-K and other SEC filings, copies of which may be obtained from <http://www.sec.gov/>. Park is under no obligation to (and expressly disclaims any such obligation to) update any of the information contained herein if any forward-looking statement later turns out to be inaccurate whether as a result of new information, future events or otherwise.