



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

FY2020 Q1 Investor Conference Call
July 11, 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.

Factors that could cause actual events or results to differ materially from Park's expectations or forecasts are set forth 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 fiscal year ended March 3, 2019, 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 an earlier date specified herein, whether as a result of new information, future developments, or otherwise.



Reconciliation of FY2020 Q1 EPS and EPS Before Special Items*

	13 Weeks Ended June 2, 2019	
	Amount	EPS
Sales	\$ 14,950	
Net Earnings before Special Items	\$ 2,858	\$ 0.14
Special Items, Net of Tax:		
Tax Impact of Cancelled Stock Options	(144)	(0.01)
Net Earnings from Continuing Operations	<u>\$ 2,714</u>	<u>\$ 0.13</u>

Weighted Average Shares Outstanding:

Basic	20,492
Diluted	20,586

FY20 Q1 Top Five Customers (in Alphabetical Order):

AAE Aerospace
AAR Corp.
GKN Aerospace
Middle River Aerostructure Systems** (including subcontractors)
Nordam Group

*From Continuing Operations

**Subsidiary of ST Engineering Aerospace



Quarterly Results for FY2019 and FY2020 Q1 (In Thousands)*

	FY19 Q1	FY19 Q2	FY19 Q3	FY19 Q4**	FY20 Q1
Sales	\$10,393	\$11,211	\$12,853	\$16,659	\$14,950
Gross Profit	\$2,852	\$3,145	\$4,284	\$5,903	\$4,804
Gross Margin	27.4%	28.1%	33.3%	35.4%	32.1%
EBITDA	\$1,385	\$1,664	\$2,948	\$4,251	\$3,372

- What we said about FY2020 Q1 during our May 17, 2019 FY2019 Q4 Investor Call:
 - ✓ Sales estimate: \$14.25 Million to \$15.25 Million
 - ✓ EBITDA estimate: \$3.4 Million to \$3.8 Million

- Factors which affected FY2020 Q1 EBITDA:
 - ✓ Training of Third Shift
 - ✓ Outside testing costs incurred to meet demanding production schedule
 - ✓ GE9X Program manufacturing trials and development expenses
 - ✓ Film Adhesive manufacturing trials and development expenses

*From Continuing Operations

**14 Week Quarter



FY2020 Q2 and Q3 Forecast Estimates (In Thousands)*

	FY19 Q1	FY19 Q2	FY19 Q3	FY19 Q4**	FY20 Q1	FY20 Q2	FY20 Q3
Sales	\$10,393	\$11,211	\$12,853	\$16,659	\$14,950	\$14.5M to \$15.5M	\$14.75M to \$15.75M
EBITDA	\$1,385	\$1,664	\$2,948	\$4,251	\$3,372	\$3.1M to \$3.7M	\$3.3M to \$3.8M

- Factors expected to affect FY2020 Q2 EBITDA:
 - ✓ Outside testing costs related to data development for new product
 - ✓ GE9X Program manufacturing trials and development expenses
 - ✓ Film Adhesive manufacturing trials and development expenses
 - ✓ Special personnel costs
 - ✓ “One Company” Reorganization costs
- Legacy costs expected to continue through FY2020 Q3
- **Factors affecting predictability of short-term forecasts:**
 - ✓ All Major Jet Engine Company Programs, except B747-8, are ramping or in development
 - ✓ Severe stress on Aerospace Industry Supply Chain

*From Continuing Operations

**14 Week Quarter



Major Jet Engine Company Programs

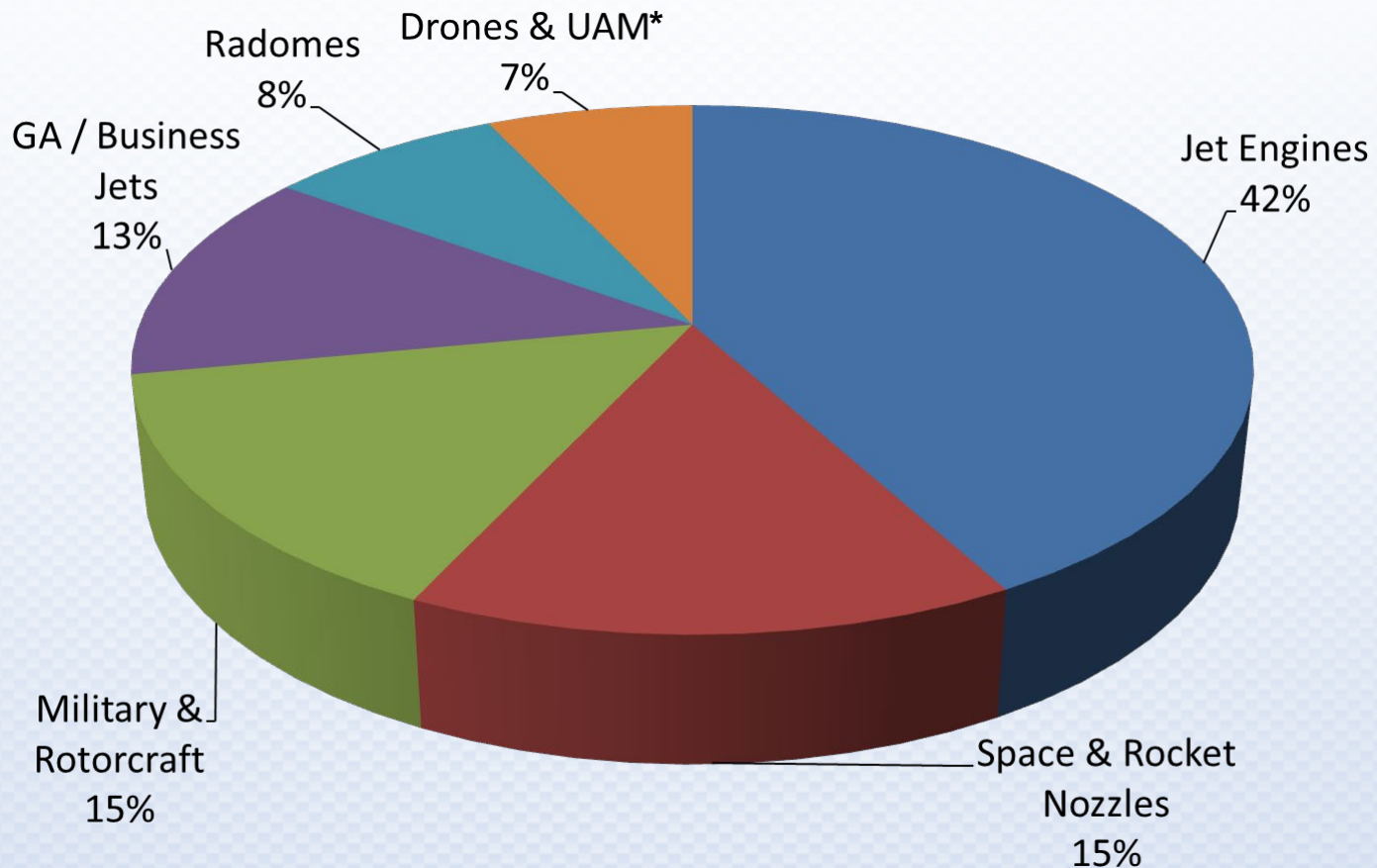
- 13 Year Firm Pricing LTA with Middle River Aerostructure Systems (MRAS)
- Redundant Factory Announced and in Progress
- Sole Source for Composite Materials, including Lightning Strike Protection Materials and Film Adhesive Materials (undergoing qualification), for Engine Nacelles, Thrust Reversers and Inner Fixed Structures for Multiple Programs, including:
 - ✓ B747-8 with Genx 2B Engines
 - ✓ A320neo with LEAP-1A Engines
 - ✓ A321neo with LEAP-1A Engines
 - ✓ Comac 919 with LEAP-1C Engines
 - ✓ Comac ARJ with CF34-10A Engines
 - ✓ Bombardier Global 7500 with Passport 20 Engines
- Park Composite Materials are Sole Source on large primary structure component for Passport 20 Engines (not included in 13 Year LTA)
- POs for Composite Materials for Containment Wrap for GE9X Engines for B777X (not included in 13 Year LTA)



The Legendary Boeing 747



Park's Estimated FY2019 Revenues by Aerospace Market Segment



*UAM stands for Urban Air Mobility. Urban Air Mobility vehicles are also referred to as Air Taxi or eVOTL (electric Vertical Take-Off and Landing) vehicles



Recent Developments

- “Hit ’em Where They Ain’t” Acquisition Program
- Securities Analyst coverage of Park
- Major Expansion of Newton, Kansas Facility
- Name Change...**Park Aerospace Corp.**
- Park will be One Company
- Kratos Defense & Security Solutions...Park’s products are qualified on and used in the manufacture of Kratos’ Target and Tactical Unmanned Aerial Systems, including the XQ-58A Valkyrie Tactical UAS
- Major Private Space Program...Received First PO!



Recent Developments

➤ Airbus A320/A321neo Paris Air Show Announcements

- ✓ CFM announced orders and commitments for more than 1,150 LEAP-1A Engines*
- ✓ IndiGo announced it ordered 560 LEAP-1A Engines for A320neo and A321neo Aircraft, the largest engine order in history*

➤ Airbus A321XLR Aircraft Announced at Paris Air Show!!!



*Source: Aero Engine News: July 2019



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, the white wing of an aircraft is visible, suggesting the photo was taken from a plane.

Thank You!



Park Electrochemical Corp.

July 11, 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 July 11, 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 2020 first quarter earnings news release dated July 11, 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 Quarterly Report on Form 10-Q for the first quarter ended June 2, 2019 on or about July 11, 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 July 11, 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 March 3, 2019 various factors that may affect future results and risk factors. 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 2020 first quarter ended June 2, 2019 P&L. Please note that the first quarter ended June 2, 2019 and the first quarter ended May 27, 2018 were 13-week periods while the 2019 fourth quarter ended March 3, 2019 was a 14-week period.

Park’s sales were \$15.0 million in the 2020 fiscal year first quarter compared to \$10.4 million in the 2019 fiscal year first quarter and \$16.7 million in the 2019 fiscal year fourth quarter.

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Gross Profit for the 2020 fiscal year first quarter was \$4.8 million, or 32.1% of sales, compared to \$2.9 million, or 27.4% of sales, for the 2019 fiscal year first quarter and \$5.9 million, or 35.4% of sales, for the 2019 fiscal year fourth quarter.

Before special items, selling, general and administrative expenses for the 2020 fiscal year first quarter were \$1.9 million, or 12.9% of sales, compared to \$2.1 million, or 20.2% of sales, for the 2019 fiscal year first quarter and \$2.2 million, or 13.4% of sales, for the 2019 fiscal year fourth quarter. Investment income, net of interest expense, in the 2020 fiscal year first quarter was \$948,000 compared to \$340,000 in the 2019 fiscal year first quarter and \$1.3 million in the 2019 fiscal year fourth quarter.

Before special items, earnings before income taxes for the 2020 fiscal year first quarter were \$3.8 million, or 25.6% of sales, compared to \$1.1 million, or 10.5% of sales, for the 2019 fiscal year first quarter and \$5.0 million, or 29.7% of sales, for the 2019 fiscal year fourth quarter.

Before special items, net earnings for the 2020 fiscal year first quarter were \$2.9 million, or 19.1% of sales, compared to \$816,000, or 7.9% of sales, for the 2019 fiscal year first quarter and \$3.9 million, or 23.7% of sales, for the 2019 fiscal year fourth quarter.

Depreciation and amortization expense in the 2020 fiscal year first quarter was \$366,000 compared to \$434,000 in the 2019 fiscal year first quarter and \$462,000 in the 2019 fiscal year fourth quarter. Capital expenditures in the 2020 fiscal year first quarter were \$1.9 million compared to \$10,000 in the 2019 fiscal year first quarter and \$2.4 million in the 2019 fiscal year fourth quarter.

EBITDA for the 2020 fiscal year first quarter was \$3.4 million compared to \$1.4 million for the 2019 fiscal year first quarter and \$4.3 million for the 2019 fiscal year fourth quarter.

The effective tax rate before special items was 25.4% in the 2020 fiscal year first quarter compared to 25.2% in the 2019 fiscal year first quarter and 20.4% in the 2019 fiscal year fourth quarter.

For the 2020 fiscal year first quarter, the top five customers, in alphabetical order, were AAE Aerospace, AAR, GKN Aerospace, Middle River Aerostructure Systems (including its subcontractors) and Nordam Group. (Middle River Aerostructure Systems is a subsidiary of ST Engineering Aerospace.) The top five customers totaled approximately 68% of total sales during the 2020 fiscal year first quarter. Our top 10 customers totaled approximately 78% of total sales and the top 20 customers totaled approximately 86% of total sales for the 2020 fiscal year first quarter.

Safe Harbor Statement

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

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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 March 3, 2019. 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 2019 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.