PARK
AEROSPACE
CORP.

FY2020 Q2 Investor Conference Call
October 10, 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.

Expansion Capital Spending
(in Thousands)

Estimated Expansion Budget	$ 20,500
Spending through F20 Q2	(3,900)
Remaining to be spent	$ 16,600

FY20 Q2 Top Five Customers
(in Alphabetical Order):

AAE Aerospace

AAR Corp.

Kratos Defense and Security Solutions

Meggitt PLC.

MRAS (including subcontractors)*

*Subsidiary of ST Engineering Aerospace

Quarterly Results for FY2019 and FY2020 Q1 and Q2 (In Thousands)*

	FY19 Q1	FY19 Q2	FY19 Q3	FY19 Q4**	FY20 Q1	FY20 Q2
Sales	$10,393	$11,211	$12,853	$16,659	$14,950	$13,723
Gross Profit	$2,852	$3,145	$4,284	$5,903	$4,804	$3,813
Gross Margin	27.4%	28.1%	33.3%	35.4%	32.1%	$27.8%
EBITDA	$1,385	$1,663	$2,948	$4,251	$3,372	$2,406

- What we said about FY2020 Q2 during our July 11, 2020 FY2019 Q1 Investor Call:
  - ✓ Sales estimate: $14.5 Million to $15.5 Million
  - ✓ EBITDA estimate: $3.1 Million to $3.7 Million

- Shortfalls in FY20 Q2 vs. lower ends of Forecast Estimate Ranges:
  - ✓ Sales Shortfall: $777 Thousand
  - ✓ EBITDA Shortfall: $694 Thousand

*From Continuing Operations
**14 Week Quarter

What Happened in FY20 Q2?

- Explanation is Complex and Multi-Faceted

- Background Perspective
  - ✓ FY19 Q4…GE/MRAS Programs Sales were **3 times** greater than GE/MRAS Programs Sales in FY19 Q1! (GE and MRAS Programs are among the more difficult and challenging programs to support and supply into)
    - Park dealt with the very steep FY19 Q4 Ramp mostly through Brute Force
  - ✓ FY20 Q1…More Brute Force
  - ✓ FY20 Q2…Transitioning from Brute Force to Sustainability
    - Important (and Painful) Progress being made, but we are not there yet

- Practice of "Making Quarter" in last few weeks…
  - ✓ Brute forced it in FY19 Q4 and FY20 Q1, but this practice burned us in FY20 Q2
  - ✓ Got behind in FY20 Q2 and could not catch up; we did not see Sales and EBITDA Shortfall coming in FY20 Q2 until last few weeks of quarter
  - ✓ Bad Practice and we have changed it

What Happened in FY20 Q2? (Continued)

- Production (in sales value) Shortfall in FY20 Q2 of **$2.9 Million** compared to Planned Production for Q2
  - ✓ FY20 Q2 Sales Shortfall obviously had negative bottom line (EBITDA) impact
  - ✓ But large FY20 Q2 Production Shortfall had significant negative bottom line (EBITDA) impact

- Why the Significant Production Shortfall in FY20 Q2? What Happened?
  - ✓ Three significant supplier quality issues related to MRAS programs contributed to the Shortfall:
    - Change of Polyurethane Film style caused “wrinkling” which required significant “rework” by Park
    - Unrelated Polyurethane Film quality issue which required significant “rework” by Park
    - Carbon fabric weave distortion which required complete rework by the supplier; supplier could not complete rework and return fabric before end of quarter
  - ✓ Carbon Fiber availability limited to MRAS/GE Programs Forecast with almost no slack or leeway
  - ✓ Because of Carbon Fiber supply limitations and Manufacturing Capacity limitations (discussed below in this presentation), Park has very limited slack or leeway in system, making recovery from above issues and major required rework not possible during the quarter
    - If those limitations did not exist, we would have been better positioned to recover from above issues and we might not be discussing them at all

What Happened in FY20 Q2? (Continued)

- Major Rework related to Polyurethane Film issues resulted in significant expense in addition to significant Production Value Shortfall, which had significant negative bottom line (EBITDA) impacts
  - ✓ We are not singling out or blaming suppliers; Park has good and dedicated suppliers who normally respond to issues to the best of their abilities as they arise
  - ✓ However, in this case, since the issues had significant bottom line (EBITDA) impacts, we believe it is appropriate to highlight them here

- Significant expense and utilization of limited Hot-Melt manufacturing capacity to support ongoing manufacturing trials of composite materials for Containment Wrap for GE9X Engines

- We Failed to achieve our Sales and Production Objectives in FY20 Q2!
  - ✓ The issues described above created obstacles to our achieving our Objectives, but our execution was inadequate nevertheless

Hot-Melt Manufacturing Capacity Constraints

- 60” Hot-Melt Film and Tape Lines purchased in 2008 as part of our original Aerospace Composite Materials Manufacturing Plant in Newton, KS were not specifically designed for the production of composite materials for use in AFP (Automated Fiber Placement) manufacturing
  - ✓ We have made these lines work for AFP materials for the A320NEO Program
  - ✓ But we struggled to make the 60” lines work for AFP materials for the GE9X Program
    - We are in the process of shifting the GE9X Program to our 24” Hot-Melt Film and Tape Lines which had recently been upgraded for Film Adhesive Production and are more suited to AFP material production as a result
  - ✓ New 60” Film and Tape Lines included in major expansion project are specifically designed for production of AFP materials

- AFP material requirements are ramping aggressively driven principally by the A320NEO program. We are still in a steep AFP materials manufacturing learning curve mode, and we are not yet operating with optimal efficiencies and productivity, but we are getting there and learning fast

- AFP material Hot-Melt manufacturing process is slower than Hot-Melt manufacturing process for broadgoods materials and also requires significant additional tape line set up times

Hot-Melt Manufacturing Capacity Constraints (Continued)

- In order to relieve and open up Hot-Melt manufacturing capacity:
  - ✓ We implemented a 4th Tape Line manufacturing shift
  - ✓ We are in the process of transferring the GE9X Program to the 24” Film and Tape Lines

- What is our current Hot-Melt Manufacturing Capacity?

FY2020 Q3 and Q4 Forecast Estimates (Historical Data In Thousands)*

	FY19 Q1	FY19 Q2	FY19 Q3	FY19 Q4**	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4
Sales	$10,393	$11,211	$12,853	$16,659	$14,950	$13,723	$14.75M to $15.75M	$15.25M to $16.25M
EBITDA	$1,385	$1,663	$2,948	$4,251	$3,372	$2,406	$3.0M to $3.5M	$3.25M to $3.75M

- Factors expected to affect FY2020 Q3 and Q4 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
  - ✓ AFP manufacturing ramp-up and additional costs
  - ✓ Costs of operating 24” Hot-Melt lines for GE9X
  - ✓ Continuing rework related to Polyurethane Film issues discussed above
  - ✓ Push-out of delivery schedules for GE9X Program
  - ✓ Legacy costs expected to continue into FY2020 Q4

*From Continuing Operations
**14 Week Quarter

FY2020 Q3 and Q4 Forecast Estimates (Continued)

- **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
  - ✓ Because of tight manufacturing capacity and carbon fiber supply, there is very little slack and leeway in system, making it difficult to recover from supply or production set-backs

Park's Long-Term Forecast Estimates

	FY20	FY21	FY22	FY23
Sales	$58.75M to $60.75M	$69M to $73M	$78M to $84M	$87M to $92M
EBITDA	$12.0M to $13.0M	$17.5M to $21M	$21.5M to $24.5M	$25M to $27.5M
EBIT		$16M to $19.5M	$19.5M to $22.5M	$23M to $25.5M

- Forecast assumes Organic Growth and no Additional Revenue from Acquisitions
- Note that Major Jet Engine Company Programs Forecast does not fully ramp up until FY26
- The above Long-Term Forecast estimates for FY21, FY22 and FY23 were contained in the Company's January 16, 2019 21st Annual Needham Growth Conference Presentation (posted on Park's website)
- The Long-Term Forecast Estimate for FY20 is updated to align with actual results for FY20 Q1 and Q2 and forecast for FY20 Q3 and Q4 contained on prior slide
- The above Forecast estimates for FY21, FY22 and FY23 are included in this Company Presentation for convenient reference only and are 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

Recent Developments

- New Park Company Presentation on Park Website
- Ground-breaking for Major Expansion of Newton, KS Facility on August 15, 2019
- Park Rang Closing Bell at NYSE on August 26, 2019
- We Changed Our Name!
- Park is One Company!
- Major Private Space Company…Additional POs received
- Park has now paid $511 Million, or $24.95 per share, in cash dividends since our 2005 Fiscal Year

- Park is immersed in ramps of difficult and challenging programs, but the growing pains are worth it…We do not choose the easy path
- Long-Term prospects for Park are unchanged
- Let's see what we can do…


Thank You!

Park Aerospace Corp.

<u>October 10, 2019 Investor Conference Call – Supplementary Financial Information</u>

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 October 10, 2019. Park Aerospace 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 second quarter earnings news release dated October 10, 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 second quarter ended September 1, 2019 on or about October 10, 2019. We make available free of charge on or through our website located at www.parkaerospace.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.

<u>Information to be presented at the October 10, 2019 investor conference call by P. Matthew Farabaugh, Senior Vice President and Chief Financial Officer</u>

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 second quarter ended September 1, 2019 P&L.

Park's sales were $13.7 million in the 2020 fiscal year second quarter compared to $11.2 million in the 2019 fiscal year second quarter and $15.0 million in the 2020 fiscal year first quarter.

Gross Profit for the 2020 fiscal year second quarter was $3.8 million, or 27.8% of sales, compared to $3.1 million, or 28.1% of sales, for the 2019 fiscal year second quarter and $4.8 million, or 32.1% of sales, for the 2020 fiscal year first quarter.

Before special items, selling, general and administrative expenses for the 2020 fiscal year second quarter were $1.9 million, or 13.9% of sales, compared to $2.1 million, or 18.9% of sales, for the 2019 fiscal year second quarter and $1.9 million, or 12.9% of sales, for the 2020 fiscal year first quarter. Investment income, net of interest expense, in the 2020 fiscal year second quarter was $863,000 compared to $357,000 in the 2019 fiscal year second quarter and $948,000 in the 2020 fiscal year first quarter.

Before special items, earnings before income taxes for the 2020 fiscal year second quarter were $2.8 million, or 20.1% of sales, compared to $1.4 million, or 12.4% of sales, for the 2019 fiscal year second quarter and $3.8 million, or 25.6% of sales, for the 2020 fiscal year first quarter.

Before special items, net earnings for the 2020 fiscal year second quarter were $2.1 million, or 14.9% of sales, compared to $1.0 million, or 9.2% of sales, for the 2019 fiscal year second quarter and $2.9 million, or 19.1% of sales, for the 2020 fiscal year first quarter.

Depreciation and amortization expense in the 2020 fiscal year second quarter was $366,000 compared to $435,000 in the 2019 fiscal year second quarter and $366,000 in the 2020 fiscal year first quarter. Capital expenditures in the 2020 fiscal year second quarter were $394,000 compared to $160,000 in the 2019 fiscal year second quarter and $1.9 million in the 2020 fiscal year first quarter.

EBITDA for the 2020 fiscal year second quarter was $2.4 million compared to $1.7 million for the 2019 fiscal year second quarter and $3.4 million for the 2020 fiscal year first quarter.

The effective tax rate before special items was 25.7% in the 2020 fiscal year second quarter compared to 25.3% in the 2019 fiscal year second quarter and 25.4% in the 2020 fiscal year first quarter.

For the 2020 fiscal year second quarter, the top five customers, in alphabetical order, were AAE Aerospace, AAR Corp., Kratos Defense & Security Solutions, Middle River Aerostructure Systems (including its subcontractors) and Meggitt PLC. (Middle River Aerostructure Systems is a subsidiary of ST Engineering Aerospace.) The top five customers totaled approximately 69% of total sales during the 2020 fiscal year second 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 second 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 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.