



P A R K  
A E R O S P A C E  
C O R P .

**FY2023 Q1 Investor Conference Call**  
**July 7, 2022**

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# Quarterly Results for FY2021, FY2022 and FY2023 Q1 (In Thousands)\*

	FY21 Q1	FY21 Q2	FY21 Q3	FY21 Q4	FY22 Q1	FY22 Q2	FY22 Q3	FY22 Q4	FY23 Q1
Sales	\$12,213	\$9,250	\$10,372	\$14,441	\$13,594	\$13,618	\$13,864	\$12,502	\$12,783
Gross Profit	\$3,674	\$2,638	\$2,553	\$4,326	\$5,472	\$4,411	\$3,836	\$4,198	\$4,092
Gross Margin	30.1%	28.5%	24.6%	30.0%	40.3%	32.4%	27.7%	33.6%	32.0%
Adjusted EBITDA	\$2,364	\$1,418	\$1,380	\$3,257**	\$4,104**	\$3,232**	\$2,670**	\$3,083**	\$2,804
Adjusted EBITDA Margin	19.4%	15.3%	13.3%	22.6%**	30.2%**	23.7%**	19.3%**	24.7%**	21.9%

- What we said about FY2023 Q1 during our May 12, 2022 FY2022 Q4 Investor Call:
  - ✓ Sales estimate: \$12.75 Million to \$13.25 Million
  - ✓ Adjusted EBITDA estimate: \$2.75 Million to \$3.25 Million
- Outstanding job by Park's People to make the FY2023 Q1 Sales and Adjusted EBITDA Numbers!!!

\*From Continuing Operations

\*\*Before Special Items



# Quarterly Results for FY2021, FY2022 and FY2023 Q1 (In Thousands)\* (Continued)

- The story continues in FY2023 Q1 (and FY2023 Q2!)
  - ✓ **Supply Chain...Supply Chain...Supply Chain!!!**
    - Still a daily battle
  - ✓ **Freight...Freight...Freight!!!**
    - Still a daily battle...(maybe a little light at the end of the tunnel...but for the wrong reason?)
  - ✓ **Severe Staffing Shortages!!!**
    - Dealing with this the right way...the Park way
    - More on this later
  - ✓ Total Missed Shipments in FY2023 Q1...**Approximately \$1.25 Million!!!**





# Quarterly Results for FY2021, FY2022 and FY2023 Q1 (In Thousands)\* (Continued)

## ✓ Inflation...Inflation...Inflation!!!

- Raw material costs
- Freight costs
  - Crude Oil Prices!
- Utilities
  - Crude Oil Prices!
- Supplies
- Pretty much **EVERYTHING**

## ✓ Historically high **inflation** may be with us for a while

- May not be so easy to break the pattern now

➤ Not our list of excuses...we don't do "excuses" at Park...but we thought you would want to know what we are living with everyday at Park



# Quarterly Results for FY2021, FY2022 and FY2023 Q1 (In Thousands)\* (Continued)

- The Supply Chain has become a free-for-all...order in the Supply Chain has broken down...chaos and panic pervade
  - ✓ In many cases, even confirmed POs are not being honored
- But, at Park, we do not panic and we live with chaos if chaos comes our way
- At Park, honor and integrity are what matter most...and, at Park, Principles do not come cheap...
  - ✓ More on this later



# Historical Fiscal Year Results

## (In Thousands)\*

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Sales	\$31,837	\$40,230	\$51,116	\$60,014	\$46,276	\$53,578
Gross Profit	\$8,299	\$11,288	\$16,184	\$18,673	\$13,191	\$17,917
Gross Margin	26.7%	28.1%	31.7%	31.1%	28.5%	33.4%
Adjusted EBITDA	\$1,055	\$4,704**	\$10,248**	\$13,012**	\$8,419**	\$13,089**
Adjusted EBITDA Margin	3.3%	11.7%**	20.0%**	21.7%**	18.2%**	24.4%**

\*From Continuing Operations

\*\*Before Special Items





# Park's Balance Sheet, Cash, Cash Dividend History and Recent Share Buy-back Authorization

- Park has zero long-term debt
- Park reported \$107.3 Million of Cash and Marketable Securities as of end of FY2023 Q1
  - ✓ Park's cash investment "philosophy"
    - Park's cash is invested in highly secure and liquid securities, such as treasuries, governments and high-grade commercial paper
    - Current average maturity: approximately 23 months
    - Park's practice has been to hold its investments until maturity
  - ✓ "Mark-to-market" reporting of our cash
  - ✓ Amortized cost basis of our cash as of the end of FY2023 Q1: \$111.3 Million



# Park's Balance Sheet, Cash, Cash Dividend History and Recent Share Buy-back Authorization (Continued)

- ✓ Spending to go to complete Major Expansion: ~\$1 Million
  - Spending to date: ~\$18.75 Million
  - Spending in FY2023 Q1: ~\$60 Thousand
- ✓ Total Transition Tax Installment Payments payable through CY2025: \$14.3 Million
  - \$6.7 Million paid to date

## ➤ Park's Cash Dividend

- ✓ While others cut or cancelled their dividends, Park maintained its regular \$0.10 per share quarterly cash dividend throughout the pandemic and economic crisis
- ✓ Park has paid 37 consecutive years of uninterrupted regular quarterly cash dividends without ever skipping a dividend or reducing the dividend amount
- ✓ Park has paid **\$554 Million**, or \$27.05 per share, in cash dividends since the beginning of FY2005





# Park's Balance Sheet, Cash, Cash Dividend History and Recent Share Buy-back Authorization (Continued)

- Share Purchase Authorization
  - ✓ As announced on May 23, 2022, Park's board of directors authorized Park's purchase of up to 1,500,000 shares of the Company's Common Stock on the open market and in privately negotiated transactions
  - ✓ Park has been in a "black-out" since the authorization
  - ✓ What now?
  
- With interest rates rising and era of cheap and easy money coming to an end (we hope!), maybe Park's hard-earned money will finally be worth something!!!





# FY2023 Q1 Top Five Customers (in Alphabetical Order)



*Bombardier Global 7500*

AAE Aerospace

GKN Aerospace

Kratos Defense and Security Solutions

Middle River Aerostructure Systems (MRAS)\*  
and its subcontractors

Nordam Group



*Airbus A321XLR  
with LEAP 1-A Engines*



*Sikorsky UH-60 Black Hawk*



*Patriot Advanced Capability  
(PAC-3) Missile System*



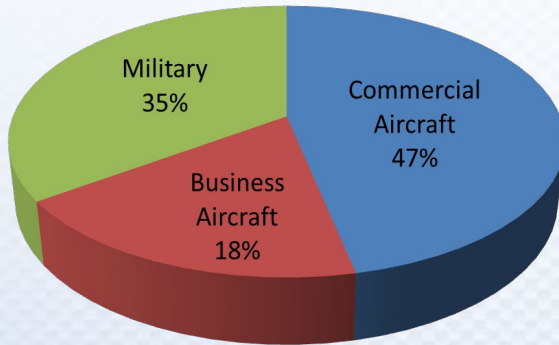
*Kratos XQ-58 Valkyrie*

\*MRAS is a subsidiary of  
ST Engineering Aerospace



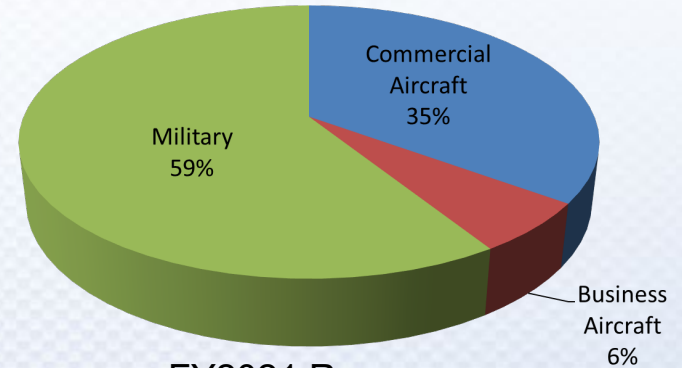
# Park's Estimated Revenues by Aerospace Market Segment

## FY2020



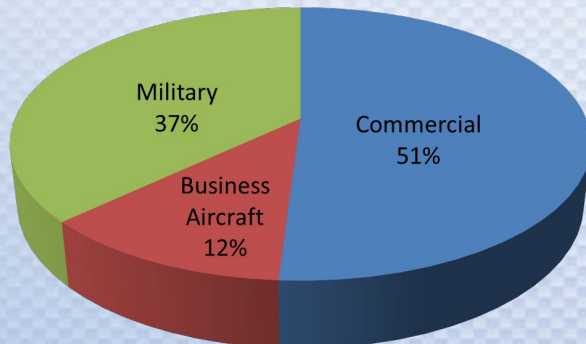
FY2020 Revenues:  
\$60.0 Million

## FY2021



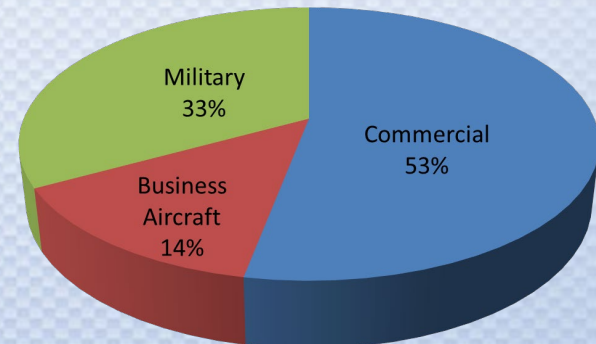
FY2021 Revenues:  
\$46.3 Million

## FY2022



FY2022 Revenues:  
\$53.6 Million

## FY2023 Q1



FY2023 Q1 Revenues:  
\$12.8 Million





# Park Loves “Niche” Military Aerospace Programs



Northrop Grumman  
E-8 JSTARS

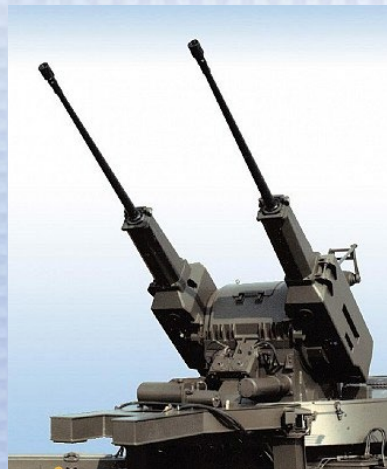


Bell Boeing V-22 Osprey

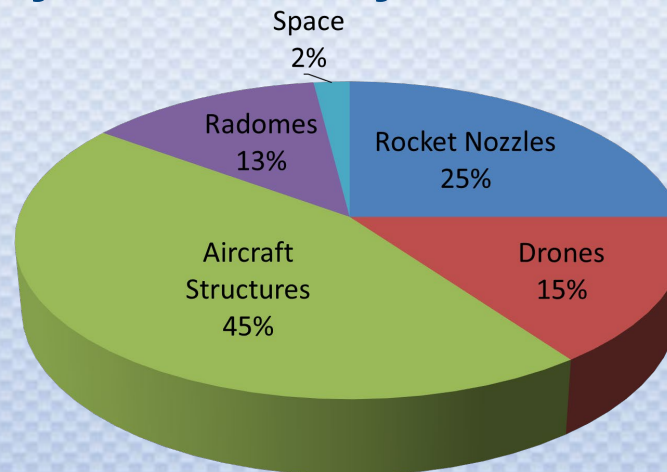


McDonnell Douglas  
KC-10 Extender

## Park's Estimated FY2023 Q1 Military Revenues by Market Segment



30mm Mauser MK 30



Estimated FY2023 Q1  
Military Revenues: \$4.2 Million





# Military Markets – Trends and Considerations

## The New World Order

- The New World Order...a Sea Change in attitudes about the Defense Industry and Defense Spending based upon the War in Europe
  - ✓ Almost overnight
  - ✓ What a difference a war makes
  - ✓ Finland and Sweden officially apply to join NATO
  
- U.S. 2022 Defense Appropriations Bill signed into law
  - ✓ Authorized spending in excess of spending proposed by Administration
  - ✓ Removed the uncertainty and cloud hanging over the U.S. Defense Industry...Defense industry is no longer in limbo



# Military Markets – Trends and Considerations

## The New World Order (Continued)

- U.S. 2023 Defense Budget proposal includes additional spending increases
  - ✓ Senate and House both looking to push up spending from White House's original proposal
  - ✓ Lots of emphasis on Missile Defense Systems, such as the PAC-3 Patriot Missile System, and Hypersonic Missile Systems, such as the SM-3 Missile System
  
- But Europe may be the real big Defense Spending story...
  - ✓ Certain countries, like Germany, have already significantly increased their Defense budgets, and many others are considering, or in the process of, increasing their budgets
  - ✓ And, not surprisingly under the circumstances, an area of key emphasis seems to be Missile Defense Systems





# Military Markets – Trends and Considerations

## The New World Order (Continued)

- And don't forget about Asia...not a happy place these days either...
  - ✓ Taiwan recently contracted for upgrades and enhancements to its PAC-3 Missile Defense System infrastructure
  - ✓ Japan utilizes the PAC-3 Missile Defense System as an essential part of its missile defense strategy
  - ✓ South Korea utilizes the PAC-3 Missile Defense System to counter North Korea's ballistic missile capabilities
    - South Korea recently announced it plans to purchase additional PAC-3 Missile Defense Systems and to upgrade its current Systems
- On April 19, 2022, Lockheed commented that Russia's attack on Ukraine has boosted demand for their missile defense systems. Lockheed's CEO stated, "We've got demand signals for THAAD and PAC-3 from around the world." He continued, "Especially when you see missiles hitting hospitals...and train stations in Ukraine, [governments are now thinking] that it's worthwhile to have an effective missile defense system in your country."





# Military Markets – Trends and Considerations

## The New World Order (Continued)

- On May 3, 2022, Aerojet Rocketdyne announced significant increases in PAC-3 Missile Defense System activity
- Park supports the PAC-3 Missile Defense System with specialty ablative composite materials
- Park has received customer and OEM indications regarding significant increases in ablative materials and RAYCARB C2<sup>®</sup>B products (sold by Park under its Business Partner Agreement with ArianeGroup SAS) requirements to support the PAC-3 Missile Defense System and other missile programs
  - ✓ Park is forecasting FY2023 sales of ablative materials and RAYCARB C2<sup>®</sup>B products of well over \$10 Million
- The strong trend towards increased Defense spending in North America, Europe and Asia is undeniable, but Supply Chain issues could at least temporarily limit the speed of the ramp-up of Defense spending



# Commercial Aerospace Markets-Trends and Considerations

- Commercial Aviation continues to recover, mostly driven by continuing improvement in U.S. domestic and trans-Atlantic demand
  - ✓ But even international Commercial Aviation is starting to recover
  - ✓ Single-aisle aircraft continue to lead the recovery over wide-body aircraft...single-aisle aircraft are designed to service domestic aviation routes, as well as shorter range international aviation routes (such as trans-Atlantic routes)
  - ✓ Business air travel, which lagged the personal air travel recovery, is recovering nicely
  - ✓ IATA predicts global air traffic levels will recover to pre-pandemic levels in 2023
  - ✓ U.S. carriers are reporting strong passenger demand and several have increased their revenue “guidance”
  - ✓ Carriers have recently commented that they plan to pass along increased jet fuel costs to their customers, and that they expect their customers to pay the increased ticket prices and to keep flying
    - Airlines seem to have significant pricing power at this time





# Commercial Aerospace Markets-Trends and Considerations (Continued)

- ✓ So, all of the signals seem to be quite positive for Commercial Aviation
- **BUT**, is there a limit to how much additional cost the market will be willing to absorb?
  - ✓ Jet fuel is considered to be the largest piece of the operating cost pie for an airline **(and that was the case even before the sharp escalation in jet fuel prices)**
  - ✓ Jet fuel costs approximately **twice** what it cost a year ago, resulting in **very** significant increases in airline operating costs
  - ✓ In order to maintain their margins, airlines have significantly increased ticket prices, and will likely need to increase them even more to keep up with escalating fuel prices
  - ✓ It is true that there is pent up demand for air travel as the world recovers from the pandemic and also true that there is lots of loose money in the pockets of individual and business travelers alike





# Commercial Aerospace Markets-Trends and Considerations (Continued)

- ✓ But, are individual and business travelers going to continue to be willing to pay the greatly escalated ticket prices for ever and ever with no end in sight?
  - Does that defy logic?
  - Does that defy history?
  - Does that defy gravity?
  
- And what about the dirty **R** word...what if there is a recession?
  - ✓ The looming possibility of a recession, and significant inflationary trends, already seem to be affecting the behavior and purchasing patterns of many
  - ✓ Will people keep flying and keep paying the greatly escalating ticket prices if the economy stalls out and goes into reverse?



# Commercial Aerospace Markets-Trends and Considerations (Continued)

- Something to think about while we are celebrating with exuberance (is it “irrational exuberance”?)
  - ✓ If people start flying less, will airlines be less willing to order new airplanes or will they seek to push out or cancel existing orders?
    - Maybe not, but something to consider
  - ✓ And, if that happens, will Commercial Aircraft manufacturers scale back their production rates?
    - Some may and some may not, but something to consider



*Airbus A320neo*





# Commercial Aerospace Markets-Trends and Considerations (Continued)

- Other factors which could affect the Commercial Aircraft Industry:
  - ✓ Generally, higher jet fuel prices provide airlines with extra motivation to more quickly replace less fuel-efficient legacy aircraft with more fuel-efficient modern aircraft, such as the Airbus A320neo...as a general rule, the higher the jet fuel prices, the greater the motivation
    - There are many reports of Airlines swapping out legacy aircraft for more modern, fuel-efficient aircraft earlier than originally planned
  - ✓ And what about all those Supply Chain issues?
    - According to a recent Aerospace Industry Survey, the majority of respondents believe Supply Chain difficulties will ease about a year from now
      - But, most of the same respondents also believed that the difficulties would ease this year when asked the same question a year ago!



# GE Aviation Jet Engine Programs

- Firm Pricing LTA (Requirements Contract) from 2019 through 2029 with Middle River Aerostructure Systems (MRAS), a subsidiary of ST Engineering Aerospace
- Redundant Factory...Construction is complete
- Sole Source for Composite Materials for Engine Nacelles and Thrust Reversers for Multiple MRAS Programs, including:
  - ✓ A319neo with LEAP-1A Engines<sup>1</sup>
  - ✓ A320neo with LEAP-1A Engines<sup>1</sup>
  - ✓ A321neo with LEAP-1A Engines<sup>1</sup>
  - ✓ A321LR with LEAP-1A Engines<sup>1</sup>
  - ✓ A321XLR with LEAP-1A Engines<sup>1, 2</sup>
  - ✓ B747-8 with GENx 2B Engines (including Inner Fixed Structures)
  - ✓ Comac C919 with LEAP-1C Engines<sup>1, 2</sup>
  - ✓ Comac ARJ-21 with CF34-10A Engines
  - ✓ Bombardier Global 7500 with Passport 20 Engines
  - ✓ Bombardier Global 8000 with Passport 20 Engines<sup>2</sup>
- Park Composite Materials are Sole Source on primary structure component for Passport 20 Engines for Bombardier Global 7500/8000 (not included in MRAS LTA)



*Legendary Boeing 747-8 Engine Nacelles*

<sup>1</sup>Also Sole Source for Lightning Strike Protection Materials

<sup>2</sup> Undergoing Development





# GE Aviation Jet Engine Programs

## New Developments

### ➤ Park's New Film Adhesive Product

- ✓ Park's new Film Adhesive Product was developed under a joint development MOU between MRAS and Park
- ✓ The development of Park's Film Adhesive Product has been a long process, but it is now complete
- ✓ Park's new Film Adhesive Product is now undergoing qualification with MRAS...
  - This is very good news for Park...

### ➤ Park's Lightning Strike Protection (LSP) Material

- ✓ Park's LSP Material, which was also developed under a joint development arrangement with MRAS, is currently in use by MRAS on the A320neo Aircraft Family Program and the Comac C919 Program
  - Park's LSP Material is sole source with MRAS on those Programs



# GE Aviation Jet Engine Programs

## New Developments (Continued)

- ✓ Park's LSP Material is now in the process of being approved for use on the Bombardier Global 7500/8000 Program (with GE Passport 20 engines)
  - Also very good news for Park
- Fan Case Containment Wrap for GE9X Engines for Boeing 777X Aircraft
  - ✓ After being dormant for almost two years, the Fan Case Containment Wrap Program had recently become active once again
  - ✓ There still is redesign risk related to the Program, but, even if the redesign is successful, Park was expecting to produce and supply the composite materials for a significant number of Containment Wrap units
    - Park was very pleased to be back on the 777X program





# GE Aviation Jet Engine Programs

## New Developments (Continued)

- ✓ **BUT**, Boeing recently announced it is pushing out the 777X entry into service until 2025
  - Disappointing news...it is unclear how this delay will impact the Containment Wrap Program, but it obviously casts some doubt on the Program
    - Some encouraging news...Lufthansa recently ordered seven 777-8F freighters, the cargo version of the Boeing 777X Aircraft



# Update on GE Aviation Jet Engine Programs

## ➤ Airbus A319neo/A320neo/A321neo/A321LR/A321XLR (A320neo Family of Aircraft) with LEAP-1A Engines...

- ✓ In a May 27, 2021 news release, Airbus stated: “A320 Family: Airbus confirms an average A320 Family production rate of 45 aircraft per month in Q4 2021 and calls on suppliers to prepare for the future by securing a firm rate of 64 by Q2 2023. In anticipation of a continued recovering market, Airbus is also asking suppliers to enable a scenario of rate 70 by Q1 2024. Longer term, Airbus is investigating opportunities for rates as high as 75 by 2025.”



*Airbus A321neo with CFM LEAP-1A Engines*





# Update on GE Aviation Jet Engine Programs (Continued)

- ✓ It has been reported that current very high oil and jet fuel prices are motivating many legacy A320 operators to consider upgrading to A320neo Aircraft more quickly than originally planned
- ✓ **Important Recent News...** In a May 4, 2022 news release, Airbus CEO Faury stated, “Looking beyond 2022, we see continuing strong growth In commercial aircraft demand driven by the A320 Family. As a result, **we are now working with our industry partners to increase A320 Family production rates to 75 aircraft a month in 2025.**” In the news release, Airbus further stated, “**Commercial aircraft production for the A320 Family is progressing towards a monthly rate of 65 aircraft by summer 2023... Following an analysis of global customer demand as well as an assessment of the industrial ecosystem’s readiness, the Company is now working with its suppliers and partners to enable monthly production rates of 75 in 2025.**”
- ✓ Airbus recently stated that they plan to reach a rate of **65 A320neo Family Aircraft deliveries per month by the middle of 2023**...in order for Airbus to reach that rate by mid-2023, the supply chain would need to ramp up **well before that date**



# Update on GE Aviation Jet Engine Programs (Continued)

- ✓ In a recent speech at the Aviation Week Raw Materials and Manufacturers Supply Chain Conference, Olivier Dreier, Airbus SVP of Materials and Parts Procurement and Chairman of the Airbus Material Board, told the audience of Airbus suppliers, “We need you to follow” [Airbus’s rate increase indications] and to “have faith in the rate increases” [indicated by Airbus]. He also told the audience, “We count on you not to second guess” [Airbus’s rate increase indications].
- ✓ On March 10, 2022, a GE Aviation executive stated, “We are experiencing an unprecedented ramp in LEAP production”, and further stated, “We are aligned with the airframers on what we need to produce through 2023 and we are solidifying what we need to do for 2024.”
  - This was significant because GE Aviation had previously questioned and challenged Airbus’s rate increase indications
  - But, according to a May 24, 2022 Reuters report, “CFM is facing industrial delays of six to eight weeks...but expects to claw most of this back early in the fourth quarter” of 2022





# Update on GE Aviation Jet Engine Programs (Continued)

- ✓ Then, in a June 24, 2022 speech made at the ILA Berlin Air Show, Airbus CEO Faury confirmed that the supply of engines is lagging behind A320neo Aircraft Family production, but stated he is confident that Airbus will achieve a smooth ramp-up to its highest ever single-aisle output rate as current difficulties subside. CEO Faury also implied that Airbus would continue to produce A320neo Family aircraft and install the engines on the aircraft and deliver them when the engines are available. CEO Faury also expressed seeming exasperation with the skepticism of those in the supply chain who continue to question Airbus's ability to achieve their targeted A320neo Aircraft Family delivery rates, particularly the rate of 75 airplanes per month by 2025
- ✓ Airbus has delivered A320neo Family Aircraft at a rate of 36 per month in 2022 (through May)
  - But Airbus has produced A320neo Family Aircraft at a rate of 44 per month so far in 2022 Q2 (April and May)
    - Why the discrepancy?
    - Airbus's goal is to deliver 600 A320 Family Aircraft in 2022



# Update on GE Aviation Jet Engine Programs (Continued)

- ✓ In a June 17, 2022 news release, Park announced that we intend to fully support Airbus's planned A320neo Aircraft Family production and delivery rates of 65 Aircraft per month by the middle of 2023 and 75 Aircraft per month in 2025
  - Why did we do that?
- ✓ As of the end of May 2022, CFM (meaning the LEAP-1A engine) had a 57.3% share of firm orders for the A320neo Family of Aircraft (Source: July 2022 edition of Aero Engine News)
  - Assuming a 57.3% CFM (LEAP-1A) market share, the 75 A320neo Aircraft Family per month rate represents approximately \$28.75 Million per year of revenue to Park starting in 2025





# Update on GE Aviation Jet Engine Programs (Continued)

## ✓ A321XLR News

- **June 15, 2022...First Test Flight of A321XLR equipped with LEAP-1A Engines**
- Certification and entry into service expected in early 2024
- A321XLR is currently positioned as only single-aisle aircraft with 5,000+ statute mile range and 225+ seating capacity
- 515 firm orders as of end of February 2022
- **Boeing CEO recently indicated a new aircraft program is at least a few years off**



*Airbus A321XLR with LEAP-1A Engines*

- What does this mean?

- ✓ On a short-term interval basis, why don't Park's A320neo derived revenues reconcile to A320neo Aircraft Family deliveries?
- ✓ **At the end of the day, the only thing which matters to Park in connection with the A320neo Program is how many A320neo Aircraft equipped with CFM LEAP-1A engines Airbus delivers!!!**



# Update on GE Aviation Jet Engine Programs (Continued)

- **Comac C919 with LEAP-1C Engines...** After a number of delays, certification (in China) and entry into service expected by the end of 2022
  - ✓ First Production Aircraft has taken first flight



*Comac C919 with CFM LEAP-1C Engines*

- **Bombardier Global 7500 with GE Aviation Passport 20 Engines...**
  - ✓ 39 Global 7500 Aircraft delivered in 2021
  - ✓ Bombardier recently delivered its 100th Global 7500 Aircraft
  - ✓ **Bombardier recently announced Global 8000**
    - 8,000 NM Range
    - Mach 0.94 Max Cruise Speed
    - Uses GE Aviation Passport 20 Engine
    - 2025 entry into service



*Bombardier Global 8000  
with GE Aviation Passport 20 Engine*





# Update on GE Aviation Jet Engine Programs (Continued)

- **Boeing 747-8...** Boeing has announced it will terminate production of the Queen of the Skies in 2022...
- ✓ Last Boeing 747 expected to be delivered in October 2022
  - ✓ Sad Day for one of the best (maybe the best) Commercial Aircraft ever built
  - ✓ Only 3 Deliveries to go, all to Atlas Air
  - ✓ Long Live the Queen...



*Legendary Boeing 747...the Queen of the Skies in Real Life*



# GE Aviation Programs Sales History and Forecast Estimates

## ➤ GE Aviation Programs sales history:

- ✓ **FY2020 Total: \$28.9 Million**
- ✓ FY2021 Q1: \$4.1 Million
- ✓ FY2021 Q2: \$2.9 Million
- ✓ FY2021 Q3: \$1.8 Million
- ✓ FY2021 Q4: \$4.4 Million
- ✓ **FY2021 Total: \$13.2 Million**
- ✓ FY2022 Q1: \$7.0 Million
- ✓ FY2022 Q2: \$6.5 Million
- ✓ FY2022 Q3: \$6.2 Million
- ✓ FY2022 Q4: \$6.7 Million
- ✓ **FY2022 Total: \$26.6 Million**
- ✓ **FY2023 Q1: \$6.4 Million**



*Cathay Pacific 747-8 Departing Anchorage*

## ➤ GE Aviation Programs sales forecast estimate:

- ✓ **FY2023 Q2: \$6.0 Million to \$6.5 Million**





# Park's Financial Performance History and Forecast Estimates

➤ Quarterly Sales and Adjusted EBITDA history:

	Sales	Adjusted EBITDA
FY2022 Q1	\$13.6 Million	\$4.1 Million
FY2022 Q2	\$13.6 Million	\$3.2 Million
FY2022 Q3	\$13.9 Million	\$2.7 Million
FY2022 Q4	\$12.5 Million	\$3.1 Million
FY2022 Total	\$53.6 Million	\$13.1 Million
FY2023 Q1	\$12.8 Million	\$2.8 Million

➤ FY2023 Q2 Financial Forecast Estimates:

	Sales	Adjusted EBITDA
FY2023 Q2	\$13.5 Million to \$14.0 Million	\$3.0 Million to \$3.5 Million



# Comments and Thoughts about Our Forecast and Outlook

- Forecasting is highly problematical and probably not very meaningful in the current environment of supply chain chaos and disorder
  - ✓ Predicting the future in such an environment is somewhat of a guessing game
  - ✓ Forecasting for Park and GE Aviation Programs is problematical even for FY2023 Q2
  - ✓ Under these circumstances, providing a long-term forecast would have little value or meaning
  
- **However**, we believe we **can** provide meaningful insights into our Company **Outlook**
  - ✓ **Military business Outlook** - Based upon the “New World Order” caused by the War in Europe, we believe the outlook is quite promising for Park, particularly in the Missile Defense Systems area
    - We believe this New World Order dynamic is not a temporary phenomenon...we believe it is an emerging longer term and sustainable phenomenon





# Comments and Thoughts about Our Forecast and Outlook (Continued)

- How would a recession impact the outlook for Park's military business?
  - We believe not much because there is too much at stake for the countries seeking to increase their defense budgets and spending
- ✓ **Commercial Aircraft business Outlook** - Let's look at the following key programs:
  - A320neo Aircraft Family Program - Airbus is clearly attempting to aggressively push up the rates for this critical program
    - How would a recession impact this program?
      - ❖ We believe Airbus is attempting to aggressively exploit Boeing's perceived weakness in order to take as much single-aisle share as possible, to establish an irreversibly dominant position in the single-aisle market and to permanently end the duopoly...as a result, we believe Airbus would attempt to press their advantage even more aggressively if a recession did occur
      - ❖ Note that Boeing has no response to the A321XLR, leaving that "niche" all to Airbus



# Comments and Thoughts about Our Forecast and Outlook (Continued)

- Comac C919 and ARJ21 Programs - although the relatively small ARJ21 program may have only limited future upside potential, we believe the C919 program has significant upside potential for Park once the aircraft is certified and delivering in China
  - How would a recession impact these programs?
    - ❖ It is difficult for us to say, but a key consideration is that these aircraft are intended to be sold into the China market, a market controlled by the centralized China government...since the C919 is an important prestige program for the Chinese government, they may press the program forward even in a recession





# Comments and Thoughts about Our Forecast and Outlook (Continued)

- Bombardier Global 7500/8000 Program (technically a business jet program) - this is clearly a very key program for the restructured Bombardier company...in our opinion, it is a mandatory success program for Bombardier...Bombardier is clearly placing great emphasis on the program
  - How would a recession impact this program?
    - ❖ It is not completely clear, but it certainly is possible that the success drivers for the program would stay in place during a recession
      - In a recession, the typical buyer of a \$40,000 Chevy may hesitate, but would a recession slow down the typical buyer of a \$78 million (list price) airplane?
- ✓ Based upon the above considerations, although there are serious concerns about the economy, inflation, workforce shortages and supply chain chaos, we believe the outlook for Park is quite positive...



# Update on Major Expansion of Newton, Kansas Facilities

- Total budget: approximately \$19.75 Million
- Spending
  - ✓ To date: approximately \$18.75 Million
  - ✓ To go: approximately \$1.0 Million
- Expansion is complete
- Film Line and Tape Line trials are complete
- Film Line and Tape Line Qualifications are in progress
- While many others were slashing their capital spending or cancelling their capital projects altogether, we pushed forward with and completed our Major Expansion!!!



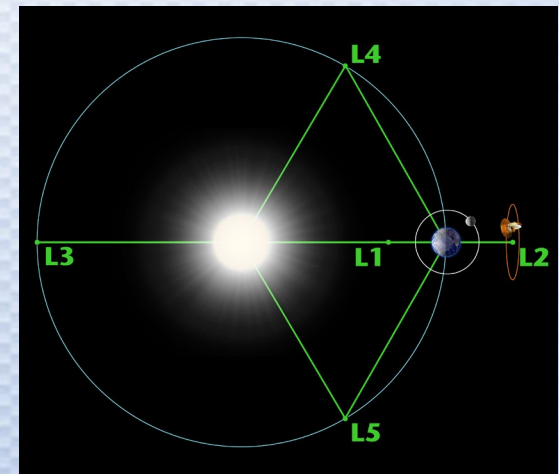


# Update on James Webb Space Telescope

- 21 of Park's proprietary SigmaStruts™ are incorporated into the structure of the JWST
- They were made here →
- The JWST, along with Park's SigmaStruts produced by Park's People at our "little" plant in Newton, Kansas, are established at the Lagrange 2 (L2) Orbit Point located approximately One Million Miles from Earth
- NASA plans to release first full color images from the JWST on July 12, 2022
- Park is so very thrilled and honored to be playing a part in the incredible JWST Mission...



*Park's Newton, KS  
SigmaStrut Workstation*



*Lagrange 2 (L2) Orbit Point*



# Update on Major Potential Project Initiatives in New Plant

- There is additional space in our new plant which is set aside for new project initiatives, including two potential project initiatives we are currently actively working on...both of these projects involve the purchase and installation of major new equipment lines which would bring new capabilities and market offerings to Park
  - ✓ **We are working with a new potential JV Partner on both initiatives**
  - ✓ We are currently reviewing both projects with equipment suppliers
  - ✓ Although the equipment specifications are under review and have not been finalized, we estimate the cost of the two projects combined would be approximately \$6 Million to \$9 Million
- There is no hard deadline for the final decision making on these projects, but they both continue to be very active front burner projects receiving priority attention...we will keep you posted
- Although these projects relate to the manufacture of composite structures for the aerospace markets, they both would bring new capabilities and market offerings to Park





# Park is Qualified on Aero Design Labs (ADL) ADRS Program

- Park's materials are sole source qualified on ADL's Drag-Reduction System (ADRS) Program for Boeing 737 Legacy Aircraft
- ADL's ADRS Program is designed to make the Boeing 737 Aircraft more aerodynamically efficient, resulting in significant fuel savings for 737 aircraft operations
  - ✓ As a result of the significant increases in jet fuel prices, the economics of installing the ADRS kits on 737 Aircraft are now even more compelling
- ADL recently received a Supplemental Type Certificate (STC) from the FAA for its ADRS kits for Boeing 737-700 Aircraft
- ADL is targeting receiving FAA STCs for its ADRS kits for Boeing 737-800 and 737-900 Aircraft by year end



# Park is Qualified on Aero Design Labs ADRS Program (Continued)

- There are many thousands of Boeing 737 legacy aircraft in service around the world
- The ADL ADRS program is a potentially very significant program for Park
- Park will consider additional investment to support this program if necessary





# Park Receives Aerojet Rocketdyne Distinguished Supplier Award

- Park recently received Distinguished Supplier Award from Aerojet Rocketdyne, a Park long-term customer
  - ✓ Award is given to less than 1% of Aerojet Rocketdyne's suppliers
- Park is very honored to receive this award from such a special customer and such an important American company
- And, yes, one of the major programs on which Park supports Aerojet Rocketdyne is the PAC-3 Missile Program



# Park's People

- Park's current People Count is 106 (recently bottomed out at 98)!!!
  - ✓ Ideal People Count would be 125 to 128!
  - ✓ Minimum People Count needed to properly operate and function is 115!
  
- Many other companies are throwing money at people in order to recruit them
  - ✓ They bid up people when they are needed and “short” them and throw them on the garbage heap when they are not...like commodities to be traded...like pork bellies
  - ✓ At Park, we believe throwing money at people and paying them what they have not earned can be cruel and hurtful to them, as it can destroy their sense of dignity, self-respect, humanity and self-worth
  
- It is clearly more difficult and challenging for Park to recruit people in a world where others are throwing money at people to recruit them and where Park is not willing to do that...but, at Park, we stick to our Principles no matter how difficult or inconvenient
  - ✓ Throwing money at people as if they were commodities is not for us
  - ✓ Our People are not commodities
  - ✓ Our People are precious
  - ✓ Our People are Family





# Park's People (Continued)

- At Park, our People earn everything they get
  - ✓ We believe our Park People are compensated properly, but they earn what they get...every cent of it...
  - ✓ No giveaways... “No free lunches” (Milton Friedman)
  - ✓ We respect and admire our People too much to marginalize, demoralize and dehumanize them by giving them things which they have not earned
  
- And what will happen if there is an economic downturn (there already is) or a recession?
  - ✓ Will those companies which have thrown money at people in order to recruit them hold on to the people they have hired?
    - What do you think?
  - ✓ When we hire someone at Park, our attitude is we are **hiring them for life...**
    - Throughout the depths of the pandemic and economic crisis, we kept all of our Precious People, every last precious one of them
      - Remember the pandemic and economic crisis when our sales dropped from \$15.5 million in FY2020 Q4 to \$9.25 million in FY2021 Q2?



# Park's People (Continued)

- Remember the panic and uncertainty about whether the world would even survive?
- Well, we did not let go of any of our People then...would we let go of any of our People if there is a recession?
  - ❖ What do you think?

## ➤ “Culture eats strategy for breakfast” (Peter Drucker)

- ✓ So, how were we able to “make” our FY2023 Q1 Sales and EBITDA numbers with such a severely reduced workforce? Was it magic? I doubt it...
  - Our People have been working very long hours, in some cases 70-hour weeks, week in and week out...
    - And nobody really asks our People to do it...they just do it
- ✓ Understand how very fortunate and lucky we are to have the Wonderful People we have? Understand why we Love our People?





# Park's People (Continued)

- ✓ People talk lots about “strategies” (sometimes developed by fancy Ivy League consulting firms), but, with a dedicated, motivated and inspired workforce, a company can move **Mountains**...without such a workforce, a company can move **Nothing**, no matter how elegant their strategy might be
- ✓ Don't get us wrong...Park has a strategy too, but it is our Wonderful People who make us Powerful and Whole...

## ➤ Update on our great Customer Flexibility Program

- ✓ Current Total Participation: 73%...Participation break-down:
  - 2 job categories: 30%
  - 3 job categories: 23%
  - 4 job categories: 27%
  - 5 job categories: 20%
- ✓ It is hard to imagine how we could continue to get the job done under the current very challenging circumstances without our Customer Flexibility Program
  - We recently increased the hourly pay premium for additional Customer Flex Job Category qualifications



# Closing Thoughts

## Principles are not Cheap-Revisited

- **Principles are not cheap...** Principles only count when it is “inconvenient” to hold true to them
  - ✓ It is “inconvenient” and costly for Park to honor our POs and PO confirmations in a world where many **others** are not doing so
    - At Park, we do what we say we are going to do
    - At Park, our word is our bond
  - ✓ It is “inconvenient” for Park not to throw money at people in order to recruit them in a world where many **others** are doing just that
    - At Park, our People are precious...our People are not commodities to be bid up or sold short depending on which way the wind is blowing





# Closing Thoughts

## Principles are not Cheap-Revisited (Continued)

- It was “inconvenient” for Park not to ask for or accept any PPP or government money (meaning taxpayer money) during the pandemic and economic crisis, while **others**, including some very large companies, took tens of millions of dollars of government money (meaning taxpayer money...meaning our money) as “incentives” not to let go of more employees
  - ✓ At Park, we earn our own money, and we are not inclined to accept corporate welfare or other government handouts
  - ✓ At Park, we made money and paid taxes every quarter throughout the pandemic
  - ✓ At Park, we kept all of our People...we do not need government money as “incentives” to keep our People...our People are Precious



# Closing Thoughts

## Principles are not Cheap-Revisited (Continued)

- **Others** need to make their own choices about what matters to them and what does not...and live with those choices...but, at Park, honor and integrity are what matter most...at Park, Principles are not cheap...
- **At Park, we are not like the others...**
- **At Park, we play for keeps...**



*Diogenes with his Lantern*



*Park's Ablative Materials Special Operations Team*





# Park Aerospace Corp. Board of Directors



***Park Board of Directors at May 18, 2022 Meeting in Newton, KS***

*Left to Right: Carl Smith, Emily Groehl, Dale Blanchfield, Brian Shore, Brad Thress, Steve Warshaw and Yvonne Julian*





# Thank You!





# Appendix 1

## Park Aerospace Corp.

### **July 7, 2022 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 7, 2022. 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 2023 fiscal year first quarter earnings news release dated July 7, 2022 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 fiscal quarter ended May 29, 2022 on or about July 8, 2022. We make available free of charge on or through our website located at [www.parkaerospace.com](http://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.

Park’s sales were \$12.8 million in the 2023 fiscal year first quarter compared to \$13.6 million in the 2022 fiscal year first quarter and \$12.5 million in the 2022 fiscal year fourth quarter.

Gross Profit for the 2023 fiscal year first quarter was \$4.1 million, or 32.0% of sales, compared to \$5.5 million, or 40.3% of sales, for the 2022 fiscal year first quarter and \$4.2 million, or 33.6% of sales, for the 2022 fiscal year fourth quarter.



## Appendix 1 Continued

Before special items, selling, general and administrative expenses for the 2023 fiscal year first quarter were \$1.6 million, or 12.8% of sales, compared to \$1.6 million, or 12.1% of sales, for the 2022 fiscal year first quarter and \$1.5 million, or 12.2% of sales, for the 2022 fiscal year fourth quarter. Investment income, net of interest expense, in the 2023 fiscal year first quarter was \$133,000 compared to \$117,000 in the 2022 fiscal year first quarter and \$89,000 in the 2022 fiscal year fourth quarter.

Before special items, earnings before income taxes for the 2023 fiscal year first quarter were \$2.6 million, or 20.3% of sales, compared to \$3.9 million, or 29.0% of sales, for the 2022 fiscal year first quarter and \$2.8 million, or 22.1% of sales, for the 2022 fiscal year fourth quarter.

Before special items, net earnings for the 2023 fiscal year first quarter were \$1.9 million, or 14.9% of sales, compared to \$2.8 million, or 20.3% of sales, for the 2022 fiscal year first quarter and \$2.0 million, or 16.1% of sales, for the 2022 fiscal year fourth quarter.

Depreciation and amortization expense in the 2023 fiscal year first quarter was \$260,000 compared to \$216,000 in the 2022 fiscal year first quarter and \$331,000 in the 2022 fiscal year fourth quarter. Capital expenditures in the 2023 fiscal year first quarter were \$88,000 compared to \$1.6 million in the 2022 fiscal year first quarter and \$786,000 in the 2022 fiscal year fourth quarter.

Adjusted EBITDA for the 2023 fiscal year first quarter was \$2.8 million, or 21.9% of sales, compared to \$4.1 million, or 30.2% of sales, for the 2022 fiscal year first quarter and \$3.1 million, or 24.7% of sales, for the 2022 fiscal year fourth quarter.

The effective tax rate before special items was 26.3% in the 2023 fiscal year first quarter compared to 30.0% in the 2022 fiscal year first quarter and 27.1% in the 2022 fiscal year fourth quarter.

For the 2023 fiscal year first quarter, the top five customers, in alphabetical order, were AAE Aerospace, GKN Aerospace, Kratos Defense & Security Solutions, Middle River Aerostructure Systems (including its subcontractors) and Nordam. Middle River Aerostructure Systems is a subsidiary of ST Engineering Aerospace. The top five customers totaled approximately 66% of total sales during the 2023 fiscal year first quarter. The top 10 customers totaled approximately 75% of total sales and the top 20 customers totaled approximately 84% of total sales for the 2023 fiscal year first quarter.

