



# Investor Presentation

March 2017

# Disclosures

**Forward-Looking Statements:** This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be preceded by, followed by or include the words “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates” or similar expressions. These statements are based on the beliefs and assumptions of our management. Generally, forward-looking statements include information concerning our possible or assumed future actions, events or results of operations. Forward-looking statements specifically include, without limitation, the information in this presentation regarding: projections; efficiencies/cost avoidance; cost savings; forward loss reserves; income and margins; earnings per share; growth; economies of scale; the macro economy; capital expenditures; future financing needs; future acquisitions and dispositions; litigation; potential and contingent liabilities; management’s plans; and integration related expenses.

Although we believe that the expectations reflected in the forward-looking statements are based on reasonable assumptions, these forward-looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. We cannot guarantee future results, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. All written and oral forward-looking statements made in connection with this presentation that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by “Risk Factors” and other cautionary statements included herein.

The information in this presentation is not a complete description of our business or the risks. There can be no assurance that other factors will not affect the accuracy of these forward-looking statements or that our actual results will not differ materially from the results anticipated in such forward-looking statements. Factors that could cause actual results to differ materially from those estimated by us include, but are not limited to, those factors or conditions described under “Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2016 and the following: our ability to manage and otherwise comply with our covenants with respect to our outstanding indebtedness; our ability to service our indebtedness; the cyclical nature of our end-use markets and the level of new commercial and military aircraft orders; industry and customer concentration; production rates for various commercial and military aircraft programs; the level of U.S. Government defense spending, including the impact of sequestration; compliance with applicable regulatory requirements and changes in regulatory requirements, including regulatory requirements applicable to government contracts and sub-contracts; further consolidation of customers and suppliers in our markets; product performance and delivery; start-up costs, manufacturing inefficiencies and possible overruns on contracts; increased design, product development, manufacturing, supply chain and other risks and uncertainties associated with our growth strategy to become a Tier 2 supplier of higher-level assemblies; our ability to manage the risks associated with international operations and sales; possible additional goodwill and other asset impairments; economic and geopolitical developments and conditions; unfavorable developments in the global credit markets; our ability to operate within highly competitive markets; technology changes and evolving industry and regulatory standards; the risk of environmental liabilities; and litigation with respect to us.

We caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this presentation. We do not undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect actual outcomes.

**Non-GAAP Financial Measures:** This presentation includes certain non-GAAP financial measures, such as EBITDA and free cash flow. For a reconciliation of such non-GAAP financial measures to the closest GAAP measure as well as why management believes these measures are useful, see “Non-GAAP Financial Measures” in the Appendix of this presentation.

**Other:** The inclusion of information in this presentation does not mean that such information is material or that disclosure of such information is required.

# Company Snapshot

- Ducommun manufactures innovative and complex electronic and structural systems and components, primarily for the aerospace and defense markets
- Strategically positioned on key commercial aerospace platforms, including Boeing 737, 787, 777 and Airbus A320, A330 and A350
- Commercial aerospace industry backlog and build rates are at record levels
- Defense spending in strategic areas, including missile defense has stabilized
- Sharpened business strategy and streamlined organization
- 2,700 employees

# Investment Highlights

## Defendable Niche

- Unique, sought-after range of capabilities
- Established relationships with blue-chip industry leaders
- Strategically positioned on key commercial aerospace and defense platforms

## Improving Financials

- Strong cash flow to reduce debt and fund long-term growth
- Streamlined operations to improve financial performance
- Process improvements and supply chain initiative to drive improved margins

## Sharpened Business Strategy

- Transformation into higher margin innovative solutions
- Strategic plan to drive growth and expand shareholder value
- Expanded organizational development activities

# Our Path to Growth and Increased Shareholder Value

## 2016 Accomplishments

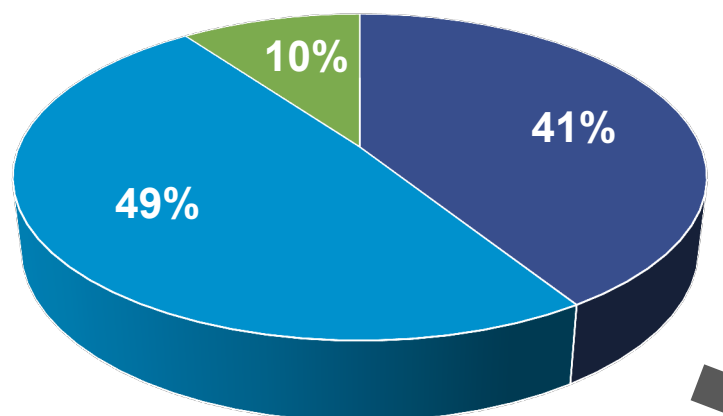
- Strategic wins to support sales in 2017 and beyond
- Streamlined organizational structure for greater line-of-sight accountability
- Reduced headcount
- Implemented supply chain savings initiative
- Continued investment in organic growth initiatives

## Path to Improved Performance

- Pursuing sharpened business strategy
- Increasing focus on high-growth areas: commercial aerospace electronics, aircraft engines, titanium, and composite technologies
- Delivering transformative, higher margin innovative solutions
- Reducing debt reductions further through strong cash flow
- Strengthening team through expanded organizational development activity

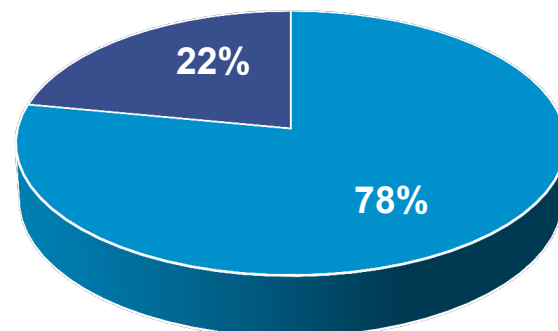
# Two Business Segments – Revenues

2016 Revenues  
\$541.5 million <sup>(1)</sup>

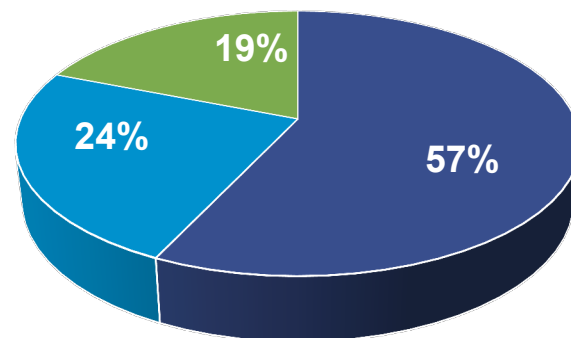


■ Military and Space   ■ Commercial Aerospace   ■ Industrial

Structural Systems  
(46% of 2016 Revenues)



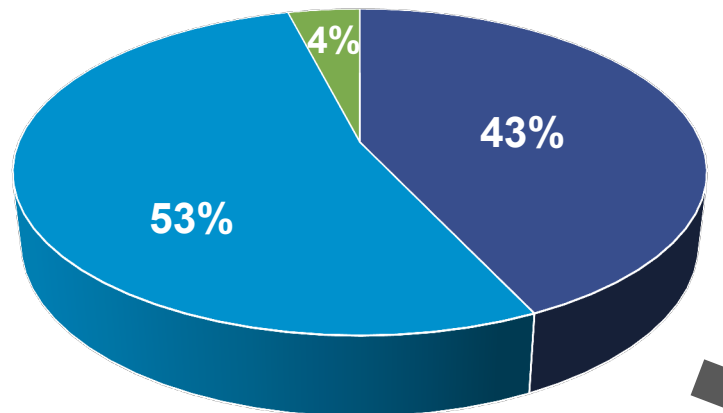
Electronic Systems  
(54% 2016 Revenues<sup>1</sup>)



<sup>(1)</sup> Excludes revenue of \$9.1 million related to the sale of Pittsburgh and Miltec operations

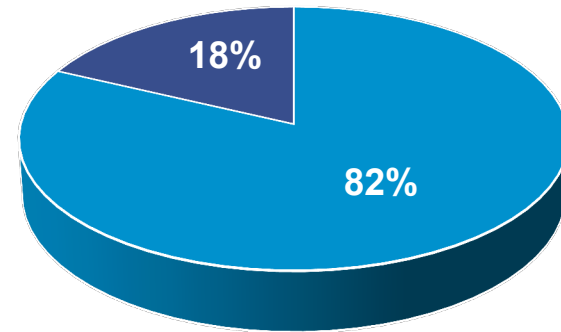
# Backlog Supports Focus on Aerospace and Defense Strategy

Total Backlog at December 31, 2016  
\$600.3 million

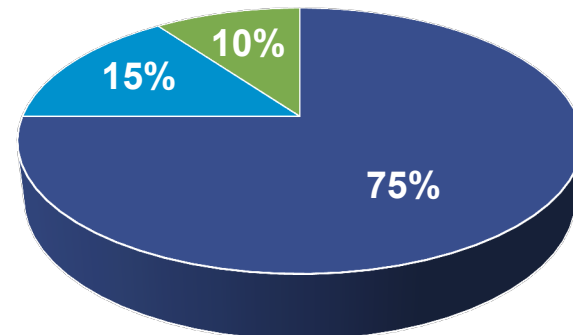


■ Military and Space   ■ Commercial Aerospace   ■ Industrial

Structural Systems  
(56% of Total Backlog)



Electronic Systems  
(44% of Total Backlog)



# We Go to Market as One Company with Broad Capabilities

## Each SBU is built on a unique set of competencies

### Strategic Business Units

#### Electronic Systems

##### Circuit Board Solutions



- Low-to-medium volume
- High mix
- High rate of change

##### Electronic Integrated Solutions



- Box-level electronic, electromechanical and mechanical assembly
- RF and HMI products

##### Interconnect Solutions



- Cables and wiring harnesses
- High-temperature, pressure, flexibility, and frequency

##### Bonded Component Solutions



- Composite materials
- Spoilers, winglets, tail cones, rotor blades

#### Structural Systems

##### Structural Assembly Solutions



- Titanium forming
- Engine ducts, pylons, firewalls, exhaust ducts, nacelles

##### Structural Systems Solutions



- Metal forming and chemical milling
- Skins, leading edges, stabilizers, cargo doors



# Significant Content on Commercial and Military Fixed Wing Aircraft



## Electronics

- 1 Avionics systems
- 2 Cockpit controls, lighted panels and switches
- 3 Radar assemblies
- 4 Fuel management systems
- 5 Brake systems
- 6 Engine and nacelle electronics
- 7 Flight surface control systems
- 8 Communication and countermeasure systems

## Structures

- 9 Ailerons, spoilers, winglets and other flight control surfaces
- 10 Tail cones
- 11 Fuselage skins
- 12 Passenger and cargo doors
- 13 Window surrounds
- 14 Engine ducts
- 15 Exhaust ducts and nozzles

# Significant Content on Commercial and Military Rotary Aircraft



## Electronics

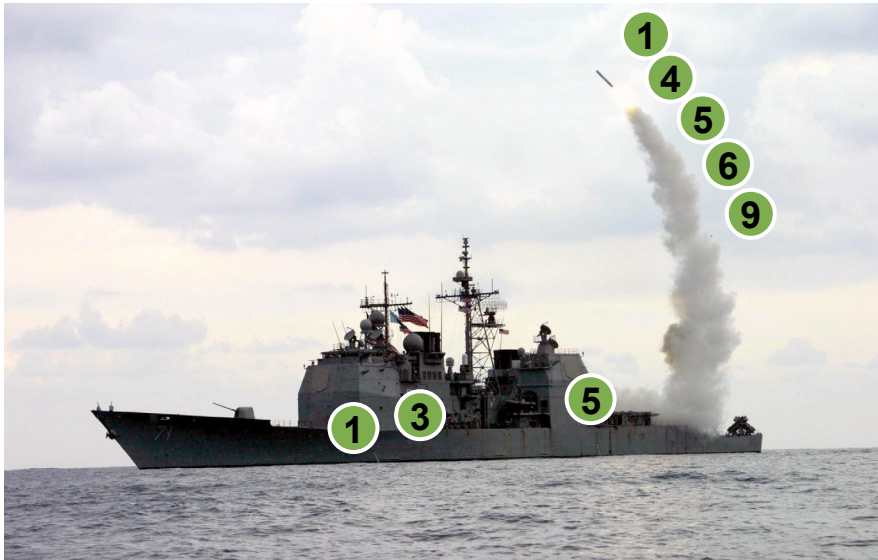
- 1 Cockpit controls, lighted panels and switches
- 2 Communication systems
- 3 Fuel management systems
- 4 Sensor suites
- 5 Avionics systems
- 6 Radar systems
- 7 De-icing systems

## Structures

- 8 Rotor blades and blade abrasion strips
- 9 Engine ducts, nozzles and heat shields
- 10 Door surrounds and bulkheads
- 11 Window surrounds

# Diverse Content on Key Missile Platforms

## Land, Sea and Air



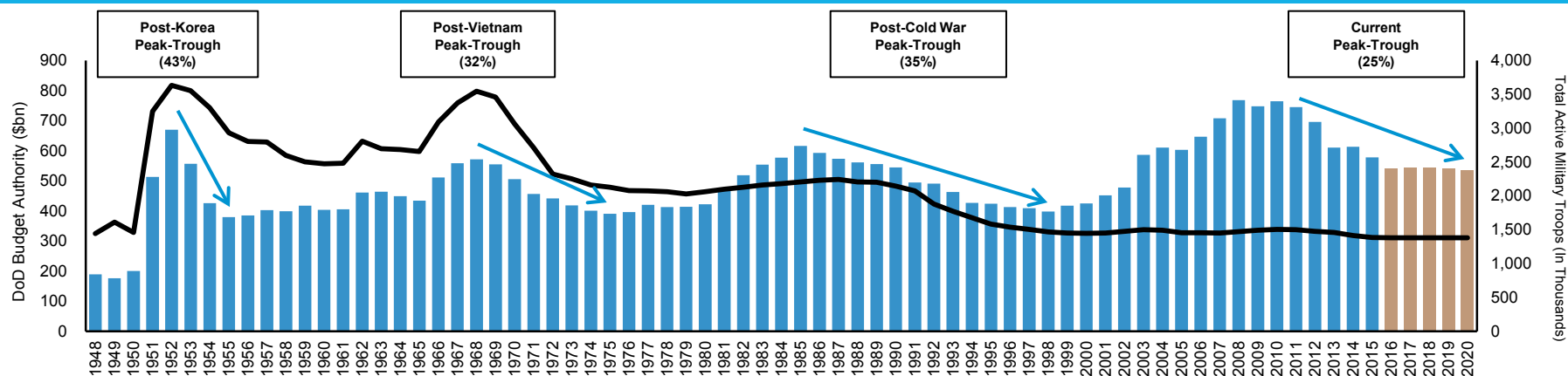
### Electronics

- 1 Target acquisition systems
- 2 Launch systems
- 3 Command and control systems
- 4 Range safety antennas
- 5 Guidance systems
- 6 Navigation systems
- 7 Warhead electronics
- 8 Umbilical container cables
- 9 Automated test systems

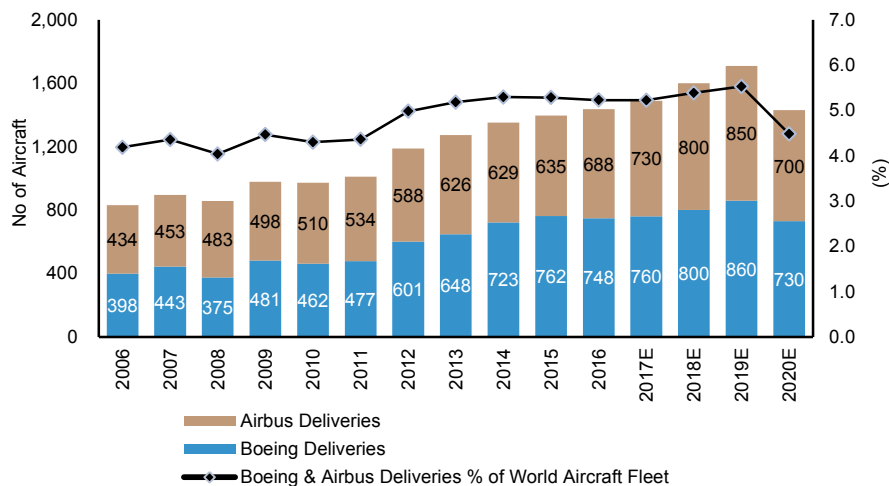


# Macro Trends

## Historical Defense Spending<sup>(1)</sup>

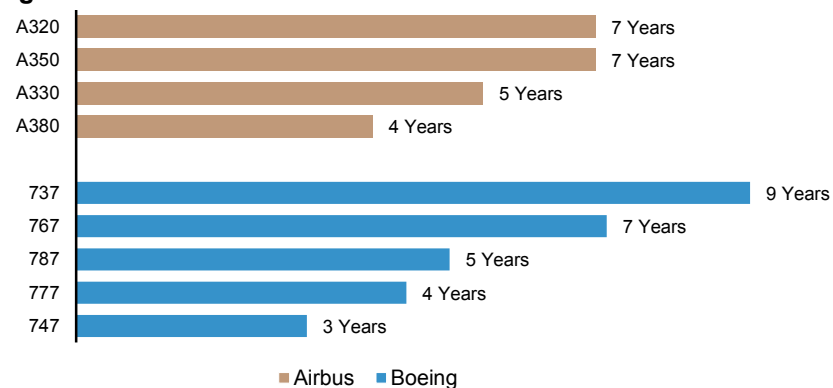


## Commercial Aircraft Deliveries | # of Aircraft



## Air Transport Aircraft Backlogs




**Airbus and Boeing have record backlogs, approaching 7 years on average**



Source: Airline Monitor Report, Ascend, Boeing and Airbus

Note: <sup>(1)</sup> Department of Defense Comptroller, National Defense Budget Estimates for FY 2017

# Where Our Growth Will Come From

	% of 2016 Revenue	% of Backlog at 12/31/16	Key Platforms	Growth Outlook	Commentary
<b>Commercial Aerospace</b>	49%	53%	Boeing 737 and 737 MAX Boeing 787 Dreamliner Airbus A320/A330/A350 Rolls-Royce Engines	 4-6%	Aircraft and engine OEM build rates and shipset gains support growth through the medium-term.
<b>Military and Space</b>	41%	43%	Black Hawk Helicopter Trident Missile System Tomahawk Missile SM-3 Missile	 0-2%	New Republican administration supports continued strong funding of various defense platforms.
<b>Industrial</b>	10%	4%	High-end industrial and medical products	 0-1%	Continued strong relationships with existing strategic customers on a more focused customer base. Growth tempered by medium-term industrial outlook.

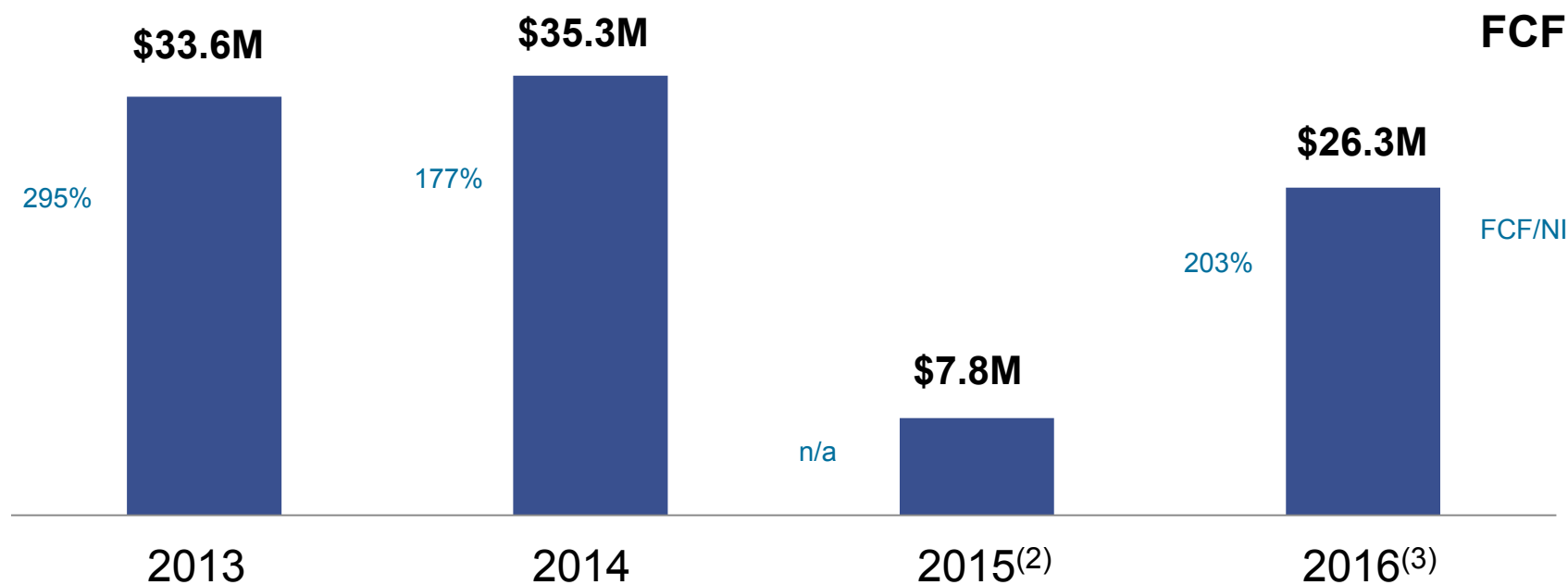
# Why We Win

- ✓ Innovative, value-added solutions for tough technical challenges (e.g., temperature, weight, vibration, pressure)
- ✓ Diverse product capabilities – customers want fewer, more sophisticated supplier-partners
- ✓ Agile, flexible and adaptable
- ✓ Electronics and structural integration capabilities for increased technology content
- ✓ Engineering design and rapid prototyping services support innovative outcomes
- ✓ Ease of doing business – exceptional customer experience



# Solid Cash Flows Support Future Growth

## Free Cash Flow<sup>(1)</sup>/NI Conversion



<sup>(1)</sup> Free cash flow is a non-GAAP financial measure, which we define as operating cash flow less capital expenditures. For a reconciliation, please see “Non-GAAP Financial Measures” in the Appendix to this presentation

<sup>(2)</sup> Net income excludes loss on extinguishment of debt, goodwill/intangible asset impairment, and restructuring charges

<sup>(3)</sup> Net income excludes net gains on divestitures

# Why to Invest in Ducommun

- Defendable niche
  - Unique range of capabilities are in demand
  - Long-term relationships with broad base of blue-chip customers
- Well-positioned in large, growing A&D markets
  - Strategically positioned on key platforms
- Transformation into higher margin innovative solutions
- Consistently strong cash flows to reduce debt and fund long-term growth



# Appendix

# Key Facts

## Ducommun Incorporated

Exchange/Ticker	NYSE: DCO
Share price <sup>(1)</sup>	\$30.80
52-week high/low <sup>(1)</sup>	\$31.90/\$13.52
Diluted shares outstanding <sup>(2)</sup>	11.3 million
Market cap <sup>(1)</sup>	\$344.1 million
Cash <sup>(2)</sup>	\$7.4 million
Net debt outstanding <sup>(2)</sup>	\$162.6 million
Enterprise value	\$506.7 million
2016 pro forma revenue <sup>(3)</sup>	\$541.5 million
2016 consolidated adjusted EBITDA <sup>(4)</sup>	\$54.8 million

<sup>(1)</sup> As of 3/2/17

<sup>(2)</sup> As of 12/31/16

<sup>(3)</sup> Excludes revenue of \$9.1 million related to the sale of Pittsburgh operation in January 2016 and sale of Miltec operation in March 2016

<sup>(4)</sup> Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation, please see “Non-GAAP Financial Measures” in the Appendix of this presentation

# Non-GAAP Financial Measures

**Note Regarding Non-GAAP Financial Information:** This presentation contains non-GAAP financial measures, including Adjusted EBITDA (which excludes interest expense, income tax expense (benefit), depreciation, amortization, stock-based compensation expense, net gain on divestitures, loss on extinguishment of debt, goodwill impairment, intangible asset impairment, and restructuring charges).

The Company believes the presentation of these non-GAAP financial measures provide important supplemental information to management and investors regarding financial and business trends relating to its financial condition and results of operations. The Company's management uses these non-GAAP financial measures along with the most directly comparable GAAP financial measures in evaluating the Company's actual and forecasted operating performance, capital resources and cash flow. The non-GAAP financial information presented herein should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

For more information on our non-GAAP financial measures and a reconciliation of such measures to the nearest GAAP measure, please see the "Reconciliation of GAAP to Non-GAAP Measures" tables.

# Reconciliation of GAAP to Non-GAAP Measures

## Free Cash Flow and Cash Flow Conversion (\$ millions)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Free Cash Flow</u>				
Cash flow from operations (GAAP)	46.0	53.4	23.7	43.3
Capital expenditures (GAAP)	(12.4)	(18.1)	(15.9)	(17.0)
Free cash flow (Non-GAAP)	33.6	35.3	7.8	26.3
<u>Cash Flow Conversion</u>				
Free cash flow (Non-GAAP)	33.6	35.3	7.8	26.3
Adjusted Net Income (Non-GAAP)*	11.4	19.9	(0.1)	13.0
FCF/Net Income Conversion (Non-GAAP)	295%	177%	NA	203%

*\*2015 excludes loss on extinguishment of debt, goodwill/intangible asset impairment, and restructuring charges. 2016 excludes net gains on divestitures*

# Consolidated Adjusted EBITDA for 2016

*(dollars in thousands)*

Net income	\$	25,261
Interest expense		8,274
Income tax expense (benefit)		12,852
Depreciation		13,326
Amortization		9,534
Stock-based compensation		3,007
Gain on divestitures		(17,604)
Restructuring charges		182
<b>Consolidated Adjusted EBITDA</b>	<b>\$</b>	<b><u>54,832</u></b>