



Q3 2023 Earnings Call

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November 8, 2023

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 “believe,” “continue,” “estimate,” “expect,” “may,” “plan,” “potential,” “should,” “result,” “target” 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: the continued growth and recovery of and expected increase in build rates for the commercial aerospace industry generally and certain single- and twin-aisle commercial aircraft programs through at least 2025, expected rate increases on certain commercial aerospace single-aisle programs, expected federal defense spending and offloading by defense primes, expenses expected to be incurred through the first half of 2024 and the timing of estimated annualized savings to be realized under the Company’s restructuring plan, the Company’s revenue outlook for the remainder of 2023, and the Company’s expectations relating to its cash flow generation, leverage ratios, annual EBITDA growth forecast and liquidity to meet its M&A targets under its previously announced Vision 2027 shareholder value creation strategy. 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 the risk factors and other cautionary statements contained in our filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2022.

While it is impossible to identify all such factors, some factors that could cause actual results to differ materially from those estimated by us include, but are not limited to, the risk factors and other cautionary statements contained in our filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2022 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; our acquisitions, business combinations, joint ventures, divestitures, or restructuring activities may entail certain operational and financial risks; 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; we are subject to extensive regulation and audit by the Defense Contract Audit Agency; 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 supplier of higher-level assemblies; our ability to manage the risks associated with international operations and sales; economic and geopolitical developments and conditions; pandemics, such as COVID-19, significantly impacting the global economy and specifically, the commercial aerospace end-use market; disasters, natural or otherwise, damaging or disrupting our operations; unfavorable developments in the global credit markets; our ability to operate within highly competitive markets; technology changes and evolving industry and regulatory standards; possible goodwill and other asset impairments; the risk of environmental liabilities; the risk of cyber security attacks or not being able to detect such attacks; litigation with respect to us; and other risks and uncertainties.

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, except as required by law.

Industry and Customer Information: Market data and industry information used throughout this presentation are based on management’s knowledge of the industry and the good faith estimates of management. We also relied, to the extent available, upon management’s review of independent industry surveys and publications and other publicly available information prepared by a number of third party sources. All of the market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we believe that these sources are reliable, we cannot guarantee the accuracy or completeness of this information, and we have not independently verified this information. While we believe the estimated market position, market opportunity and market size information included in this presentation are generally reliable, such information, which is derived in part from management’s estimates and beliefs, is inherently uncertain and imprecise. No representations or warranties are made by the Company or any of its affiliates as to the accuracy of any such statements or projections. Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described above. These and other factors could cause results to differ materially from those expressed in our estimates and beliefs and in the estimates prepared by independent parties. Further, the inclusion of customer logos or references to specific programs in this presentation is not an endorsement of the Company.

Non-GAAP Financial Measures: This presentation includes certain non-GAAP financial measures, such as Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Income, Adjusted Operating Income Margin, Backlog, and Bookings. For a reconciliation of such non-GAAP financial measures to the closest GAAP measure not already included in this presentation, see “Non-GAAP Financial Measures” in the Appendix of this presentation.

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

Q3 2023 Recap

Record quarterly revenue up 5% year-over-year

Commercial Aerospace grew 14% year-over-year with return to growth in Defense up 2% year-over-year

Gross margins improved significantly to 22.7% up 130 bps sequentially and 200 bps y-o-y

Making progress towards Vision 2027 targets with **Adjusted EBITDA Margin*** at a record high of 14.9% of revenue

Q3 2023

Revenue
\$196.3M

Up 5% y-o-y

Adjusted EBITDA*
\$29.3M

Up 13% y-o-y

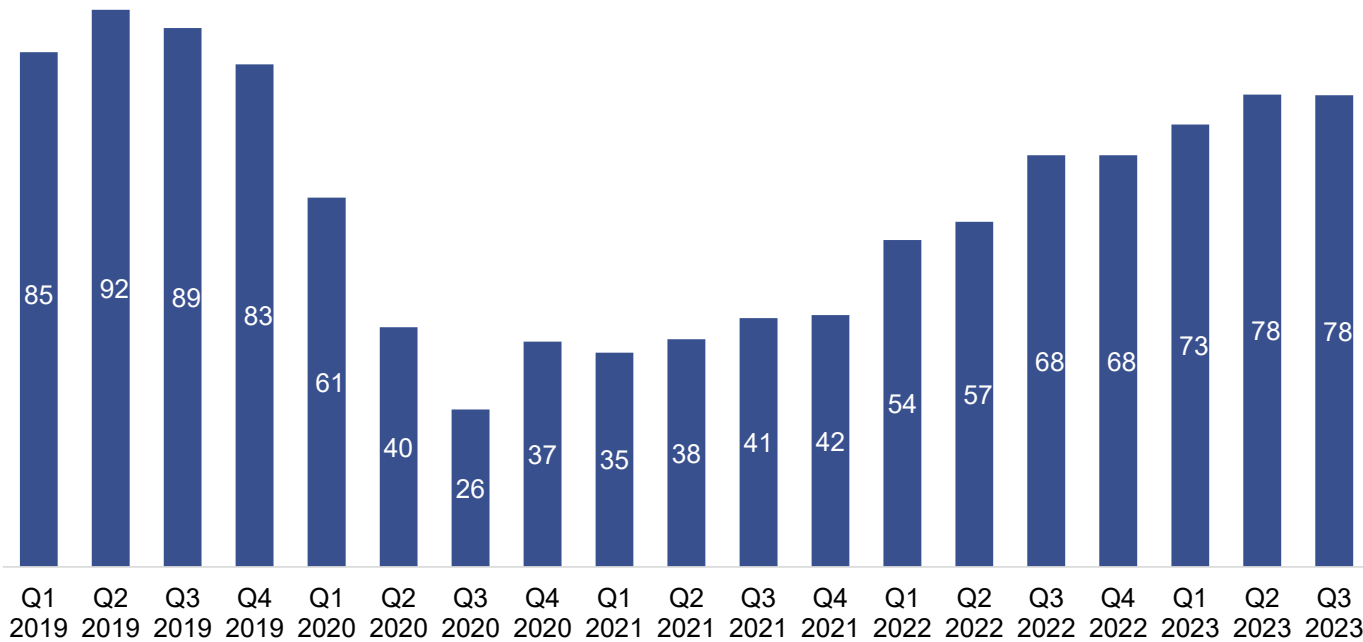
CFFO
\$14.3M



Solid third quarter with record revenues and continued margin expansion

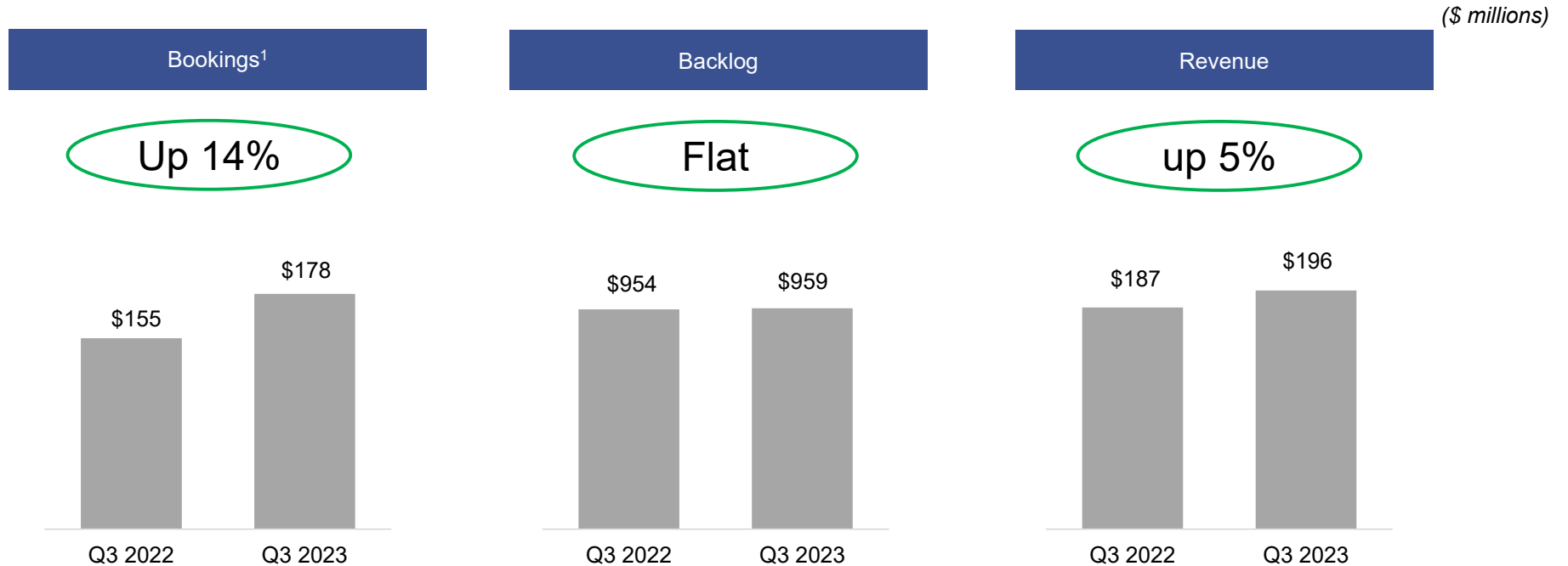
Commercial Aerospace Revenue Trend

(\$ millions)



- Commercial Aerospace industry production rates expected to ramp through 2026
- Single aisle production rates impacted by industry events in Q3 2023 but expected to resume upward trend in 2024
- Forecasted twin aisle production rates, mainly the 787, will provide additional support

All-time record revenues with resilient defense backlog



Backlog of \$959M and book-to-bill ratio² of 1.06 YTD Q3 2023

¹ Bookings defined as orders net of cancellations in the period.

² Book-to-bill ratio defined as bookings divided by reported revenue.

2023 Outlook

2023 Revenue Growth

6.0 – 6.5%

Commercial Aerospace build rates slowed in H2 2023 due to industry issues but expected to recover in 2024

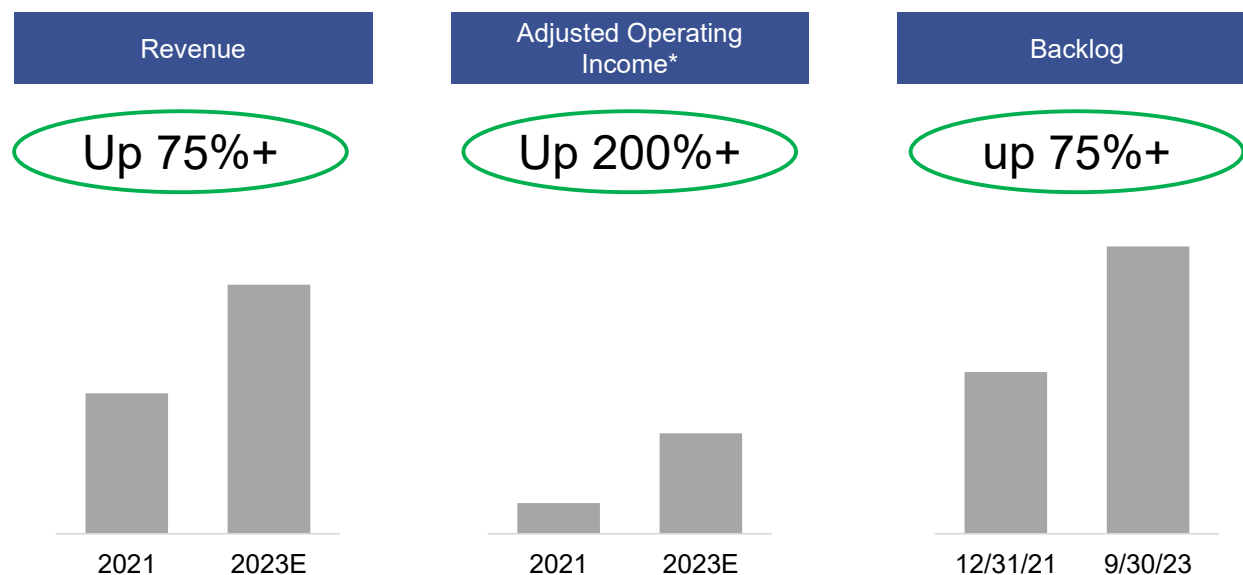
Return to growth for Defense in Q3 2023

Backlog lower at the end of Q3 mainly due to temporary weakness in commercial aerospace

Narrowing down previous Mid to High Single Digit outlook to 6.0 – 6.5%

Spotlight – MAGSEAL Acquisition

Financial Performance in “Seven Quarters of Ownership”



Acquired MagSeal in December 2021

Retained key leadership talent including President, Business Development and Engineering leaders

Invested in state-of-the-art machinery and equipment to improve efficiency and productivity

Maximizing shareholder value by acquiring at reasonable multiples and driving significant organic growth

Structural Systems Segment Highlights

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Revenue	\$85.5	\$85.5	+17%
Operating income	\$6.7	\$13.5	+38%
Operating income margin	7.9%	15.7%	+240 bps

- Strong revenue growth of 17% year-over-year driven by twin aisle commercial aerospace platforms as well as Defense business
- Significant operating margin improvement of 240 bps driven by favorable product mix, pricing actions and operating scale
- Well positioned across major single aisle (737, A320, A220) programs to execute planned rate increases



737MAX



A220



787



A320 family

Strong position on marquee single and twin aisle platforms

(\$ millions)

Well positioned as Commercial Aerospace recovery continues

Electronic Systems Segment Highlights

(\$ millions)

	<u>Reported</u>	<u>Adjusted*</u>	<u>YOY Var.*</u>
Revenue	\$110.7	\$110.7	-2%
Operating income	\$12.7	\$14.9	+2%
Operating income margin	11.5%	13.4%	+50 bps



Defense Primes offloading creating key win opportunities across the Electronic Systems Segment

- Commercial aerospace had continued growth offset by weakness in defense electronics on legacy platforms
- Continued focus on portfolio management, pricing actions, and cost of goods sold are key drivers to YOY margin improvement

Continued resilience in Defense spending along with offloading from Primes

Restructure Update

- During Q3 2023, Management continued the restructuring plan
- Executing on manufacturing footprint optimization as we reposition production from Monrovia, CA, Berryville, AR, and Thailand
- Recorded ~\$4.0M of restructuring charges during Q3 2023 and estimate an additional \$7M to \$9M mainly in severance, product requalification and facility consolidation costs through H1 2024
- Expected annualized run-rate savings of \$11M to \$13M, phasing in starting from H2 2024

Sufficient liquidity for M&A

Current Status (09/30/2023)

Net Debt¹
\$ 252.6M

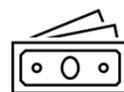
LTM EBITDA²
\$103M

Net Leverage¹
2.5x

Pro forma M&A activity to meet/exceed Vision 2027 targets



1-2 deals annually



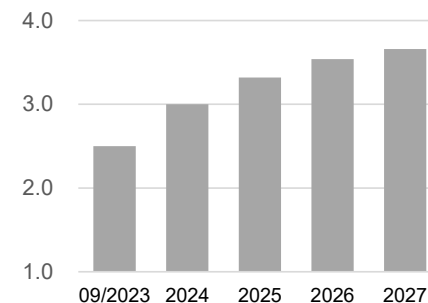
~\$100M annual M&A spend



~14x LTM EBITDA multiple

Pro forma Leverage with M&A³

Net Debt to LTM EBITDA



Maintain net leverage under 4.0x

\$198M of total available liquidity as of September 30, 2023

Current Leverage and expected Cash Flow generation provide sufficient liquidity to achieve M&A targets under Vision 2027



Appendix

Non-GAAP Financial Measures

Note Regarding Non-GAAP Financial Information: This presentation contains non-GAAP financial measures, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Income, Adjusted Operating Income Margin, Backlog, and Bookings.

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. The Company discloses different non-GAAP financial measures in order to provide greater transparency and to help the Company's investors to more meaningfully evaluate and compare the Company's results to its previously reported results. The non-GAAP financial measures that the Company uses may not be comparable to similarly titled financial measures used by other companies.

We define backlog as potential revenue and is based on customer placed purchase orders and long-term agreements with firm fixed prices and expected delivery dates of 24 months or less. Backlog is subject to delivery delays or program cancellations, which are beyond our control. Backlog is affected by timing differences in the placement of customer orders and tends to be concentrated in several programs to a greater extent than our net revenues. As a result of these factors, trends in our overall level of backlog may not be indicative of trends in our future net revenues.

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

Non-GAAP Reconciliation for Adjusted EBITDA

	LTM		
	Q3 2023	Q3 2023	Q3 2022
Net Revenues	\$ 753.0	\$ 196.3	\$ 186.6
Net Income	\$ 18.9	\$ 3.2	\$ 8.5
Interest Expense	\$ 18.8	\$ 5.4	\$ 3.0
Income Tax Expense	\$ 2.3	-	\$ 1.5
Depreciation	\$ 15.4	\$ 4.0	\$ 3.7
Amortization	\$ 17.1	\$ 4.5	\$ 4.0
Stock-Based Compensation Expense	\$ 16.6	\$ 5.7	\$ 2.7
Guaymas Fire Related Expenses	\$ 4.9	\$ 0.5	\$ 1.5
Other Fire Related Costs	\$ 0.5	-	-
Inventory Purchase Accounting Adjustments ¹	\$ 2.8	\$ 2.0	\$ 0.1
Restructuring Charges	\$ 15.8	\$ 4.0	\$ 0.6
Insurance recoveries related to loss on operating assets ²	(\$5.6)	-	-
Insurance recoveries related to business interruption ³	(\$4.6)	-	-
Other debt refinancing costs	-	-	\$ 0.2
Loss on extinguishment of debt	-	-	\$ 0.3
Adjusted EBITDA	\$ 103.0	\$ 29.3	\$ 26.0
% of Net Revenues	13.7%	14.9%	13.9%

(\$ millions)

¹ LTM Q3 2023, Q3 2023 and Q3 2022 include inventory purchase accounting adjustments of inventory that was stepped up in the purchase price allocation from the acquisition of BLR Aerospace in Apr 2023 and MagSeal Corporation in Dec 2021 and both are part of our Structural Systems operating segment.

² LTM Q3 2023 exclude other income received due to loss on operating assets insurance recoveries.

³ LTM Q3 2023 exclude other income received due to business interruption insurance recoveries.

*Amount may not total due to rounding.

Non-GAAP Reconciliation for Adjusted OI

(\$ millions)

	Ducommun		Structural		Electronic	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Net Revenues	\$ 196.3	\$ 186.6	\$ 85.5	\$ 73.2	\$ 110.7	\$ 113.4
Operating Income	\$ 8.6	\$ 13.2	\$ 6.7	\$ 6.7	\$ 12.7	\$ 13.9
Guaymas Fire Related Expenses	\$ 0.5	\$ 1.5	\$ 0.5	\$ 1.5	-	-
Other Income	-	\$ 0.2	-	-	-	-
Inventory Purchase Accounting Adjustments ¹	\$ 2.0	\$ 0.1	\$ 2.0	\$ 0.1	-	-
Restructuring Charges	\$ 4.0	\$ 0.6	\$ 2.2	\$ 0.2	\$ 1.8	\$ 0.3
Amortization of Acquisition Related Assets ²	\$ 2.3	\$ 1.6	\$ 1.9	\$ 1.2	\$ 0.4	\$ 0.4
Adjusted Operating Income	\$ 17.5	\$ 17.2	\$ 13.5	\$ 9.8	\$ 14.9	\$ 14.6
% of Net Revenues	8.9%	9.2%	15.7%	13.3%	13.4%	12.9%

¹ Q3 2023 and Q3 2022 include inventory purchase accounting adjustments of inventory that was stepped up in the purchase price allocation from the acquisition of BLR Aerospace in Apr 2023 and MagSeal Corporation in Dec 2021, and both are part of our Structural Systems operating segment.

² Q3 2023 and Q3 2022 include amortization of acquisition related assets from acquisitions of Lightning Diversion Systems, LLC, Certified Thermoplastics Co., LLC, Nobles Worldwide, MagSeal Corporation, and BLR Aerospace in Sep 2017, Apr 2018, Oct 2019, Dec 2021, and Apr 2023 respectively, and is part of our Electronic Systems, Structural Systems, Structural Systems Structural Systems, and Structural Systems operating segments, respectively.

*Amount may not total due to rounding.

Non-GAAP Reconciliation for Backlog and Bookings

(\$ millions)

	<u>Q3 2023</u>	<u>Q3 2022</u>
Remaining Performance Obligations ¹	<u>\$948</u>	<u>\$853</u>
Backlog ²	<u>\$959</u>	<u>\$954</u>
Bookings ³	<u>\$178</u>	<u>\$155</u>

Note: There is no reconciliation between GAAP remaining performance obligations and the non-GAAP backlog and non-GAAP bookings amounts.

¹ Based on customer placed purchase orders with firm fixed price and firm delivery dates.

² Based on customer placed purchase orders and long-term agreements with firm fixed price and expected delivery dates of 24 months or less.

³ Bookings defined as orders net of cancellations in the period.