



# Investor Presentation

May 2020

# Disclosures

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**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, 2018 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 end-use markets are cyclical; we depend upon a selected base of industries and customers; a significant portion of our business depends upon U.S. Government defense spending; we are subject to extensive regulation and audit by the Defense Contract Audit Agency; contracts with some of our customers contain provisions which give the customers a variety of rights that are unfavorable to us; further consolidation in the aerospace industry could adversely affect our business and financial results; our ability to successfully make acquisitions or enter into joint ventures, including our ability to successfully integrate, operate or realize the projected benefits of such businesses; we rely on our suppliers to meet the quality and delivery expectations of our customers; we use estimates when bidding on fixed-price contracts which estimates could change and result in adverse effects on our financial results; the impact of existing and future laws and regulations; the impact existing and future accounting standards and tax rules and regulations; environmental liabilities could adversely affect our financial results; cyber security attacks, internal system or service failures may adversely impact our business and operations; 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.

**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

Manufacturer of complex electronics and structural systems for commercial aerospace and military, defense and space programs



Extensive Offerings  
on Commercial and  
Military Fixed Wing Aircraft



Diverse Content on  
Key Missile Platforms  
Land, Sea and Air



Expansive Footprint  
for Commercial and  
Military Rotary Aircraft



# Investment Highlights

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## Defendable Niche

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

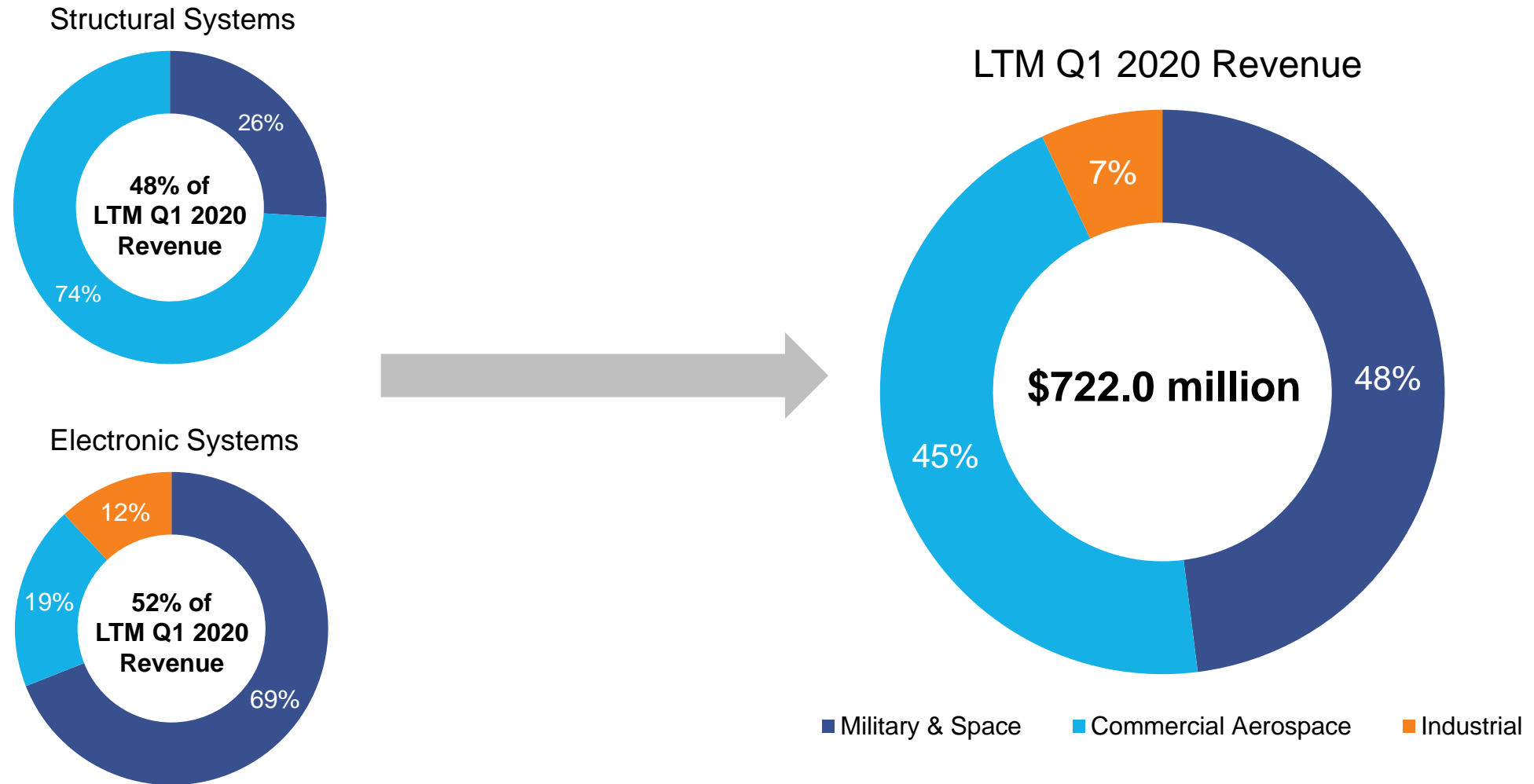
## Improving Financials

- Strong cash flow to reduce debt and fund long-term growth
- Focused on driving profitable top-line growth
- Asset optimization, process improvements and supply chain initiative to drive improved margins

## Sharpened Business Strategy

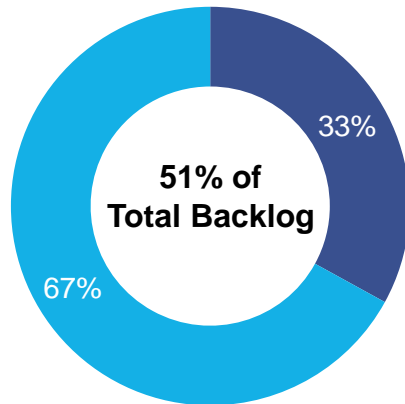
- Transforming into a higher margin innovative solutions provider
- Investment in organic growth and strategic acquisitions
- Relentless effort to drive companywide operational excellence

# Two Business Segments – Revenue

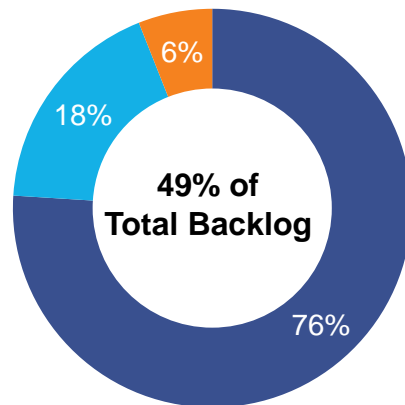


# Backlog Supports Focus on Aerospace & Defense Strategy

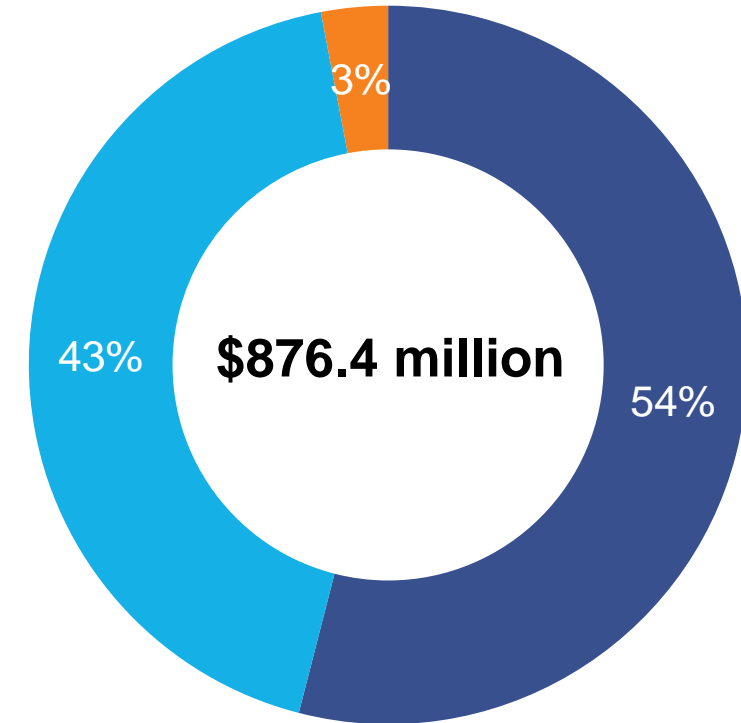
Structural Systems



Electronic Systems



Total Backlog at March 28, 2020



■ Military & Space ■ Commercial Aerospace ■ Industrial



# We Go to Market as One Company with Broad Capabilities

Each business is built on a unique set of competencies

## Focused Performance Centers of Excellence

### Electronic Systems



- Cockpit systems including push-button switches, motors, resolvers, lighted keyboards and panels
- Lightning protection



- Circuit card assemblies
- Complex, low volume applications
- Ruggedized for harsh environments



- Integrated assemblies including box-level electronic and mechanical assembly



- Wire harnesses and cables
- Ruggedized, high-temperature, pressure, flexibility and frequency



- Composite materials, metal bonding and autoclave capabilities
- Spoilers, rotor blades and tail cones



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



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



- Engineered products including extruded plastics for aircraft interiors and ammunition handling systems

Carson, CA  
Huntington Beach, CA  
Saraburi, Thailand

Tulsa, OK  
Appleton, WI

Huntsville, AR

Joplin, MO  
Berryville, AR

Monrovia, CA  
Guaymas, Mexico

Coxsackie, NY  
Parsons, KS

Gardena, CA  
Orange, CA  
El Mirage, CA

Santa Clarita, CA  
St. Croix Falls, WI

# Extensive Offerings on Commercial & 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
- ⑨ Lightning diverter strips and suppressors

## STRUCTURES

- ⑩ Ailerons, spoilers, and other flight control surfaces
- ⑪ Tail cones
- ⑫ Fuselage skins
- ⑬ Passenger and cargo doors
- ⑭ Window surrounds
- ⑮ Engine ducts
- ⑯ Exhaust ducts and nozzles
- ⑰ Extruded plastics (interior)



# Expansive Footprint on Commercial & 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 & Air

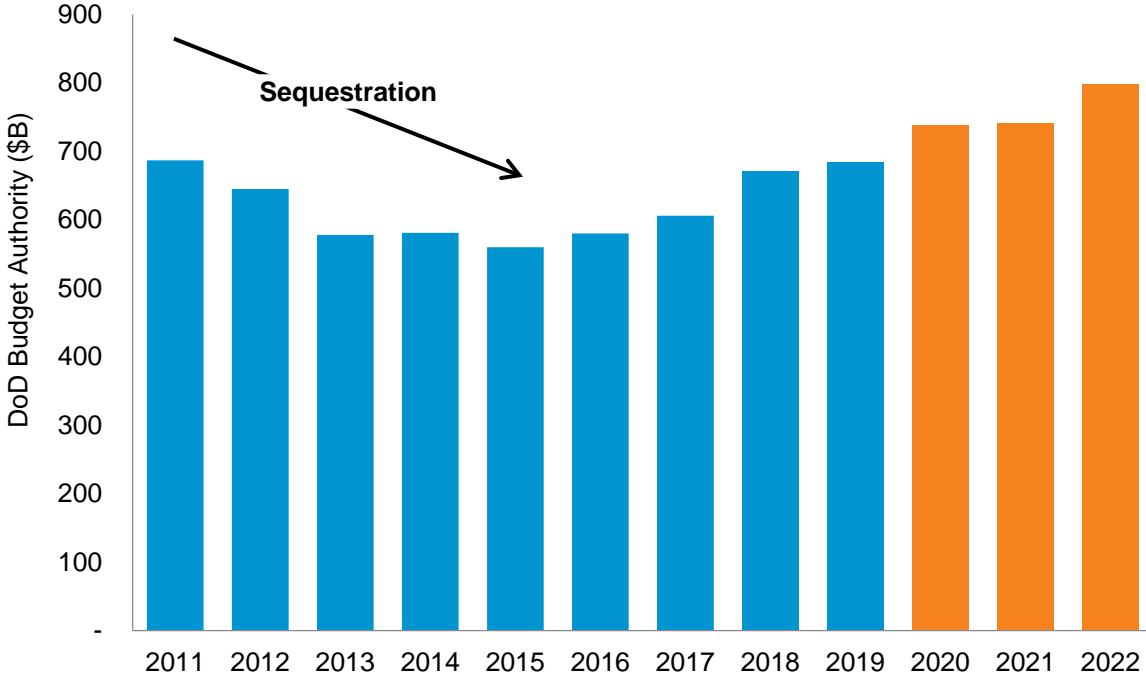


## ELECTRONICS

- 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
- ⑩ Mission critical components and assemblies for missile defense programs

# Defense Macro Trends – Defense Spending Outlook

U.S. Defense Spending Outlook



Source: FY2020 Budget Request Overview

- Revitalization of military readiness with an increasing defense budget with solid funding on missile platforms
- Platform upgrades, especially for both military fixed wing and rotorcraft aircraft
- Foreign military sales expected to increase



# Growth Drivers

	% of LTM Q1 2020 Revenue	% of Backlog at 3/28/20	Key Platforms
<b>Military and Space</b>	48%	54%	F-18 Aircraft F-35 (JSF) Aircraft Patriot Missile Apache Helicopter Blackhawk Helicopter
<b>Commercial Aerospace</b>	45%	43%	Boeing 737 MAX Boeing 787 Dreamliner Airbus A320 Airbus A220 Airbus A350
<b>Industrial</b>	7%	3%	High-end industrial and medical products

# Why We Win

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- ✓ Innovative, value-added solutions for tough technical challenges (e.g., temperature, weight, vibration, pressure)
- ✓ Proprietary engineered products with aftermarket support
- ✓ Unique and niche capabilities in electronics and structural manufacturing services for products and assemblies for increased technology content
- ✓ Agile, flexible and efficient operating model and organization
- ✓ Engineering design and rapid prototyping services support innovative outcomes



# Why to Invest in Ducommun

## Strategically Positioned

<b>Highly Engineered Products</b>	Growing portfolio of highly engineered products and proprietary technologies
<b>Blue Chip Customers</b>	Long-term relationships with broad base of blue chip customers
<b>Focused Platform Positions</b>	Aerospace & defense focused on large fixed wing and missile platforms

## Strong Financial Performance

<b>Top Line Growth</b>	Mid single digit revenue growth
<b>Profitability Gains</b>	Focus on scale, product mix and operational efficiency to enhance profitability
<b>Strong Free Cash Flow</b>	Average free cash flow conversion in excess of net earnings <sup>(1)</sup>

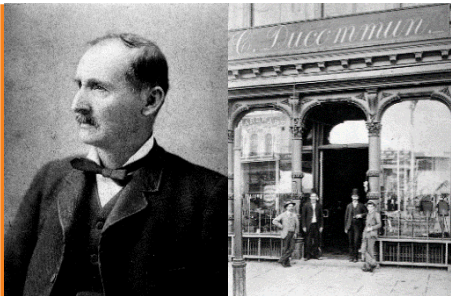
## Reliable Business Strategies

<b>Efficient Capital Allocation</b>	Consistently strong cash flows to reduce debt and fund long-term growth
<b>Focus on Innovation</b>	Commitment to internal investment to maintain differentiation and drive productivity
<b>Operational Excellence</b>	Lean culture and strategic investments designed to optimize invested capital



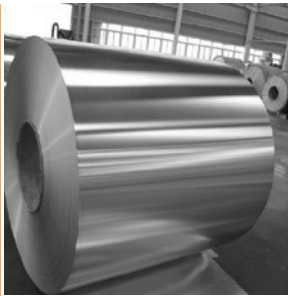
# Appendix

# Our Rich History



**1849**

Founded as a watch business, then general store during Gold Rush years



**1950s**

Becomes largest metals materials supplier to the aerospace industry in SoCal



**2000s**

Expanded into engineered products through acquisitions



**1848**

California becomes part of the United States



**1930s**

Provides aircraft aluminum to aerospace pioneers Lindbergh, Douglas and Lockheed



**1960s**

Diversifies into distribution of electronic components to the aerospace industry



**2017-**

Sharpens strategic focus on A&D, and streamlines organization

# Key Facts

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## Ducommun Incorporated

Exchange: Ticker	NYSE: DCO
Share price <sup>(1)</sup>	\$28.24
52-week high / low <sup>(1)</sup>	\$57.84 / \$16.27
Diluted shares outstanding <sup>(2)</sup>	11.9 million
Market cap <sup>(1)</sup>	\$329.0 million
Cash <sup>(2)</sup>	\$65.6 million
Net debt outstanding <sup>(2)</sup>	\$285.0 million
Enterprise value	\$614.0 million
LTM Q1 2020 revenue	\$722.0 million
LTM Q1 2020 consolidated adjusted EBITDA <sup>(3)</sup>	\$94.4 million

(1) As of 4/30/20

(2) As of 3/28/20

(3) 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

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**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. 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 customer placed purchase orders and long-term agreements with firm fixed prices and firm 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. Backlog in industrial markets tends to be of a shorter duration and is generally fulfilled within a 3-month period. 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 "Reconciliation of GAAP to Non-GAAP Measures" tables.



# Adjusted EBITDA for LTM Q1 2020

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*(dollars in thousands)*

Net income	\$	32,919
Interest expense		18,185
Income tax expense		5,727
Depreciation		13,430
Amortization		15,415
Stock-based compensation		7,976
Inventory step-up		511
Loss on extinguishment of debt		180
Other debt refinancing expense		<u>77</u>
<b>Adjusted EBITDA</b>	<b>\$</b>	<b><u>94,420</u></b>