Ducommun

Jefferies Industrials Conference

September 6, 2023

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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, net debt and backlog. 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 indicate that such information is material or that disclosure of such information is required.

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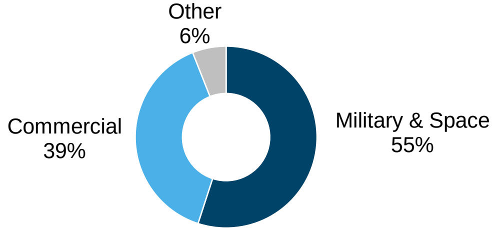
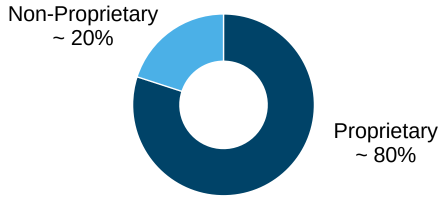
Our Company

LTM Q2 2023 Revenue:	LTM Q2 2023 Adjusted EBITDA Margin:	Q2 2023 Ending Backlog:
$743M	**13.4%**	**$1B**

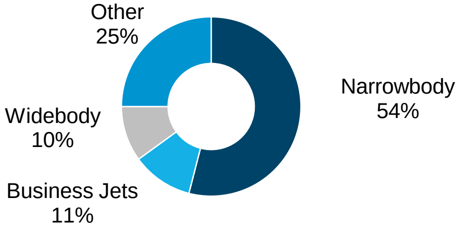
Revenue by End Market[1]



Proprietary Content[1]



Commercial Aerospace Mix[2]



Diverse Product Content on Large and Growing Platforms…

...Across a Broad Range of Customers

Raytheon Technologies, AIRBUS, LOCKHEED MARTIN, SPIRIT AEROSYSTEMS, BOEING, NORTHROP GRUMMAN, GENERAL DYNAMICS, GENERAL ATOMICS, Viasat, OSHKOSH DEFENSE

Leading manufacturer mainly as a Tier 1 supplier of complex electronics and structural systems for the commercial aerospace, defense, and space markets

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[1] *Figures based on LTM Q2 2023 Net Revenues mix.*

[2] *Figure based on backlog as of July 1, 2023.*

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Our Segments

		Electronic Systems *(62% of 2022 Revenue)*	Structural Systems *(38% of 2022 Revenue)*
Overview		Innovative and ruggedized electronic and electromechanical products and assemblies	Engineered aerostructure components and assemblies
Financial Profile (2022)	**Revenue**	**$441mm**	**$272mm**
	Adj. EBITDA Margin	**15%[1]**	**16%[1]**

Selected Products

Electronic Systems

Ruggedized Wire Harness


Human Machine Interface


Complex Circuit Card


Lightning Protection


Integrated Box Build


Motion Control


Structural Systems

Titanium Hot Forming


VersaCore Composite™ & Metalbond


Titanium Super Plastic Forming


Ammunition Handling Systems


Aluminum Stretch Form & Chemical Mill


Extruded Thermoplastics


Magnetic Seals


Aerodynamic Enhancement Products


Key Customers

Electronic Systems	Structural Systems
Raytheon Technologies	Boeing
Northrop Grumman	Airbus
Viasat	Sikorsky – A Lockheed Martin Company
General Atomics	GKN Aerospace
Parker	Raytheon Technologies
Sikorsky – A Lockheed Martin Company	Spirit AeroSystems
Lockheed Martin	Textron
Boeing	Gulfstream
	Stelia – Reliability. Performance.
	Bombardier

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[1] *Figures based on FY 2022*

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Historical Key Financial Data

Historical Key Financial Data

($ millions, unless stated otherwise)

	Year Ending							
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**LTM Q2 2023**
Revenue	551	558	629	721	629	645	713	743
Adj. EBITDA	55	54	71	92	88	93	95	100
Adj. EBITDA %	*10%*	*10%*	*11%*	*13%*	*14%*	*14%*	*13%*	*13%*
Net Debt	163	216	223	270	264	211	202	256
Leverage Ratio	*3.0*	*3.4*	*3.0*	*3.1*	*2.9*	*2.3*	*2.2*	*2.7*

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Note: Net Debt is defined as debt less cash and cash equivalents.

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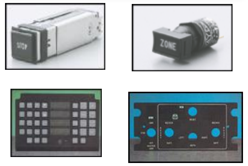
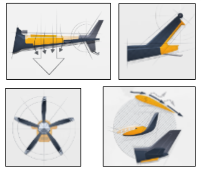
Key Investment Highlights

1. Expanding Portfolio of Proprietary Product Businesses Across Several Niche Segments
2. Cost Reduction Initiatives and Facility Rationalization Provide Further Margin Runway
3. Demonstrated M&A Strategy and Execution
4. Tier 1 Industry Player Entirely Focused on Aerospace & Defense
5. Well Positioned to Capture Commercial Aerospace Recovery with Content on Key Platforms
6. Resilient Defense Business with Strong Long Term Macro Tailwinds
7. Differentiated Manufacturing Services Capabilities
8. Strong Environmental, Social, and Corporate Governance Track Record

Driving shareholder value through 2027

Expanding Portfolio of Engineered Product Businesses

	Human Machine Interface Products	Ammunition Handling Systems	Magnetic Seals	Lightning Protection	Thermoplastic Extrusions	RF Switches	Motors & Resolvers	Aerodynamic Systems
		Acquisition (2019)	Acquisition (2021)	Acquisition (2017)	Acquisition (2018)			Acquisition (2023)
								
	Push Button Switches & Display Panels	Ammunition chutes, magazines and integrated ammunition handling systems	Magnetic and mechanical seals	Segmented diverter strips and suppressors	Thermoplastic extrusions and assemblies	Microwave switches	High Reliance motors and resolvers	Aerodynamic Systems including FastFin® systems, winglet systems, propellers and flow modifiers
Proprietary Designs	☑	☑	☑	☑	*	☑	☑	☑
Significant Sole Source Positions	☑	☑	☑	☑	☑	☑	☑	☑
Aftermarket content	☑	☑	☑	☑	☑	☑	☑	☑

Grew from 9% of revenue in 2017 to ~15% in 2022 with a target of 25% by 2027**

Increased aftermarket mix from 6% in 2017 to ~10% in 2022 with a target of 15% by 2027**

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**Proprietary process capability held by very limited group of suppliers and aftermarket content percentage is based on management estimates*
***Vision 2027 information as included in the Company's December 8, 2022 Investor Day Presentation.*

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Cost Reduction Initiatives to Support Margin Growth

Facility Consolidation

Monrovia, CA
(274k sq ft)

Berryville, AR
(50k sq ft)

Coxsackie,
New York

Guaymas,
Mexico

Joplin,
Missouri

Low Cost Footprint Expansion

Guaymas, Mexico

Increased square footage from 62k pre-pandemic to 117k in Q1 2023

Expanded capabilities beyond VersaCore to metal bond and wire harnesses

Consolidate redundant footprint & expand low-cost capability driving anticipated <u>$11-13M in annual savings</u>

Well Positioned on Key Commercial Aerospace Platforms

Shipset value estimate

Boeing Recovery Play – Content on MAX and 787

BOEING

- Significant content with titanium superplastic and hot form, thermoplastic and lightning protection products
- 737MAX ramp up slower than previous estimates but expected to recover through 2027
- 787 production resumption a positive

737MAX

~$175k

787

~$90k

Case Study: Growth with Airbus Platforms

AIRBUS

- 3X growth in revenues from Airbus platforms from 2017 through 2022
- Achieved D2P Supplier status with Airbus in 2020
- 5-year contract with additional 2-year option received in 2021 for A320 family and A330 platforms

A220

~$150k

A320 family

~$55k

A330

~$45k

Strong position on key Boeing platforms being supplemented by growing Airbus book of business

Positioned to Benefit from Macro Defense Tailwinds

Defense Prime Off Loading

Raytheon Technologies | NORTHROP GRUMMAN | GENERAL ATOMICS

- Take non-core manufacturing out of defense prime factories into lower cost Ducommun footprint
- Track record of on-time delivery and quality gives customers the confidence to shift work
- Win-Win solution with enough value to share between the primes and Ducommun

SPY-6

Next Gen Jammer Mid Band

Gaining content on Next Generation Platforms

Missile defense & Radars

Significant content on next-generation missile defense and related radar programs including SPY-6, LTAMDS/ GhostEye®, NASAMS, SM-3/6

Hypersonics

Partnering with leading Defense primes on Hypersonics and Counter Hypersonic programs

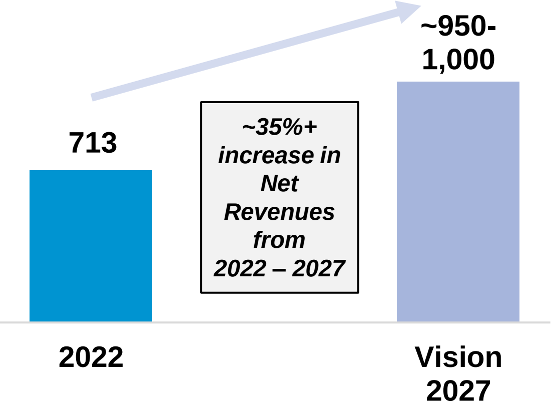
UAVs and Counter-UAS

Leveraging experience and capabilities to pursue content on next gen UAV and counter UAS platforms

Ducommun is bolstering its strong relationships with key Defense Primes

Vision 2027[1]

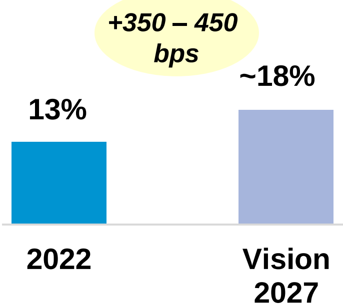
Net Revenues



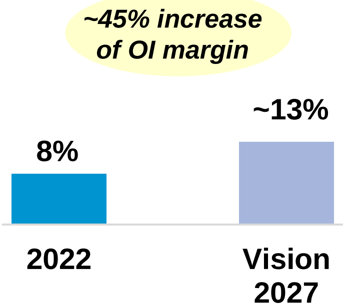
~59%[2]	Defense	~55 – 60%
~35%[2]	Commercial Aerospace	~40 – 45%

Adj. EBITDA Margin & Adj. Operating Margin

Adj. EBITDA Margin



Adj. Operating Margin



Scale from continued Commercial Aerospace recovery and Defense growth

Cost reductions and improved investment decisions

Strategic acquisitions

Pricing strategy focused on value

Facility consolidation

Vision 2027 – Key Tenets

- ✓ Defense business built out and at a higher scale: ~$525mm+
- ✓ Commercial Aerospace recovery fully leveraged with Titanium leadership: ~$325mm+
- ✓ Acquisition placeholder: ~$75mm+
- ✓ Business mix: ~55 – 60% Defense and ~40 – 45% Commercial Aerospace
- ✓ Adj. EBITDA margin at ~18%

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1. *Vision 2027 information as included in the Company's December 8, 2022 Investor Day Presentation, with the baseline 2022 Estimate updated for actuals.*
2. *Remaining 6% of Net Revenues mix by end-market in 2022 is Other.*
3. *Ducommun does not provide a reconciliation of 2027 adjusted EBITDA margin or 2027 adjusted operating margin or the most directly comparable forward-looking GAAP measure of net income because the timing and nature of excluded items are unreasonably difficult to fully and accurately estimate.*

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Appendix

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, depreciation, amortization, stock-based compensation expense, restructuring charges, gain on divestitures, net, Guaymas fire related expenses, other fire related expenses, inventory purchase accounting adjustments, loss on extinguishment of debt, other debt refinancing costs, gain on sale-leaseback, success bonus related to completion of sale-leaseback transaction, insurance recoveries related to business interruption, and insurance recoveries related to loss on operating assets), Adjusted EBITDA Margin, Adjusted Operating Income, Adjusted Operating Income Margin, net debt and backlog.

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.

The Company defines backlog as customer placed purchase orders and long-term agreements ("LTAs') with firm fixed price and expected delivery dates of 24 months of less. The majority of the LTAs do not meet the definition of a contract under ASC 606 and thus, the backlog amount disclosed herein is greater than the remaining performance obligations disclosed under ASC 606. Backlog is subject to delivery delays or program cancellations, which are beyond the Company's 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 the Company's net revenues. As a result of these factors, trends in the Company's overall level of backlog may not be indicative of trends in its 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.

Adjusted EBITDA for 2016 through LTM Q2 2023

($000's)

	2016	2017	2018	2019	2020	2021	2022	LTM Q2 2023
Net Revenues	**$ 551**	**$ 558**	**$ 629**	**$ 721**	**$ 629**	**$ 645**	**$ 713**	**$ 743**
Net Income	**$ 25**	**$ 20**	**$ 9**	**$ 32**	**$ 29**	**$ 136**	**$ 29**	**$ 24**
Interest Expense	9	9	13	18	14	11	12	16
Income Tax Expense (Benefit)	13	(12)	1	5	3	35	5	4
Depreciation	13	13	13	14	14	14	15	15
Amortization	10	10	12	15	15	14	17	17
Stock-Based Compensation Expense	3	5	5	7	9	11	11	14
Restructuring Charges [1]	-	9	15	-	2	-	7	12
Gain on Divestitures, Net [2]	(18)	-	-	-	-	-	-	-
Guaymas Fire Related Expenses	-	-	-	-	2	2	4	6
Other Fire Related Expenses	-	-	-	-	-	-	-	-
Inventory Purchase Accounting Adjustments [3]	-	1	1	1	-	-	1	1
Loss on Extinguishment of Debt	-	-	1	-	-	-	-	-
Other Debt Refinancing Costs	-	-	1	-	-	-	-	-
Gain on Sale-Leaseback	-	-	-	-	-	(133)	-	-
Success Bonus Related to Completion of Sale-Leaseback Transaction [4]	-	-	-	-	-	1	-	-
Insurance Recoveries Related to Business Interruption	-	-	-	-	-	-	(5)	(5)
Insurance Recoveries Related to Loss on Operating Assets	-	-	-	-	-	-	-	(6)
Adjusted EBITDA	**$ 55**	**$ 54**	**$ 71**	**$ 92**	**$ 88**	**$ 93**	**$ 94**	**$ 100**
% of Net Revenues	***10%***	***10%***	***11%***	***13%***	***14%***	***14%***	***13%***	***13%***

Note: May not sum due to rounding.

[1] 2017, 2018, and 2022 included $0.5M, $0.1M, and $0.5M, respectively, of restructuring charges that were recorded as cost of sales.

[2] 2016 included gain on divestitures, net in our electronic systems operating segment related to the divestitures of our Pittsburgh and Miltec operations.

[3] 2017, 2018, 2019, 2021 2022, and LTM Q2 2023 included inventory purchase accounting adjustments of inventory that was stepped up in the purchase price allocation from acquisitions of Lightning Diversion Systems, LLC, Certified Thermoplastics Co., LLC, Nobles Worldwide, Inc., Magnetic Seal LLC , 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.

[4] 2021 included $1.3M of success bonus related to completion of sale-leaseback transaction that was recorded as cost of sales.

Adjusted OI Margin for 2022

	2022
Net Revenues	**$ 713**
Operating Income	**$ 40**
Restructuring Charges [1]	7
Guaymas Fire Related Expenses	4
Inventory Purchase Accounting Adjustments [2]	1
Other Debt Refinancing Costs	-
Amortization of Acquisition Related Assets	6
Adjusted Operating Income	**$ 59**
% of Net Revenues	***8%***

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Note: May not sum due to rounding.
[1] 2022 included $0.5M of restructuring charges that were recorded as cost of goods sold.
[2] 2022 included inventory purchase accounting adjustments of inventory that was stepped up in the purchase price allocation and amortization of purchased intangible assets from acquisition of MagSeal Corporation on Dec 2022 and is part of our Structural Systems operating segment.

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Non-GAAP Reconciliation for Backlog

	7/1/2023
Remaining Performance Obligations [1]	$917
Backlog [2]	$1,010

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