



# Investor Presentation

January 2021

# 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.

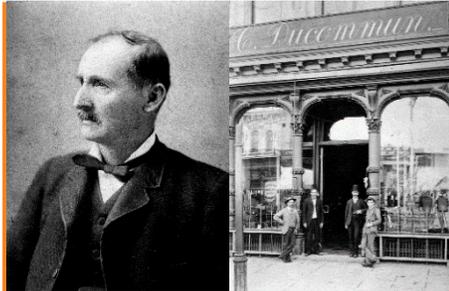
The information in this presentation is not a complete description of our business or the risks. There can be no assurance that other factors will not affect the accuracy of these forward-looking statements or that our actual results will not differ materially from the results anticipated in such forward-looking 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, 2019 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.

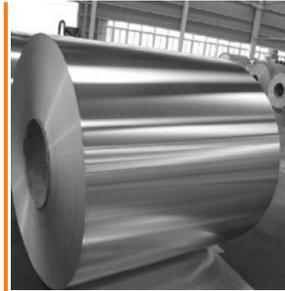
**Other:** The inclusion of information in this presentation does not mean that such information is material or that disclosure of such information is required.

# Our Rich History



## 1849

Founded by Charles L. Ducommun 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

# 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

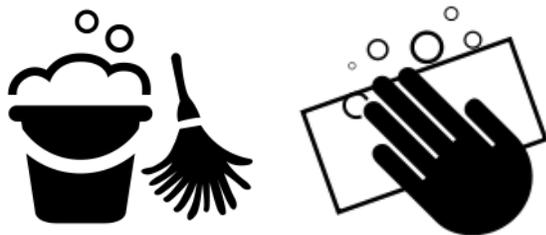


# COVID-19 Priorities

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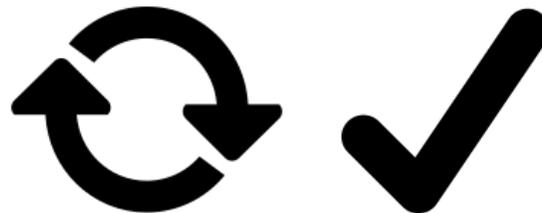
## Safety & Cleanliness

Strict company-wide safety practices and controls to CDC guidelines implemented



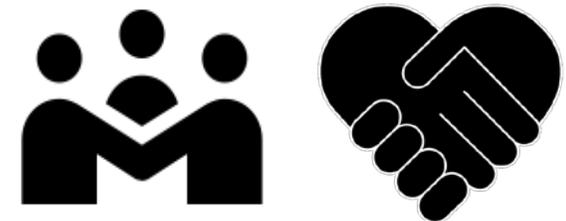
## Business Continuity

All Performance Centers continue to operate as essential businesses to meet customer needs



## Community Support

Financially supporting the response in the communities in which we operate



# Investment Highlights

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## Sharpened Business Strategy

- Balanced portfolio of defense and commercial aerospace
- Transforming into a higher margin innovative solutions provider
- Investment in organic growth and strategic acquisitions

## Defendable Niche

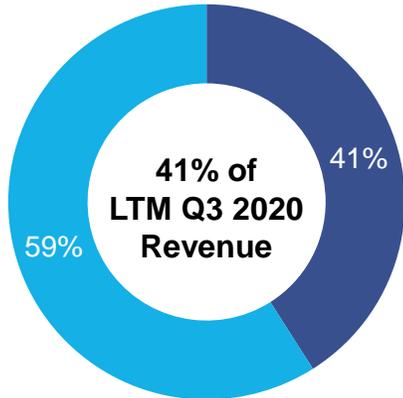
- Unique, sought-after range of capabilities
- Established relationships with blue-chip industry leaders
- Strategically positioned on key defense and commercial aerospace platforms

## Strong Financials

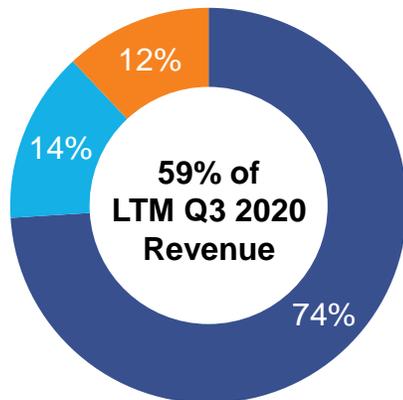
- Focused on driving profitable top-line growth
- Margin expansion through process improvements, supply chain initiatives and asset optimization
- Lean cost structure and ability to adjust spending for rapidly changing business environment

# Two Business Segments – Revenue

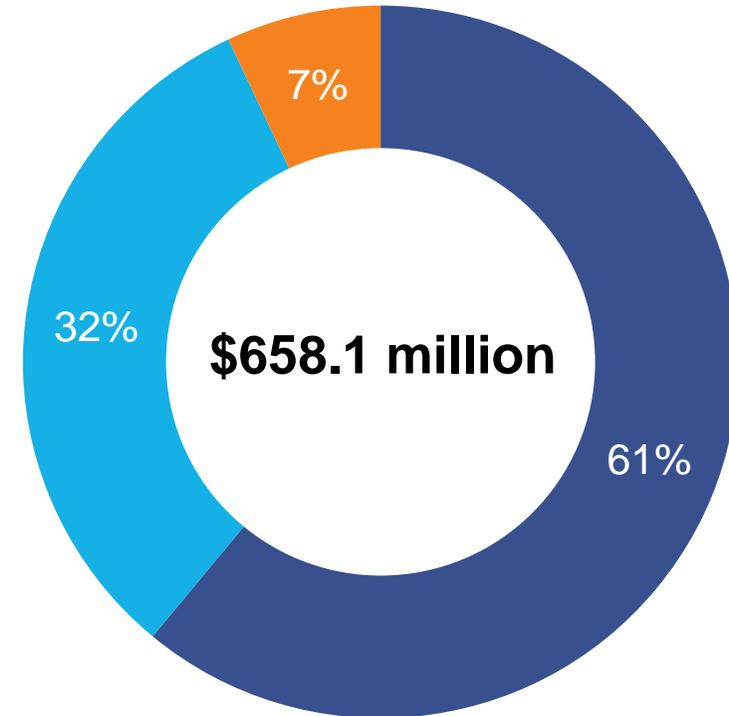
Structural Systems



Electronic Systems



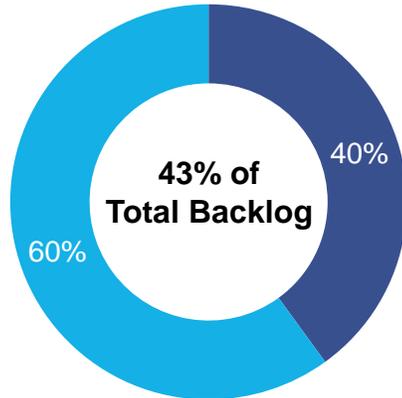
LTM Q3 2020 Revenue



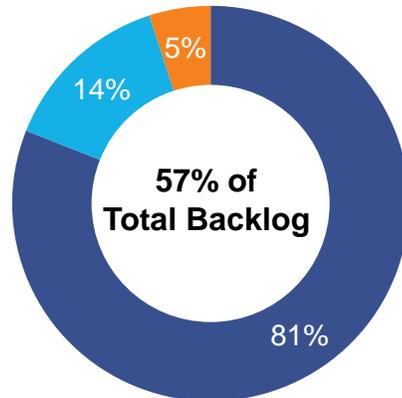
■ Military & Space   ■ Commercial Aerospace   ■ Industrial

# Backlog Supports Focus on Aerospace & Defense Strategy

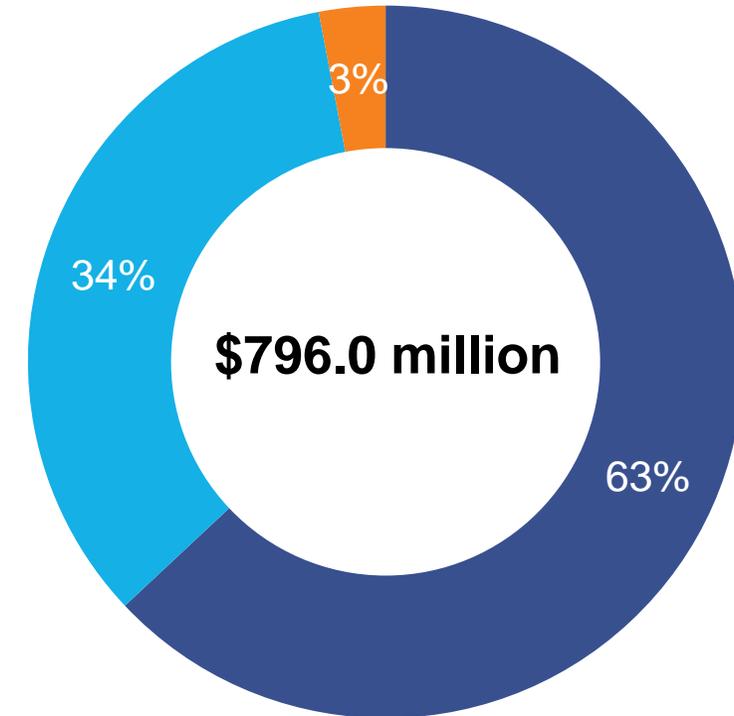
Structural Systems



Electronic Systems



Total Backlog at September 26, 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



- Engineered products including cockpit systems, push-button switches, motors, resolvers, lighted panels, and 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, nacelles and missile cases

### Structural Systems



- Titanium forming
- Engine ducts, pylons, firewalls, exhaust ducts, and nacelles
- Structural missile assemblies



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

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



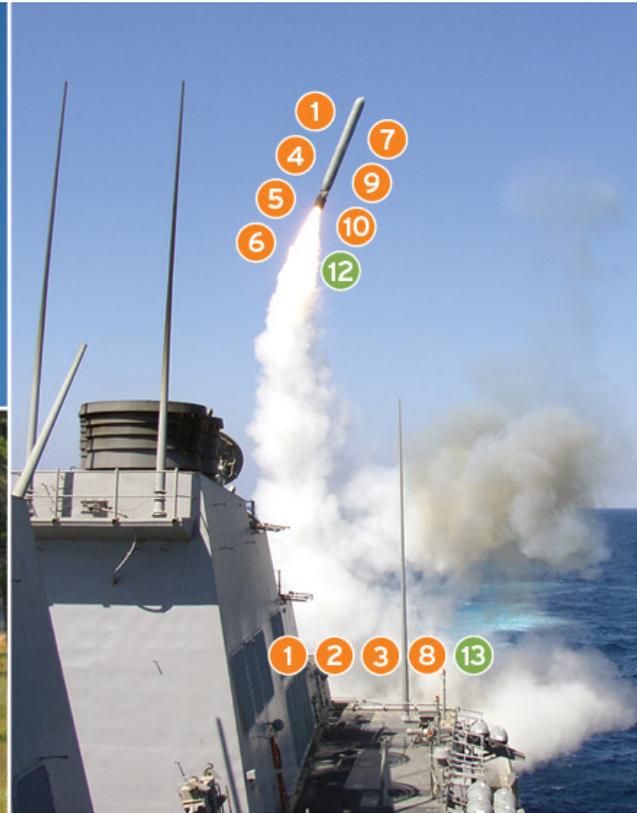
## ELECTRONIC SYSTEMS

- 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

## STRUCTURAL SYSTEMS

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

# Diverse Content on Key Missile & Munitions Platforms for Land, Sea & Air



**ELECTRONIC SYSTEMS**

- 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
- 11 Turret control systems

**STRUCTURAL SYSTEMS**

- 12 Missile defense structural applications
- 13 Ammunition feed and eject chutes
- 14 Complete ammunition handling systems

# Expansive Footprint on Commercial & Military Rotary Aircraft



## ELECTRONIC SYSTEMS

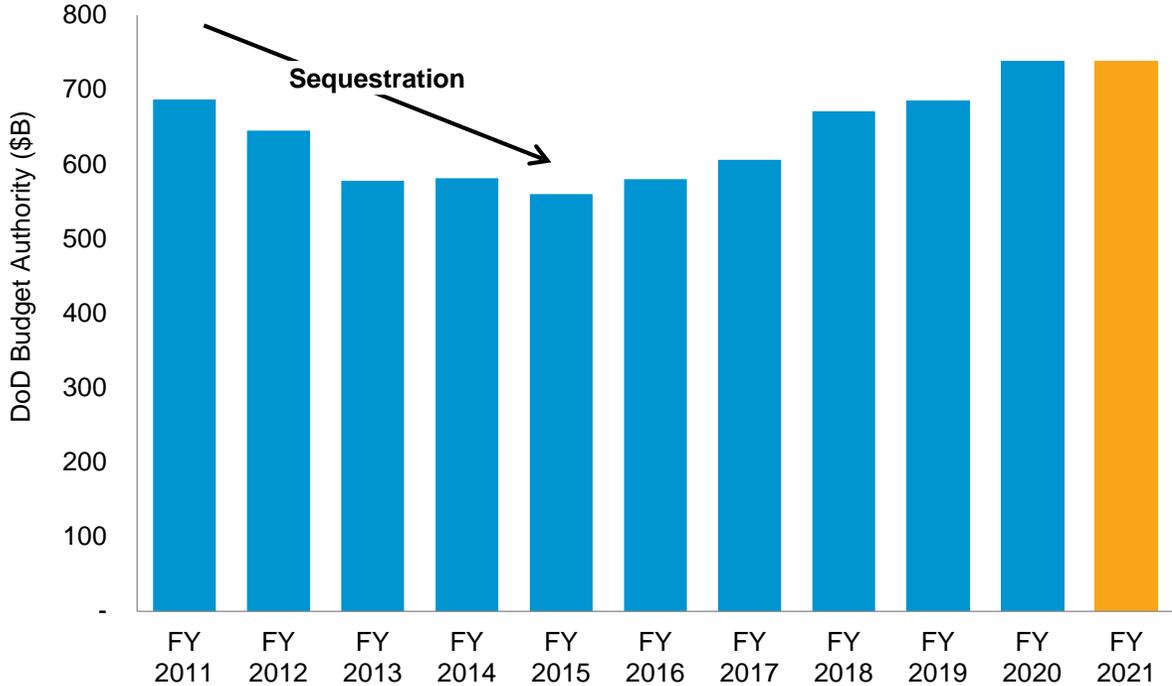
- ① Cockpit controls, lighted panels and switches
- ② Communication systems
- ③ Fuel management systems
- ④ Sensor suites
- ⑤ Avionics systems
- ⑥ Radar systems
- ⑦ De-icing systems

## STRUCTURAL SYSTEMS

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

# Defense Macro Trends – Defense Spending

## U.S. Defense Spending



Source: FY2021 Budget Request Overview

## Trends

- 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
- Military ground vehicle upgrades globally
- Foreign military sales expected to increase
- Increased on-shoring

# Growth Drivers

	<b>% of LTM Q3 2020 Revenue<sup>(1)</sup></b>	<b>% of Backlog<sup>(1)</sup> at 9/26/20</b>	<b>Key Platforms</b>
<b>Military and Space</b>	61%	63%	F-18 and F-35 Aircraft Patriot and TOW Missiles Apache and Blackhawk Helicopters
<b>Commercial Aerospace</b>	32%	34%	Airbus A320 and A220 Gulfstream models Boeing 737 MAX

# 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
- ✓ Quality focus with customer satisfaction continuing to increase
- ✓ 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>	Strong portfolio of highly engineered proprietary products and services
<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, rotary and missile platforms

## Reliable Business Strategies

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

## Strong Financial Performance

<b>Profitability Gains</b>	Focus on scale, product mix and operational efficiency to enhance profitability
<b>Free Cash Flow Generation</b>	Average free cash flow conversion in excess of net earnings
<b>Sufficient Liquidity</b>	Light covenant credit facility with minimal pay-down requirements through Q4 2024



# Appendix

# Key Facts

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## Ducommun Incorporated

Exchange: Ticker	NYSE: DCO
Share price <sup>(1)</sup>	\$53.70
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>	\$629.1 million
Cash <sup>(2)</sup>	\$74.6 million
Net debt outstanding <sup>(2)</sup>	\$272.7 million
Enterprise value	\$901.8 million
LTM Q3 2020 revenue	\$658.1 million
LTM Q3 2020 consolidated adjusted EBITDA <sup>(3)</sup>	\$90.3 million

(1) As of 10/30/20

(2) As of 9/26/20

(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 Q3 2020

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*(dollars in thousands)*

Net income	\$	28,392
Interest expense		16,218
Income tax expense		4,403
Depreciation		13,800
Amortization		15,495
Stock-based compensation		8,444
Restructuring charges		1,768
Guaymas fire related expenses		1,022
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>90,310</u></b>