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Employer Identification No.)â€‹â€‹One AAR Place, 1100 N. Wood Dale RoadWood Dale,Â IllinoisÂ Â Â Â 60191(Address of principal executive offices)â€‹(Zip Code)â€‹(630) 227-2000(Registrantâ€™s telephone number, including area code)Securities registered pursuant to Section 12(b) of the Act:â€‹Title of Each Classâ€‹Trading Symbol(s)â€‹Name of Each Exchange on Which RegisteredCommon Stock, $1.00 par valueâ€‹AIRâ€‹New York Stock ExchangeChicago Stock Exchangeâ€‹Indicate by check mark whether the registrant (1) has filed all reports required to be filed by SectionÂ 13 or 15(d)Â of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2)Â has been subject to such filing requirements for the past 90 days. Â Â Â YesÂ â˜’ NoÂ â˜â€‹Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Â§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Â Â Â YesÂ â˜’ NoÂ â˜â€‹Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act.â€‹Large accelerated filerÂ â˜’Accelerated filerÂ â˜Non-accelerated filerÂ â˜Smaller reporting companyÂ â˜Emerging growth companyÂ â˜â€‹If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. â˜â€‹Indicate by check mark whether the registrant is a shell company (as defined in RuleÂ 12b-2 of the Exchange Act). Â Â Â YesÂ â˜ NoÂ â˜’â€‹As of November 30, 2024 there were 35,914,649 shares of the registrantâ€™s Common Stock, $1.00 par value per share, outstanding.â€‹â€‹â€‹â€‹â€‹Table of ContentsAAR CORP. and SubsidiariesQuarterly Report on Form 10-QFor the Quarter Ended November 30, 2024Table of Contentsâ€‹â€‹â€‹PagePartÂ I â€” FINANCIAL INFORMATIONâ€‹Item 1.Financial Statementsâ€‹â€‹Condensed Consolidated Balance Sheets3â€‹Condensed Consolidated Statements of Operations5â€‹Condensed Consolidated Statements of Comprehensive Income (Loss)6â€‹Condensed Consolidated Statements of Cash Flows7â€‹Condensed Consolidated Statements of Changes in Equity8â€‹Notes to Condensed Consolidated Financial Statements9Item 2.Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations28Item 3.Quantitative and Qualitative Disclosures About Market Risk38Item 4.Controls and Procedures38â€‹â€‹â€‹PartÂ II â€” OTHER INFORMATIONâ€‹Item 1.Legal Proceedings39Item 1A.Risk Factors39Item 5.Other Information39Item 6.Exhibits40â€‹â€‹â€‹ExhibitÂ Index40Signatures 41â€‹â€‹â€‹2Table of ContentsPART I â€“ FINANCIAL INFORMATIONâ€‹Item 1 â€“ Financial Statementsâ€‹AAR CORP. and SubsidiariesCondensed Consolidated Balance SheetsAs of November 30, 2024 and May 31, 2024(In millions, except share data)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ASSETSâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹NovemberÂ 30,Â â€‹MayÂ 31,Â â€‹â€‹2024â€‹2024â€‹Â Â Â Â (Unaudited)Â Â Â Â Â Â â€‹â€‹Current assets:â€‹â€‹â€‹â€‹â€‹â€‹Cash and cash equivalentsâ€‹$ 61.7â€‹$ 85.8Restricted cashâ€‹â€‹ 20.8â€‹â€‹ 10.3Accounts receivable, less allowances of $11.5 and $14.1, respectivelyâ€‹â€‹ 320.4â€‹â€‹ 287.2Contract assetsâ€‹â€‹ 150.2â€‹â€‹ 123.2Inventoriesâ€‹Â 790.0â€‹Â 733.1Rotable assets and equipment on or available for short-term leaseâ€‹Â 65.5â€‹Â 81.5Assets of discontinued operations â€‹â€‹ 8.0â€‹â€‹ 9.9Prepaid expenses and other current assetsâ€‹â€‹ 81.4â€‹â€‹ 58.6Total current assetsâ€‹Â 1,498.0â€‹Â 1,389.6â€‹â€‹â€‹â€‹â€‹â€‹â€‹Property, plant, and equipment, net of accumulated depreciation of $289.8 and $280.0, respectivelyâ€‹â€‹ 167.0â€‹â€‹ 171.7â€‹â€‹â€‹â€‹â€‹â€‹â€‹Other assets:â€‹â€‹â€‹â€‹â€‹â€‹Goodwillâ€‹Â 543.2â€‹Â 554.8Intangible assets, net of accumulated amortization of $21.4 and $13.3, respectivelyâ€‹Â 227.3â€‹Â 235.4Rotable assets supporting long-term programsâ€‹â€‹ 174.0â€‹â€‹ 166.3Operating lease right-of-use assets, netâ€‹â€‹ 90.5â€‹â€‹ 96.6Other non-current assetsâ€‹Â 149.3â€‹Â 155.6â€‹â€‹Â 1,184.3â€‹Â 1,208.7â€‹â€‹$ 2,849.3â€‹$ 2,770.0â€‹The accompanying Notes to Condensed Consolidated FinancialStatements are an integral part of these statements.â€‹3Table of ContentsAAR CORP. and SubsidiariesCondensed Consolidated Balance SheetsAs of November 30, 2024 and May 31, 2024(In millions, except share data)â€‹â€‹â€‹â€‹â€‹â€‹â€‹LIABILITIES AND EQUITYâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹NovemberÂ 30,Â â€‹MayÂ 31,Â â€‹â€‹2024â€‹2024â€‹Â Â Â Â (Unaudited)Â Â Â Â Â Â â€‹â€‹Current liabilities:â€‹â€‹â€‹â€‹â€‹â€‹Accounts payableâ€‹$ 291.8â€‹$ 238.0Accrued liabilitiesâ€‹Â 258.8â€‹Â 219.3Liabilities of discontinued operationsâ€‹â€‹ 7.7â€‹â€‹ 9.6Total current liabilitiesâ€‹Â 558.3â€‹Â 466.9â€‹â€‹â€‹â€‹â€‹â€‹â€‹Long-term debtâ€‹Â 986.7â€‹Â 985.4Operating lease liabilitiesâ€‹â€‹ 78.0â€‹â€‹ 80.3Deferred tax liabilitiesâ€‹Â 23.5â€‹Â 23.9Other liabilitiesâ€‹Â 21.2â€‹Â 23.7â€‹â€‹Â 1,109.4â€‹Â 1,113.3â€‹â€‹â€‹â€‹â€‹â€‹â€‹Equity:â€‹â€‹â€‹â€‹â€‹â€‹Preferred stock, $1.00 par value, authorized 250,000 shares; none issuedâ€‹Â â€”â€‹Â â€”Common stock, $1.00 par value, authorized 100,000,000 shares; issued 45,300,786 shares at costâ€‹Â 45.3â€‹Â 45.3Capital surplusâ€‹Â 495.5â€‹Â 493.9Retained earningsâ€‹Â 944.3â€‹Â 956.9Treasury stock, 9,386,137 and 9,606,820 shares at cost, respectivelyâ€‹Â (292.9)â€‹Â (297.5)Accumulated other comprehensive lossâ€‹Â (10.6)â€‹Â (8.8)Total equityâ€‹Â 1,181.6â€‹Â 1,189.8â€‹â€‹$ 2,849.3â€‹$ 2,770.0â€‹The accompanying Notes to Condensed Consolidated FinancialStatements are an integral part of these statements.â€‹â€‹4Table of ContentsAAR CORP. and SubsidiariesCondensed Consolidated Statements of OperationsFor the Three and Six Months Ended November 30, 2024 and 2023(Unaudited)(In millions, except share data)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended â€‹Six Months Ended â€‹Â Â Â Â November 30,â€‹November 30,â€‹â€‹2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023Sales:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Sales from productsâ€‹$ 401.9â€‹$ 320.2â€‹$ 778.5â€‹$ 657.7Sales from servicesâ€‹Â 284.2â€‹Â 225.2â€‹Â 569.3â€‹Â 437.4â€‹â€‹Â 686.1â€‹Â 545.4â€‹Â 1,347.8â€‹Â 1,095.1Cost and operating expenses:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Cost of productsâ€‹Â 334.7â€‹Â 257.5â€‹Â 655.5â€‹Â 531.3Cost of servicesâ€‹Â 222.8â€‹Â 184.5â€‹Â 446.5â€‹Â 359.1â€‹â€‹â€‹ 557.5â€‹â€‹ 442.0â€‹â€‹ 1,102.0â€‹â€‹ 890.4Gross profitâ€‹â€‹ 128.6â€‹â€‹ 103.4â€‹â€‹ 245.8â€‹â€‹ 204.7Provision for (Recovery of) credit lossesâ€‹â€‹ (0.3)â€‹â€‹â€”â€‹â€‹ (0.1)â€‹â€‹ 0.4Selling, general and administrativeâ€‹Â 133.1â€‹Â 65.7â€‹Â 209.0â€‹Â 140.4Earnings (Loss) from joint venturesâ€‹Â 1.9â€‹Â 0.6â€‹Â 4.2â€‹Â (0.3)Operating income (loss)â€‹â€‹ (2.3)â€‹â€‹ 38.3â€‹â€‹ 41.1â€‹â€‹ 63.6Pension settlement chargeâ€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â (26.7)Losses related to sale and exit of businessâ€‹â€‹ (1.2)â€‹â€‹ (0.9)â€‹â€‹ (1.3)â€‹â€‹ (1.6)Other expense, netâ€‹â€‹ (0.2)â€‹â€‹ (0.1)â€‹â€‹ (0.3)â€‹â€‹ (0.1)Interest expenseâ€‹Â (19.3)â€‹Â (6.2)â€‹Â (38.1)â€‹Â (12.0)Interest incomeâ€‹Â 0.5â€‹Â 0.6â€‹Â 1.0â€‹Â 1.0Income (Loss) from continuing operations before income taxesâ€‹â€‹ (22.5)â€‹â€‹ 31.7â€‹â€‹ 2.4â€‹â€‹ 24.2Income tax expenseâ€‹â€‹ 8.1â€‹â€‹ 7.9â€‹â€‹ 15.0â€‹â€‹ 1.0Net income (loss)â€‹$ (30.6)â€‹$ 23.8â€‹$ (12.6)â€‹$ 23.2â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Earnings (Loss) per share â€“ basicâ€‹$ (0.87)â€‹$ 0.67â€‹$ (0.36)â€‹$ 0.66â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Earnings (Loss) per share â€“ dilutedâ€‹$ (0.87)â€‹$ 0.67â€‹$ (0.36)â€‹$ 0.65â€‹The accompanying Notes to Condensed Consolidated FinancialStatements are an integral part of these statements.â€‹â€‹5Table of ContentsAAR CORP. and SubsidiariesCondensed Consolidated Statements of Comprehensive Income (Loss)For the Three and Six Months Ended November 30, 2024 and 2023(Unaudited)(In millions)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended â€‹Six Months Endedâ€‹Â Â Â Â November 30,â€‹November 30,â€‹â€‹2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023Net income (loss)â€‹$ (30.6)â€‹$ 23.8â€‹$ (12.6)â€‹$ 23.2Other comprehensive income (loss), net of tax:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Currency translation adjustmentsâ€‹Â (3.3)â€‹Â (0.4)â€‹â€‹ (1.8)â€‹â€‹ 0.1Pension and other post-retirement plans, net of taxâ€‹Â â€”â€‹Â â€”â€‹â€‹ â€”â€‹â€‹ 14.9Other comprehensive income (loss), net of taxâ€‹Â (3.3)â€‹Â (0.4)â€‹â€‹ (1.8)â€‹â€‹ 15.0Comprehensive income (loss)â€‹$ (33.9)â€‹$ 23.4â€‹$ (14.4)â€‹$ 38.2â€‹The accompanying Notes to Condensed Consolidated FinancialStatements are an integral part of these statements.â€‹â€‹6Table of ContentsAAR CORP. and SubsidiariesCondensed Consolidated Statements of Cash FlowsFor the Six Months Ended November 30, 2024 and 2023(Unaudited)(In millions)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Six Months Endedâ€‹November 30,â€‹Â Â Â Â 2024Â Â Â Â 2023Cash flows provided by (used in) operating activities:â€‹â€‹â€‹â€‹â€‹â€‹Net income (loss)â€‹$ (12.6)â€‹$ 23.2Adjustments to reconcile net income (loss) to net cash provided by used in operating activities:â€‹â€‹â€‹â€‹â€‹â€‹Depreciation and amortizationâ€‹Â 28.8â€‹â€‹ 17.1Stock-based compensation expenseâ€‹Â 10.0â€‹â€‹ 7.9Pension settlement chargeâ€‹â€‹â€”â€‹â€‹ 26.7Loss (Earnings) from joint venturesâ€‹â€‹ (4.2)â€‹â€‹ 0.3Provision for (Recovery of) credit lossesâ€‹â€‹ (0.1)â€‹â€‹ 0.4Deferred tax provision (benefit)â€‹â€‹ (0.5)â€‹â€‹ (4.6)Changes in certain assets and liabilities:â€‹â€‹â€‹â€‹â€‹â€‹Accounts receivableâ€‹Â (33.3)â€‹Â (6.3)Contract assetsâ€‹â€‹ (27.2)â€‹â€‹ (12.4)Inventoriesâ€‹â€‹ (57.4)â€‹â€‹ (71.5)Prepaid expenses and other current assetsâ€‹â€‹ (10.6)â€‹â€‹ (10.2)Rotable assets supporting long-term programsâ€‹Â (12.1)â€‹Â (4.0)Accounts payableâ€‹Â 54.2â€‹Â 52.8Accrued and other liabilitiesâ€‹Â 48.4â€‹â€‹ (5.6)Deferred revenue on long-term programsâ€‹â€‹ (6.4)â€‹â€‹ (9.5)Otherâ€‹â€‹ 26.4â€‹Â (5.4)Net cash provided by (used in) operating activities â€“ continuing operationsâ€‹Â 3.4â€‹Â (1.1)Net cash used in operating activities â€“ discontinued operationsâ€‹Â â€”â€‹Â (0.2)Net cash provided by (used in) operating activitiesâ€‹â€‹ 3.4â€‹â€‹ (1.3)Cash flows used in investing activities:â€‹â€‹â€‹â€‹â€‹â€‹Property, plant, and equipment expendituresâ€‹â€‹ (16.2)â€‹â€‹ (16.4)Acquisitionâ€‹â€‹ 2.9â€‹â€‹ â€”Otherâ€‹â€‹ 0.1â€‹â€‹ (3.9)Net cash used in investing activitiesâ€‹â€‹ (13.2)â€‹â€‹ (20.3)Cash flows provided by (used in) financing activities:â€‹â€‹â€‹â€‹â€‹â€‹Short-term borrowings, netâ€‹â€‹ â€”â€‹â€‹ 5.0Stock compensation activityâ€‹â€‹ (3.8)â€‹â€‹ 10.3Net cash provided by (used in) financing activitiesâ€‹Â (3.8)â€‹Â 15.3Decrease in cash, cash equivalents, and restricted cashâ€‹â€‹ (13.6)â€‹â€‹ (6.3)Cash, cash equivalents, and restricted cash at beginning of periodâ€‹Â 96.1â€‹â€‹ 81.8Cash, cash equivalents, and restricted cash at end of periodâ€‹$ 82.5â€‹$ 75.5â€‹The accompanying Notes to Condensed Consolidated FinancialStatements are an integral part of these statements.â€‹7Table of ContentsAAR CORP. and SubsidiariesCondensed Consolidated Statements of Changes in EquityFor the Three and Six Months Ended November 30, 2024 and 2023(Unaudited)(In millions)â€‹Accumulatedâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Otherâ€‹â(Loss)Â Â Â TotalÂ EquityBalance, MayÂ 31,Â 2024â€‹$ 45.3â€‹$ 493.9â€‹$ 956.9â€‹$ (297.5)â€‹$ (8.8)â€‹$ 1,189.8Net incomeâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 18.0â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 18.0Stock option activityâ€‹â€‹ â€”â€‹â€‹ 0.9â€‹â€‹ â€”â€‹â€‹ 0.2â€‹â€‹ â€”â€‹â€‹ 1.1Restricted stock activityâ€‹â€‹ â€”â€‹â€‹ (4.4)â€‹â€‹ â€”â€‹â€‹ 4.2â€‹â€‹ â€”â€‹â€‹ (0.2)Other comprehensive loss, net of taxâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 1.5â€‹â€‹ 1.5Balance, August 31, 2024â€‹$ 45.3â€‹$ 490.4â€‹$ 974.9â€‹$ (293.1)â€‹$ (7.3)â€‹$ 1,210.2Net lossâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (30.6)â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (30.6)Stock option activityâ€‹â€‹ â€”â€‹â€‹ 1.0â€‹â€‹ â€”â€‹â€‹ 0.2â€‹â€‹ â€”â€‹â€‹ 1.2Restricted stock activityâ€‹â€‹ â€”â€‹â€‹ 4.1â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 4.1Other comprehensive loss, net of taxâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (3.3)â€‹â€‹ (3.3)Balance, NovemberÂ 30,Â 2024â€‹$ 45.3â€‹$ 495.5â€‹$ 944.3â€‹$ (292.9)â€‹$ (10.6)â€‹$ 1,181.6â€‹Accumulatedâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Otherâ€‹â€ MayÂ 31,Â 2023â€‹$ 45.3â€‹$ 484.5â€‹$ 910.6â€‹$ (317.8)â€‹$ (23.5)â€‹$ 1,099.1Net lossâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (0.6)â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (0.6)Stock option activityâ€‹â€‹ â€”â€‹â€‹ (0.3)â€‹â€‹ â€”â€‹â€‹ 7.0â€‹â€‹ â€”â€‹â€‹ 6.7Restricted stock activityâ€‹â€‹ â€”â€‹â€‹ (2.4)â€‹â€‹ â€”â€‹â€‹ 3.7â€‹â€‹ â€”â€‹â€‹ 1.3Other comprehensive income, net of taxâ€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 15.4â€‹â€‹ 15.4Balance, August 31, 2023â€‹$ 45.3â€‹$ 481.8â€‹$ 910.0â€‹$ (307.1)â€‹$ (8.1)â€‹$ 1,121.9Net incomeâ€‹â€‹â€”â€‹â€‹ â€”â€‹â€‹ 23.8â€‹â€‹ â€”â€‹â€‹â€”â€‹â€‹ 23.8Stock option activityâ€‹â€‹â€”â€‹â€‹ 0.9â€‹â€‹â€”â€‹â€‹ 6.3â€‹â€‹â€”â€‹â€‹ 7.2Restricted stock activityâ€‹â€‹â€”â€‹â€‹ 3.0â€‹â€‹â€”â€‹â€‹ â€”â€‹â€‹â€”â€‹â€‹ 3.0Other comprehensive loss, net of taxâ€‹â€‹â€”â€‹â€‹ â€”â€‹â€‹â€”â€‹â€‹â€”â€‹â€‹ (0.4)â€‹â€‹ (0.4)Balance, NovemberÂ 30,Â 2023â€‹$ 45.3â€‹$ 485.7â€‹$ 933.8â€‹$ (300.8)â€‹$ (8.5)â€‹$ 1,155.5â€‹The accompanying Notes to Condensed Consolidated FinancialStatements are an integral part of these statements.â€‹â€‹8Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Note 1 â€“ Basis of Presentationâ€‹AAR CORP. and its subsidiaries are referred to herein collectively as â€œAAR,â€ â€œCompany,â€ â€œwe,â€ â€œus,â€ or â€œour,â€ unless the context indicates otherwise. The accompanying Condensed Consolidated Financial Statements include the accounts of AAR and its subsidiaries after elimination of intercompany accounts and transactions.â€‹We have prepared these statements without audit, pursuant to the rulesÂ and regulations of the United States Securities and Exchange Commission (â€œSECâ€). The Condensed Consolidated Balance Sheet as of May 31, 2024 has been derived from audited financial statements. To prepare the financial statements in conformity with U.S. generally accepted accounting principles (â€œGAAPâ€), management has made a number of estimates and assumptions relating to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Certain information and note disclosures, normally included in comprehensive financial statements prepared in accordance with GAAP, have been condensed or omitted pursuant to such rulesÂ and regulations of the SEC. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual

Report on FormÂ 10-K for the fiscal year ended May 31, 2024.â€‹In the opinion of management, the Condensed Consolidated Financial Statements reflect all adjustments (which consist only of normal recurring adjustments) necessary to present fairly the Condensed Consolidated Balance Sheet of AAR CORP. and its subsidiaries as of November 30, 2024, the Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Comprehensive Income (Loss) for the three- and six-month periods ended November 30, 2024 and 2023, the Condensed Consolidated Statements of Cash Flows for the six-month periods ended November 30, 2024 and 2023, and the Condensed Consolidated Statement of Changes in Equity for the three- and six-month periods ended November 30, 2024 and 2023. The results of operations for such interim periods are not necessarily indicative of the results for the full year.â€‹New Accounting Pronouncements Not Yet Adoptedâ€‹In November 2023, the Financial Accounting Standards Board (â€œFASBâ€) issued Accounting Standards Update (â€œASUâ€) 2023-07, Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures. This ASU requires disclosures to include significant segment expenses that are regularly provided to the Chief Operating Decision Maker (â€œCODMâ€), a description of other segment items by reportable segment, and any additional measures of a segmentâ€™s profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires all annual disclosures to also be included in interim periods. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 with retrospective application to all prior periods presented in the financial statements. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows, and financial condition.â€‹In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures. This ASU updates income tax disclosure requirements by requiring specific categories and greater disaggregation within the income tax rate reconciliation and disaggregation of income taxes paid by jurisdiction. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The ASU would be applied on a prospective basis with retrospective application permitted. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows, and financial condition.â€‹In November 2024, the FASB issued ASU No. 2024-03, Income Statement â€“ Reporting Comprehensive Income â€“ Expense Disaggregation Disclosures (Subtopic 220-40), Disaggregation of Income Statement Expenses. This ASU includes new disclosure requirements about specific expense categories, including but not limited to, purchases of inventory, employee compensation, depreciation, amortization, and selling expenses that are included in certain expense captions presented on the face of the income statement. The ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted and the ASU can be applied on a prospective or retrospective basis. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows, and financial condition.â€‹9Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Note 2 â€“ Acquisitionsâ€‹Acquisition of Triumph Groupâ€™s Product Support Businessâ€‹On March 1, 2024, we completed the acquisition of Triumph Group, Inc.â€™s Product Support business (â€œProduct Supportâ€) for an initial purchase price of $725.0 million. The post-closing adjustments for cash, working capital and indebtedness were resolved in the first quarter of fiscal 2025 resulting in a $2.9 million reduction in the purchase price. Product Support is a leading global provider of specialized maintenance, repair, and overhaul (â€œMROâ€) capabilities for critical aircraft components in the commercial and defense markets, providing MRO services for structural components, engine and airframe accessories, interior refurbishment and wheels and brakes. Product Support also designs proprietary designated engineering representative repairs and parts manufacturer approval parts.â€‹Product Supportâ€™s results are reported within our Repair & Engineering segment. The purchase price was paid at closing and was funded with debt financing. Transaction costs associated with the acquisition of $21.0 million were expensed as incurred within Selling, general and administrative expenses in fiscal 2024.â€‹In connection with the acquisition, we secured commitments for a bridge financing facility (the â€œBridge Facilityâ€). No amounts were drawn under the Bridge Facility, which was terminated on March 1, 2024 upon securing permanent debt financing and closing the acquisition. We expensed $6.1 million within Interest expense in fiscal 2024 for the fees associated with the Bridge Facility. â€‹We accounted for the acquisition using the acquisition method and included the results of Product Supportâ€™s operations in our consolidated financial statements from the effective date of the acquisition. The amounts recorded for certain assets and liabilities are preliminary in nature and are subject to adjustment as additional information is obtained about their acquisition date fair values. The allocation of the purchase price is preliminary and will likely change in future periods as fair value estimates of the assets acquired and liabilities assumed are finalized, including those primarily related to working capital, rotable assets, property and equipment, and taxes. The final determination of the fair values will be completed within the one-year measurement period. â€‹The preliminary fair value of assets acquired and liabilities assumed is as follows:â€‹â€‹â€‹â€‹â€‹Accounts receivableÂ Â Â Â $ 42.3Contract assetsÂ â€‹ 19.1InventoryÂ â€‹ 68.3Rotable assetsÂ â€‹ 21.0Property & equipmentÂ â€‹ 40.7Intangible assetsâ€‹â€‹ 179.0Investment in joint ventureâ€‹â€‹ 17.9Other assetsâ€‹â€‹ 4.1Accounts payableâ€‹â€‹ (21.6)Other liabilitiesÂ â€‹ (14.8)Net assets acquiredÂ â€‹ 356.0GoodwillÂ â€‹ 364.0Purchase price, net of cash acquiredâ€‹$ 720.0â€‹Acquired amortizable intangible assets include customer relationships of $95.7 million and developed technology of $83.3 million which are being amortized over 12.5 years and 20 years, respectively. The goodwill associated with the Product Support acquisition is deductible for tax purposes and is primarily attributable to the benefits we expect to derive from expected synergies including facility rationalization, complementary products and services, cross-selling opportunities, in-sourcing repair services and intangible assets that do not qualify for separate recognition, such as their assembled workforce. â€‹As part of our ongoing integration activities, we are consolidating our facility footprint which includes closing our Garden City, New York component repair facility and relocating those operations to certain Product Support facilities. We expect to have the transition of the facilityâ€™s operations completed in fiscal 2026. During the three- and six-month periods ended November 30, 2024, we recognized $2.3 million and $3.8 million, respectively, of integration expenses, including facility closure costs, severance, retention and other costs.10Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)â€‹Acquisition of Trax USA Corp.â€‹On March 20, 2023, we acquired the outstanding shares of Trax USA Corp. (â€œTraxâ€) for a purchase price of $120.0 million plus contingent consideration of up to $20.0 million based on Traxâ€™s adjusted revenue in calendar years 2023 and 2024. Trax is a leading provider of aircraft MRO and fleet management software supporting a broad spectrum of maintenance activities for a diverse global customer base of airlines and MROs.â€‹The purchase price was paid at closing except for $12.0 million which was placed on deposit with an escrow agent to secure potential indemnification obligations and fund post-closing adjustments for working capital and indebtedness. The post-closing adjustments for working capital and indebtedness were finalized in the three-month period ended November 30, 2023, resulting in a purchase price reduction of $1.8 million. â€‹The contingent consideration is based on an adjusted cumulative revenue target across calendar years 2023 and 2024. The adjusted cumulative revenue target is based on revenue recognized under U.S. GAAP adjusted for certain events related to deferred revenue, customer commitments, and other adjustments. The contingent consideration also required certain of the former ownersâ€™ continued employment through December 31, 2024 and is treated as compensation expense within Selling, general and administrative expenses. We recognized compensation expense of $0.6 million and $1.4 million in the three-month periods ended November 30, 2024 and 2023, respectively, and $2.1 million and $2.8 million in the six-month periods ended November 30, 2024 and 2023, respectively. As of November 30, 2024, we have a contingent consideration liability of $10.7 million which was classified as Accrued liabilities on our Condensed Consolidated Balance Sheet. We expect to finalize the contingent consideration before the end of fiscal 2025.â€‹â€‹Note 3 â€“ Discontinued Operationsâ€‹During the third quarter of fiscal 2018, we decided to pursue the sale of our Contractor-Owned, Contractor-Operated (â€œCOCOâ€) business previously included in our Expeditionary Services segment. Due to this strategic shift, the assets, liabilities, and results of operations of our COCO business have been reported as discontinued operations for all periods presented. Unless otherwise noted, amounts and disclosures throughout these Notes to Condensed Consolidated Financial Statements relate to our continuing operations.â€‹Following the sale of the last operating contract of the COCO business in 2020, our continuing involvement in the COCO business is limited to the lease of certain aircraft which is an obligation of the acquirer of the COCO business. The assets and liabilities of our discontinued operations are primarily comprised of right-of-use (â€œROUâ€) assets and lease-related liabilities.â€‹â€‹11Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Note 4 â€“ Revenue Recognitionâ€‹Revenue is measured based on the consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. We recognize revenue when we satisfy a performance obligation by transferring control over a product or service to a customer.â€‹Our unit of accounting for revenue recognition is a performance obligation included in our customer contracts. A performance obligation reflects the distinct good or service that we must transfer to a customer. At contract inception, we evaluate if the contract should be accounted for as a single performance obligation or if the contract contains multiple performance obligations. In some cases, our contract with the customer is considered one performance obligation as it includes factors such as whether the good or service being provided is significantly integrated with other promises in the contract, whether the service provided significantly modifies or customizes another good or service or whether the good or service is highly interdependent or interrelated. If the contract has more than one performance obligation, we determine the standalone price of each distinct good or service underlying each performance obligation and allocate the transaction price based on their relative standalone selling prices.The transaction price of a contract, which can include both fixed and variable amounts, is allocated to each performance obligation identified. Some contracts contain variable consideration, which could include incremental fees or penalty provisions related to performance. Variable consideration that can be reasonably estimated based on current assumptions and historical information is included in the transaction price at the inception of the contract but limited to the amount that is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Variable consideration that cannot be reasonably estimated is recorded when known.â€‹Our performance obligations are satisfied over time as work progresses or at a point in time based on transfer of control of products and services to our customers. The majority of our sales from products typically represent distinct performance obligations and are recognized at a point in time upon transfer of control to the customer, which generally occurs upon shipment. In connection with certain sales of products, we also provide logistics services, which include inventory management, replenishment, and other related services. The price of such services is generally included in the price of the products delivered to the customer, and revenues are recognized upon delivery of the product, at which point the customer has obtained control of the product. We do not account for these services separate from the related product sales as the services are inputs required to fulfill part orders received from customers.â€‹For our performance obligations that are satisfied over time, we measure progress in a manner that depicts the performance of transferring control to the customer. As such, we utilize the input method of cost-to-cost to recognize revenue over time as this depicts when control of the promised goods or services are transferred to the customer. Revenue is recognized based on the relationship of actual costs incurred to date to the estimated total cost at completion of the performance obligation. â€‹We are required to make certain judgments and estimates, including estimated revenues and costs, as well as inflation and the overall profitability of the arrangement. Key assumptions involved can include customer volume, future labor costs and efficiencies, repair or overhaul costs, overhead costs, and ultimate timing of product delivery. Differences may occur between the judgments and estimates made by management and actual program results. For contracts that are deemed to be loss contracts, we establish forward loss reserves for total estimated costs that are in excess of total estimated consideration in the period in which they become known.â€‹We utilize the portfolio approach to estimate the amount of revenue to recognize for certain contracts which require over-time revenue recognition. Such contracts are grouped together either by revenue stream, customer or product line with each portfolio of contracts grouped together based on having similar characteristics. The portfolio approach is utilized only when the result of the accounting is not expected to be materially different than if applied to individual contracts.â€‹We also may enter into offset agreements or conditions as part of obtaining orders for our products and services from certain government customers in foreign countries. These agreements are designed to enhance the social and economic environment of the foreign country by requiring the contractor to promote investment in the country. These agreements also may be satisfied through our use of cash or other means of providing financial support for in-country projects with local companies. The amounts ultimately applied against our offset agreements are based on negotiations with the customer and satisfaction of our offset obligations are included in the estimates of our total costs to complete the contract.12Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)When contracts are modified, we consider whether the modification either creates new or changes the existing enforceable rights and obligations. Contract modifications that are for goods or services that are not distinct from the existing contract, due to the significant integration with the original goods or services provided, are accounted for as if they were part of that existing contract with the effect of the contract modification recognized as an adjustment to revenue on a cumulative catch-up basis. When the modifications include additional performance obligations that are distinct, they are accounted for as a new contract and performance obligation, which are recognized prospectively.Certain contracts with customers have options for the customer to acquire additional goods or services. In most cases, the pricing of these options are reflective of the standalone selling price of the good or service. These options do not provide the customer with a material right and are accounted for only when the customer exercises the option to purchase the additional goods or services. If the option on the customer contract was not indicative of the standalone selling price of the good or service, the material right would be accounted for as a separate performance obligation.Under most of our U.S. government contracts, if the contract is terminated for convenience, we are entitled to payment for items delivered and fair compensation for work performed, the costs of settling and paying other claims, and a reasonable profit on the costs incurred or committed.â€‹In the ordinary course of business, agencies of the U.S. and other governments audit our claimed indirect costs and conduct inquiries and investigations of our business practices with respect to government contracts to determine whether our operations are conducted in accordance with these requirements and the terms of the relevant contracts. U.S. government agencies, including the Defense Contract Audit Agency (â€œDCAAâ€), routinely audit our claimed indirect costs, for compliance with the Cost Accounting Standards and the Federal Acquisition Regulations. These agencies also conduct reviews and investigations and make inquiries regarding our accounting and other systems in connection with our performance and business practices with respect to our government contracts and subcontracts.â€‹Costs to fulfill and obtain a contract are considered for capitalization based on contract specific facts and circumstances. The incremental costs to fulfill a contract, including setup and implementation costs prior to beginning the period of performance, may be capitalized when expenses are incurred prior to the start of satisfying a performance obligation. The capitalized costs are subsequently expensed over the contractâ€™s period of performance.â€‹We have elected to use certain practical expedients permitted under Accounting Standards Codification (â€œASCâ€) 606, Revenue from Contracts with Customers. Shipping and handling fees and costs incurred associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in Cost of sales on our Condensed Consolidated Statements of Operations and are not considered a performance obligation to our customers. Our reported sales on our Condensed Consolidated Statements of Operations are net of any sales or related non-income taxes. We also utilize the â€œas invoicedâ€ practical expedient in certain cases where performance obligations are satisfied over time and the invoiced amount corresponds directly with the value we are providing to the customer.â€‹Cumulative Catch-up Adjustmentsâ€‹Changes in estimates and assumptions related to our arrangements accounted for using the cost-to-cost method are recorded using the cumulative catch-up method of accounting. These changes are primarily adjustments to the estimated profitability for our long-term programs where we provide component inventory management, supply chain logistics programs, and/or repair services.â€‹For the three-month period ended November 30, 2024, we recognized no cumulative catch-up adjustments. For the three-month period ended November 30, 2023, we recognized favorable and (unfavorable) cumulative catch-up adjustments of $4.0 million and $(4.3) million, respectively. For the six-month period ended November 30, 2024, we recognized favorable cumulative catch-up adjustments of $2.4 million. For the six-month period ended November 30, 2023, we recognized favorable and (unfavorable) cumulative catch-up adjustments of $7.0 million and $(6.8) million, respectively.13Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Contract Assets and Liabilitiesâ€‹The timing of revenue recognition, customer billings, and cash collections results in a contract asset or contract liability at the end of each reporting period. For instances where we recognize revenue prior to having an unconditional right to payment, we record a contract asset or liability. When an unconditional right to consideration exists, we reduce our contract asset or liability and recognize an unbilled or trade receivable. When amounts are dependent on factors other than the passage of time in order for payment from a customer to be due, we record a contract asset which consists of costs incurred where revenue recognized over time using the cost-to-cost model exceeds the amounts billed to customers. Contract liabilities include advance payments and billings in excess of revenue recognized. Certain customers make advance payments prior to the satisfaction of our performance obligations on the contract. These amounts are recorded as contract liabilities until such performance obligations are satisfied, either over time as costs are incurred or at a point in time when deliveries are made. Contract assets and contract liabilities are determined on a contract-by-contract basis.â€‹Net contract assets and liabilities are as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹NovemberÂ 30,Â â€‹MayÂ 31,Â â€‹â€‹â€‹â€‹Â Â Â Â 2024Â Â Â Â 2024Â Â Â Â ChangeÂ Contract assets â€“ currentâ€‹$ 150.2â€‹$ 123.2â€‹$ 27.0Contract assets â€“ non-currentâ€‹â€‹ 27.6â€‹â€‹ 24.6â€‹â€‹ 3.0Contract liabilities:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Deferred revenue â€“ currentâ€‹â€‹ (25.7)â€‹â€‹ (14.7)â€‹â€‹ (11.0)Deferred revenue on long-term contractsâ€‹â€‹ (3.9)â€‹Â (7.2)â€‹Â 3.3Net contract assetsâ€‹$ 148.2â€‹$ 125.9â€‹$ 22.3â€‹Contract assets â€“ non-current is reported within Other non-current assets, contract liabilities â€“ current is reported within Accrued liabilities, and deferred revenue on long-term contracts is reported within Other liabilities on our Condensed Consolidated Balance Sheets. Changes in contract assets and contract liabilities primarily result from the timing difference between our performance of services and payments from customers.â€‹During fiscal 2024, we experienced delayed collections from one of our significant regional airline customers and issued the customer a Notice of Payment and Other Defaults during the second quarter of fiscal 2024 to request payment and reserve our rights under our agreements. In the fourth quarter of fiscal 2024, we terminated a power-by-the-hour (â€œPBHâ€) program with this customer which resulted in a net termination charge of $4.8 million. The charge included a reduction in contract assets and revenue of $7.8 million and the establishment of repair reserves of $2.5 million partially offset by a $5.5 million gain recognized from the customerâ€™s obligation to purchase the rotable assets we utilized to perform the PBH services. In conjunction with the termination for default, the customer is obligated to purchase the rotable assets for $20.9 million. The rotable assets are classified as assets held for sale and the carrying value of the assets is presented within Prepaid assets and other current assets on our Condensed Consolidated Balance Sheets.â€‹We currently expect full payment from the customer of all amounts due under the terminated agreement and all other agreements and do not believe a reserve for credit loss is warranted. Our Condensed Consolidated Balance Sheet as of November 30, 2024 included accounts receivable of $15.1 million, including $7.3 million past due, and contract assets of $13.3 million related to this customer.â€‹During the first quarter of fiscal 2025, our Mobility business received a stop-work order from our U.S. Government customer on the Next Generation Pallet contract as the program was terminated for convenience by the customer. Under the conditions for the termination for convenience, we have the right to submit a proposal for recovery of our incurred costs. In conjunction with the termination, we expensed equipment and inventory of $12.7 million and recognized a contract asset of $9.5 million reflecting the estimated recovery on our incurred costs. We expect to submit our proposal to the customer in early calendar year 2025.â€‹14Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Changes in our deferred revenue were as follows for the three- and six-month periods ended November 30, 2024 and 2023:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Three Months Ended Â Â Â Â Six Months Endedâ€‹â€‹November 30,â€‹November 30,â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023Deferred revenue at beginning of periodâ€‹$ (28.2)â€‹$ (37.1)â€‹$ (21.9)â€‹$ (32.4)Revenue deferredâ€‹â€‹ (85.6)â€‹â€‹ (69.4)â€‹Â (170.0)â€‹Â (136.2)Revenue recognizedâ€‹â€‹ 87.5â€‹â€‹ 81.3â€‹Â 161.7â€‹Â 142.4Other(1)â€‹â€‹ (3.3)â€‹â€‹ (1.2)â€‹Â 0.6â€‹Â (0.2)Deferred revenue at end of periodâ€‹$ (29.6)â€‹$ (26.4)â€‹$ (29.6)â€‹$ (26.4)(1)Other includes cumulative catch-up adjustments, foreign currency translation, and other adjustments.â€‹Remaining Performance Obligationsâ€‹As of November 30, 2024, we had approximately $670 million of remaining performance obligations, also referred to as firm backlog, which excludes unexercised contract options and potential orders under our indefinite-delivery, indefinite-quantity contracts. We expect that approximately 70% of this backlog will be recognized as revenue over the next 12 months, an additional 25% of the backlog over the following 12 months, and the balance thereafter. The amount of remaining performance obligations that are expected to be recognized as revenue beyond 12 months primarily relates to our long-term programs where we provide component inventory management, supply chain logistics programs, and/or repair services.â€‹Disaggregation of Revenueâ€‹Third-party sales across the major customer markets for each of our operating segments for the three- and six-month periods ended November 30, 2024 and 2023 were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended â€‹Six Months Endedâ€‹Â Â Â Â November 30,â€‹â€‹2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023Parts Supply:Â â€‹â€‹â€‹â€‹Â â€‹â€‹â€‹â€‹Commercialâ€‹$ 220.8â€‹$ 189.4â€‹$ 431.2â€‹$ 395.4Government and defenseâ€‹â€‹ 52.9â€‹â€‹ 38.2â€‹Â 92.2â€‹Â 69.0â€‹â€‹$ 273.7â€‹$ 227.6â€‹$ 523.4â€‹$ 464.4â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â â€‹â€‹Â â€‹Repair & Engineering:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercialâ€‹$ 206.7â€‹$ 130.9â€‹$ 397.9â€‹$ 252.5Government and defenseâ€‹â€‹ 22.1â€‹â€‹ 14.5â€‹Â 48.5â€‹Â 30.4â€‹â€‹$ 228.8â€‹$ 145.4â€‹$ 446.4â€‹$ 282.9â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Integrated Solutions:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercialâ€‹$ 72.0â€‹$ 63.4â€‹$ 142.0â€‹$ 126.2Government and defenseâ€‹â€‹ 91.4â€‹â€‹ 93.2â€‹Â 190.3â€‹Â 186.7â€‹â€‹$ 163.4â€‹$ 156.6â€‹$ 332.3â€‹$ 312.9â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Expeditionary Services:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commercialâ€‹$ 0.7â€‹$ 1.5â€‹$ 2.0â€‹$ 3.6Government and defenseâ€‹â€‹ 19.5â€‹â€‹ 14.3â€‹Â 43.7â€‹Â 31.3â€‹â€‹$ 20.2â€‹$ 15.8â€‹$ 45.7â€‹$ 34.9â€‹15Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Consolidated sales by geographic region for the three- and six-month periods ended November 30, 2024 and 2023 were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended â€‹Six Months Endedâ€‹â€‹November 30,â€‹November 30,â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023U.S./CanadaÂ $ 500.4â€‹$ 405.4Â $ 973.8â€‹$ 814.3Europe/Africaâ€‹â€‹ 108.8â€‹â€‹ 81.8â€‹â€‹ 217.6â€‹â€‹ 173.2Asia/South Pacificâ€‹â€‹ 65.6â€‹â€‹ 44.9â€‹â€‹ 129.6â€‹â€‹ 86.1Otherâ€‹â€‹ 11.3â€‹â€‹ 13.3â€‹â€‹ 26.8â€‹â€‹ 21.5â€‹â€‹$ 686.1â€‹$ 545.4â€‹$ 1,347.8â€‹$ 1,095.1â€‹â€‹Note 5 â€“ Accounts Receivableâ€‹Financial instruments that potentially subject us to concentrations of market or credit risk consist principally of trade receivables. While our trade receivables are diverse and represent a number of entities and geographic regions, the majority are with the U.S. government and its contractors and entities in the aviation industry. The composition of our accounts receivable is as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹NovemberÂ 30,Â â€‹MayÂ 31,Â â€‹Â Â Â Â 2024Â Â Â Â 2024U.S. Government contracts:Â â€‹Â Â Â â€‹Â Â Trade receivablesâ€‹$ 24.2â€‹$ 34.4Unbilled receivablesâ€‹Â 9.9â€‹Â 9.4â€‹â€‹Â 34.1â€‹Â 43.8All other customers:â€‹Â â€‹â€‹Â â€‹Trade receivablesâ€‹Â 266.8â€‹Â 216.1Unbilled receivablesâ€‹Â 19.5â€‹Â 27.3â€‹Â 286.3â€‹Â 243.4â€‹â€‹$ 320.4â€‹$ 287.2â€‹â€‹Note 6 â€“ Accounting for Stock-Based Compensationâ€‹Restricted Stockâ€‹In the three-month period ended August 31, 2024, as part of our annual long-term stock incentive compensation, we granted 124,200 shares of performance-based restricted stock and 72,955 shares of time-based restricted stock to eligible employees. The grant date fair value per share for these shares was $67.02 (the closing price per share of our common stock on the grant date). We also granted 19,010 shares of time-based restricted stock to members of the Board of Directors with a grant date fair value per share of $70.99 (the closing price per share of our common stock on the grant date).â€‹Expenses charged to operations for restricted stock during the three-month periods ended November 30, 2024 and 2023 was $4.1 million and $2.9 million, respectively, and during the six-month periods ended November 30, 2024 and 2023 was $8.2 million and $6.3 million, respectively.16Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Stock Optionsâ€‹In the three-month period ended August 31, 2024, as part of our annual long-term stock incentive compensation, we granted 157,310 stock options to eligible employees at an exercise price per share of $67.02 and grant date fair value per share of $25.51. The fair value of stock options was estimated using the Black-Scholes option pricing model with the following assumptions:â€‹â€‹â€‹â€‹â€‹Risk-free interest rateÂ Â Â 4.2%Expected volatility of common stockÂ 36.0%Dividend yieldÂ 0.0 %Expected option term in yearsÂ 4.9â€‹The total intrinsic value of stock options exercised during the six-month periods ended November 30, 2024 and 2023 was $0.3 million and $13.7 million, respectively. Expenses charged to operations for stock options during the three-month periods ended November 30, 2024 and 2023 was $0.9 million and $0.7 million, respectively, and during the six-month periods ended November 30, 2024 and 2023 was $1.8 million and $1.6 million, respectively.â€‹Note 7 â€“ Inventoriesâ€‹The summary of inventories is as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹NovemberÂ 30,Â Â Â Â Â MayÂ 31,Â â€‹Â Â Â Â 2024Â Â Â Â 2024Aircraft and engine parts, components and finished goodsâ€‹$ 637.6â€‹$ 580.3Raw materials and partsâ€‹Â 111.0â€‹Â 114.1Work-in-processâ€‹â€‹ 41.4â€‹â€‹ 38.7â€‹â€‹$ 790.0â€‹$ 733.1â€‹â€‹Note 8 â€“ Supplemental Cash Flow Informationâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Six Months Endedâ€‹â€‹NovemberÂ 30,Â â€‹Â Â Â Â 2024Â Â Â Â 2023Interest paidâ€‹$ 38.6â€‹$ 11.5Income taxes paidâ€‹Â 13.7â€‹Â 24.8Income tax refunds receivedâ€‹â€‹ 0.1â€‹â€‹ 0.1Operating lease liabilities arising from obtaining or re-measuring ROU assetsâ€‹â€‹ 3.1â€‹â€‹ 31.1â€‹â€‹Note 9 â€“ Sale of Receivablesâ€‹On February 23, 2018, we entered into a Purchase Agreement with Citibank N.A. (â€œPurchaserâ€) for the sale, from time to time, of certain accounts receivable due from certain customers (the â€œPurchase Agreementâ€). Under the Purchase Agreement, the maximum amount of receivables sold is limited to $150 million and Purchaser may, but is not required to, purchase the eligible receivables we offer to sell. The term of the Purchase Agreement runs through February 22, 2025, but, the Purchase Agreement may also be terminated earlier under certain circumstances. The term of the Purchase Agreement shall be automatically extended for annual terms unless either party provides advance notice that they do not intend to extend the term.â€‹We have no retained interests in the sold receivables, other than limited recourse obligations in certain circumstances, and only perform collection and administrative functions for the Purchaser. We account for these receivable transfers as sales under ASC 860, Transfers and Servicing, and de-recognize the sold receivables from our Condensed Consolidated Balance Sheets. At November 30, 2024, we had utilized $12.7 million which reduced the availability under the Purchase Agreement to $137.3 million. â€‹17Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)During the six-month periods ended November 30, 2024 and 2023, we sold $111.1 million and $72.6 million, respectively, of receivables under the Purchase Agreement and remitted $100.9 million and $71.7 million, respectively, to the Purchaser on their behalf. As of November 30, 2024 and May 31, 2024, we had collected cash of $11.2 million and $0.9 million, respectively, which was not yet remitted to the Purchaser as of those dates and was classified as Restricted cash on our Condensed Consolidated Balance Sheets. â€‹We recognize discounts on the sale of our receivables and other fees related to the Purchase Agreement in Other expense, net on our Condensed Consolidated Statements of Operations. We incurred discounts on the sale of our receivables of $0.2 million and $0.1 million during the three-month periods ended November 30, 2024 and 2023, respectively. During the six-month periods ended November 30, 2024 and 2023, we incurred discounts on the sale of our receivables of $0.5 million and $0.3 million, respectively.â€‹Note 10 â€“ Financing Arrangementsâ€‹A summary of the carrying amount of our debt is as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹NovemberÂ 30,Â â€‹MayÂ 31,Â â€‹Â Â Â Â 2023Â Â Â Â 2024Amended Revolving Credit Facility with interest payable monthlyâ€‹$ 447.0â€‹$ 447.0Senior Notesâ€‹â€‹ 550.0â€‹â€‹ 550.0Debt issuance costs, netâ€‹Â (10.3)â€‹Â (11.6)Long-term debtâ€‹$ 986.7â€‹$ 985.4â€‹Credit Agreementâ€‹On December 14, 2022, we entered into a new credit agreement with various financial institutions as lenders and Wells Fargo Bank, N.A. as administrative agent for the lenders (the â€œCredit Agreementâ€) that included an unsecured revolving credit facility (the â€œRevolving Credit Facilityâ€) that we can draw upon for working capital and general corporate purposes. â€‹On March 1, 2024, we entered into an amendment (the â€œRevolver Amendmentâ€) to our Credit Agreement, which governs the Companyâ€™s existing revolving credit facility (the revolving credit facility as amended by the Revolver Amendment, the â€œAmended Revolving Credit Facilityâ€). Among other things, the Revolver Amendment (i) increased the aggregate commitments under the Amended Revolving Credit Facility to $825 million from $620 million under the Revolving Credit Facility, (ii) increased the maximum leverage ratio permitted under the financial covenants applicable to the Amended Revolving Credit Facility and (iii) included an additional pricing level that will increase the applicable interest rate margins on the Amended Revolving Credit Facility to 250 basis points (in the case of secured overnight financing rate (â€œSOFRâ€)) and 150 basis points (in the case of Base Rate loans as defined in the Revolver Amendment) if our Adjusted Total Debt to EBITDA Ratio as defined in the Revolver Amendment exceeds 3.75:1.00.â€‹Under certain circumstances, we may request an increase to the lending commitments under the Credit Agreement by an aggregate amount of up to $300 million, not to exceed $1,125 million in total. The Credit Agreement expires on December 14, 2027. Borrowings under the Credit Agreement bear interest at an applicable variable rate based on SOFR plus 112.5 to 250 basis points based on certain financial measurements plus 10 basis points if a SOFR loan, or at the offered fluctuating Base Rate plus 12.5 to 150 basis points based on certain financial measurements if a Base Rate loan.â€‹Borrowings outstanding under the Amended Revolving Credit Facility at November 30, 2024 were $447.0 million and there were approximately $9.7 million of outstanding letters of credit, which reduced the availability of this facility to $368.3 million.â€‹Our Credit Agreement requires us to comply with leverage and interest coverage ratios and comply with certain affirmative and negative covenants, including those relating to financial reporting and notification, compliance with applicable laws, and limitations on additional liens, indebtedness, acquisitions, investments and disposition of assets. Our Credit Agreement also requires our significant domestic subsidiaries to provide a guarantee of payment under the Credit Agreement. â€‹18Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Senior Notesâ€‹On March 1, 2024, we issued $550.0 million aggregate principal amount of 6.75% Senior Notes due 2029 (the â€œNotesâ€) to fund a portion of the purchase price for the acquisition of the Product Support business. The Notes were issued pursuant to an indenture (the â€œBase Indentureâ€), dated as of March 1, 2024, between us and Wilmington Trust, National Association (the â€œTrusteeâ€), as trustee, and a First Supplemental Indenture, dated as of March 1, 2024 (together with the Base Indenture, the â€œIndentureâ€), among us, the Note Guarantors (as defined below) and the Trustee.â€‹Our domestic subsidiaries that guarantee the Amended Revolving Credit Facility (collectively, the â€œNote Guarantorsâ€) guaranteed (the â€œNote Guaranteesâ€) all of the Companyâ€™s obligations under the Notes and the Indenture. The Notes and the Note Guarantees have not been, and will not be, registered under the Securities Act of 1933, as amended (the â€œSecurities Actâ€).â€‹The Notes bear interest at a rate of 6.75% per year, payable semiannually in cash in arrears on March 15 and September 15 of each year, commencing September 15, 2024. The Notes will mature on March 15, 2029. At any time prior to March 15, 2026, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus an applicable â€œmake-wholeâ€ premium. At any time prior to March 15, 2026, the Company may also redeem up to 40% of the Notes with net cash proceeds of certain equity offerings at a redemption price equal to 106.75% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. On or after March 15, 2026, the Company may redeem the Notes, in whole or in part, at specified redemption prices if redeemed during the twelve-month period beginning on March 15 of the years indicated below:â€‹â€‹â€‹â€‹â€‹â€‹2026Â Â Â Â 103.375%2027Â 101.688%2028 and thereafterÂ 100.000%â€‹The Notes are jointly and severally guaranteed by each of the Note Guarantors. The Notes and the Note Guarantees are the general unsecured obligations of us or each of the Note Guarantors and, as applicable, (i) rank equal in right of payment to all of our or such Note Guarantorâ€™s existing and future senior indebtedness, (ii) rank senior in right of payment to all of our or such Note Guarantorâ€™s obligations that are, by their terms expressly subordinated in right of payment to the Notes or the Note Guarantees, (iii) are effectively subordinated to all of our or such Note Guarantorâ€™s secured indebtedness, to the extent of the value of the assets securing such indebtedness and (iv) in the case of the Note Guarantees, are structurally subordinated to indebtedness and other liabilities of our subsidiaries that are not Note Guarantors.â€‹The Indenture contains customary covenants, including limitations on the ability of us and our restricted subsidiaries to (i) incur debt, certain disqualified stock and preferred stock, (ii) create liens, (iii) pay dividends or distributions or redeem or repurchase equity, (iv) prepay subordinated debt or make certain investments, (v) transfer and sell assets, (vi) engage in consolidations, mergers or dispositions of all or substantially all of our or their assets, (vii) enter into agreements that restrict dividends, loans and other distributions from subsidiaries and (viii) enter into transactions with affiliates. These covenants are subject to a number of important exceptions and qualifications described in the Indenture. In addition, the Indenture contains a number of customary events of default, including, among other things, payment default, failure to comply with covenants or agreements contained in the Indenture or the Notes and certain provisions related to bankruptcy events.â€‹At November 30, 2024, our variable and fixed rate debt had a fair value that approximates their carrying values and is classified as Level 3 in the fair value hierarchy as their fair values are determined based upon one or more significant unobservable inputs.â€‹At November 30, 2024, we were in compliance with the financial and other covenants in our financing agreements.â€‹19Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Note 11 â€“ Other Non-current Assetsâ€‹Investment in Indian Joint Venture â€‹Our investments in joint ventures previously included a 40% ownership interest in a joint venture in India to operate an airframe maintenance facility. We had also guaranteed 40% of the Indian joint ventureâ€™s debt and each of the partners in the Indian joint venture had a loan to the joint venture proportionate to its equity ownership.During the first quarter of fiscal 2025, we executed a Share Purchase Agreement with our Indian joint venture partners whereby we agreed to sell our equity to those partners for $0.1 million conditional on the repayment of our loan and the release of our guarantee of the Indian joint ventureâ€™s debt. During the first quarter of fiscal 2025, we were released from our debt guarantee obligations and de-recognized the related $9.4 million guarantee liability. In the second quarter of fiscal 2025, we received $2.1 million reflecting the principal value of our shareholder loan. In conjunction with these transactions, the Share Purchase Agreement, and transition services arrangements, we recognized a gain of $2.1 million related to our exit from the joint venture in the six months period ended November 30, 2024.Investment in AAR Sumisho Aviation Services (ASAS)Our investments in joint ventures include a 50% ownership interest in a joint venture to provide aviation aftermarket supply chain solutions to Japanese defense and global commercial markets. Each of the partners in the ASAS joint venture have provided financial guarantees to third-parties to guarantee the payments for ASASâ€™s financing arrangements, including inventory purchases. No liabilities have been recognized on the outstanding guarantees. We are unable to estimate our maximum exposure under these guarantees as they are largely dependent on the volume of inventory purchase orders outstanding.â€‹Our sales to the ASAS JV, including service fees earned by us on providing support to the ASAS JV, were $1.2 million and $0.4 million during the three-month periods ended November 30, 2024 and 2023, respectively, and $2.9 million and $0.6 million during the six-month periods ended November 30, 2024 and 2023, respectively.â€‹Investments in Aircraft Joint Venturesâ€‹Under the terms of servicing agreements with certain of our aircraft joint ventures, we provide administrative services and technical advisory services, including aircraft evaluations, oversight and logistical support of the maintenance process and records management. We also provide evaluation and inspection services prior to the purchase of an aircraft and remarketing services with respect to the divestiture of aircraft by the joint ventures. During the three-month periods ended November 30, 2024 and 2023, we received $0.6 million and $0.4 million, respectively, for such services. During the six-month periods ended November 30, 2024 and 2023, we received $1.1 million and $0.8 million, respectively, for such services.â€‹Note 12 â€“ Earnings (Loss) per Shareâ€‹The computation of basic earnings per share is based on the weighted average number of common shares outstanding during each period. The computation of diluted earnings per share is based on the weighted average number of common shares outstanding during the period plus, when their effect is dilutive, incremental shares consisting of shares subject to stock options and shares issuable upon vesting of restricted stock awards.â€‹In accordance with ASC 260-10-45, Share-Based Payment Arrangements and Participating Securities and the Two-Class Method, our unvested restricted stock awards are deemed participating securities since these shares are entitled to participate in dividends declared on common shares. During periods of net income, the calculation of earnings per share for common stock excludes income attributable to unvested restricted stock awards from the numerator and excludes the dilutive impact of those shares from the denominator. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company.â€‹20Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)A reconciliation of the computations of basic and diluted earnings per share information for the three- and six-month periods ended November 30, 2024 and 2023 is as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended â€‹Six Months Endedâ€‹â€‹November 30,â€‹November 30,â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023Basic and Diluted EPS: â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net income (loss)â€‹$ (30.6)â€‹$ 23.8â€‹$ (12.6)â€‹$ 23.2Less income attributable to participating sharesâ€‹â€‹ â€”â€‹â€‹ (0.3)â€‹Â â€”â€‹Â (0.3)Net income (loss) attributable to common shareholders for earnings (loss) per shareâ€‹$ (30.6)â€‹$ 23.5â€‹$ (12.6)â€‹$ 22.9â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Weighted Average Shares:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Weighted average common shares outstanding â€“ basicâ€‹â€‹ 35.2â€‹â€‹ 34.9â€‹Â 35.2â€‹Â 34.9Additional shares from the assumed exercise of stock optionsâ€‹â€‹ â€”â€‹â€‹ 0.4â€‹â€‹ â€”â€‹â€‹ 0.4Weighted average common shares outstanding â€“ dilutedâ€‹â€‹ 35.2â€‹â€‹ 35.3â€‹â€‹ 35.2â€‹â€‹ 35.3â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Earnings (Loss) per share â€“ basicâ€‹$ (0.87)â€‹$ 0.67â€‹$ (0.36)â€‹$ 0.66â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Earnings (Loss) per share â€“ dilutedâ€‹$ (0.87)â€‹$ 0.67â€‹$ (0.36)â€‹$ 0.65â€‹â€‹Note 13 â€“ Defined Benefit Pension SettlementDuring the three-month period ended August 31, 2023, we settled all future obligations under our frozen U.S. defined benefit retirement plan (the â€œU.S. Retirement Planâ€). The settlement included a combination of lump-sum payments to participants who elected to receive them and the transfer of the remaining benefit obligations to a third-party insurance company under group annuity contracts. The purchase of the group annuity contracts was funded directly by assets of the U.S. Retirement Plan and required no additional cash or asset contributions from us. As a result of the settlements, we recognized a non-cash, pre-tax pension settlement charge of $26.7 million ($16.1 million after-tax) related to the accelerated recognition of all unamortized net actuarial losses in Accumulated other comprehensive loss. â€‹Surplus plan assets remained after the settlement and have been primarily used to fund certain contributions associated with one of our qualified 401(k) plans. Surplus plan assets not used for these 401(k) contributions would be subject to a 20% excise tax upon withdrawal. As of November 30, 2024, our Condensed Consolidated Balance Sheet included $3.5 million of remaining surplus plan assets, and we expect to utilize the assets over the next twelve months to fund our non-elective, discretionary contributions to the 401(k) plan.â€‹21Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Note 14 â€“ Accumulated Other Comprehensive Lossâ€‹Changes in our accumulated other comprehensive loss (â€œAOCLâ€) by component for the three-month periods ended November 30, 2024 and 2023 were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Currencyâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Translationâ€‹Pensionâ€‹â€‹â€‹â€‹â€‹Adjustmentsâ€‹Â Â Â Â PlansÂ Â Â Â TotalBalance at September 1, 2024â€‹$ (4.0)â€‹$ (3.3)â€‹$ (7.3)Other comprehensive lossâ€‹â€‹ (3.3)â€‹â€‹â€”â€‹â€‹ (3.3)Balance at November 30, 2024â€‹$ (7.3)â€‹$ (3.3)â€‹$ (10.6)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Balance at September 1, 2023â€‹$ (5.2)â€‹$ (2.9)â€‹$ (8.1)Other comprehensive lossâ€‹â€‹ (0.4)â€‹â€‹â€”â€‹â€‹ (0.4)Balance at November 30, 2023â€‹$ (5.6)â€‹$ (2.9)â€‹$ (8.5)â€‹Changes in our AOCL by component for the six-month periods ended November 30, 2024 and 2023 were as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Currencyâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Translationâ€‹Pensionâ€‹â€‹â€‹â€‹â€‹Â Â Â Â AdjustmentsÂ Â Â Â PlansÂ Â Â Â TotalBalance at June 1, 2024â€‹$ (5.5)â€‹$ (3.3)â€‹$ (8.8)Other comprehensive lossâ€‹Â (1.8)â€‹Â â€”â€‹Â (1.8)Balance at NovemberÂ 30,Â 2024â€‹$ (7.3)â€‹$ (3.3)â€‹$ (10.6)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Balance at June 1, 2023â€‹$ (5.7)â€‹$ (17.8)â€‹$ (23.5)Other comprehensive loss before reclassificationsâ€‹Â 0.1â€‹Â â€”â€‹Â 0.1Amounts reclassified from AOCLâ€‹Â â€”â€‹Â 14.9â€‹Â 14.9Total other comprehensive incomeâ€‹Â 0.1â€‹Â 14.9â€‹Â 15.0Balance at November 30, 2023â€‹$ (5.6)â€‹$ (2.9)â€‹$ (8.5)â€‹â€‹â€‹Note 15 â€“ Business Segment Informationâ€‹Our operating segments are comprised of: â€‹â——Parts Supply, primarily consisting of our sales of used serviceable engine and airframe parts and components and distribution of new parts;â——Repair & Engineering, primarily consisting of our MRO services across airframes and components, including landing gear; â——Integrated Solutions, primarily consisting of our fleet management and operations of customer-owned aircraft, customized performance-based supply chain logistics programs in support of the U.S. Department of Defense, U.S. Department of State, and foreign governments, flight hour component inventory and repair programs for commercial airlines, and integrated software solutions, including Trax; andâ—— Expeditionary Services, primarily consisting of products and services supporting the movement of equipment and personnel by the U.S. and foreign governments and non-governmental organizations with sales derived from the engineering, design, integration, and manufacture of pallets, shelters, and containers.â€‹The accounting policies for the segments are the same as those described in Note 1 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended May 31, 2024. Cost of sales consists principally of the cost of products, including material used in manufacturing operations, direct labor, and overhead.â€‹22Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)The Company has not aggregated operating segments for purposes of identifying reportable segments. Inter-segment sales are recorded at fair value, which results in intercompany profit on inter-segment sales that is eliminated in consolidation. Corporate selling, general and administrative expenses include centralized functions such as legal, finance, treasury and human resources with a portion of the costs allocated to our operating segments.â€‹Selected financial information for each segment is as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Three Months Ended November 30, 2024â€‹â€‹Third-PartyÂ Â Â Â Inter-segmentÂ Â Â Â Totalâ€‹â€‹Salesâ€‹Salesâ€‹SalesParts SupplyÂ Â Â Â $ 273.7Â Â Â Â $ 2.7Â Â Â Â $ 276.4Repair & Engineeringâ€‹Â 228.8â€‹Â 21.2â€‹Â 250.0Integrated Solutionsâ€‹Â 163.4â€‹Â 0.3â€‹Â 163.7Expeditionary Servicesâ€‹Â 20.2â€‹Â â€”â€‹Â 20.2â€‹â€‹$ 686.1â€‹$ 24.2â€‹$ 710.3â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Three Months Ended November 30, 2023â€‹â€‹Third-PartyÂ Â Â Â Inter-segmentÂ Â Â Â Totalâ€‹â€‹Salesâ€‹Salesâ€‹SalesParts SupplyÂ Â Â Â $ 227.6Â Â Â Â $ 1.8Â Â Â Â $ 229.4Repair & Engineeringâ€‹Â 145.4â€‹Â 22.1â€‹Â 167.5Integrated Solutionsâ€‹Â 156.6â€‹Â (0.7)â€‹Â 155.9Expeditionary Servicesâ€‹Â 15.8â€‹Â â€”â€‹Â 15.8â€‹â€‹$ 545.4â€‹$ 23.2â€‹$ 568.6â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Six Months Ended November 30, 2024â€‹â€‹Third-PartyÂ Â Â Â Inter-segmentÂ Â Â Â Totalâ€‹â€‹Salesâ€‹Salesâ€‹SalesParts Supplyâ€‹$ 523.4â€‹$ 5.2â€‹$ 528.6Repair & Engineeringâ€‹Â 446.4â€‹Â 43.8â€‹Â 490.2Integrated Solutionsâ€‹Â 332.3â€‹Â 0.6â€‹Â 332.9Expeditionary Servicesâ€‹Â 45.7â€‹Â â€”â€‹Â 45.7â€‹â€‹$ 1,347.8â€‹$ 49.6â€‹$ 1,397.4â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Six Months Ended November 30, 2023â€‹â€‹Third-PartyÂ Â Â Â Inter-segmentÂ Â Â Â Totalâ€‹â€‹Salesâ€‹Salesâ€‹SalesParts Supplyâ€‹$ 464.4â€‹$ 2.6â€‹$ 467.0Repair & Engineeringâ€‹Â 282.9â€‹Â 41.6â€‹Â 324.5Integrated Solutionsâ€‹Â 312.9â€‹Â 0.4â€‹Â 313.3Expeditionary Servicesâ€‹Â 34.9â€‹Â â€”â€‹Â 34.9â€‹â€‹$ 1,095.1â€‹$ 44.6â€‹$ 1,139.7â€‹â€‹23Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)The following table reconciles segment operating income (loss) to income (loss) before income taxes:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended â€‹Six Months Endedâ€‹Â Â Â Â November 30,Â Â Â Â November 30,â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023Segment operating income:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Parts Supplyâ€‹$ 31.6â€‹$ 28.4â€‹$ 61.7â€‹$ 43.5Repair & Engineeringâ€‹â€‹ 22.8â€‹â€‹ 11.3â€‹â€‹ 43.9â€‹â€‹ 20.4Integrated Solutionsâ€‹â€‹ 6.5â€‹â€‹ 6.4â€‹â€‹ 14.2â€‹â€‹ 14.1Expeditionary Servicesâ€‹â€‹ 2.2â€‹â€‹ 0.9â€‹â€‹ 0.5â€‹â€‹ 2.2â€‹â€‹â€‹ 63.1â€‹â€‹ 47.0â€‹â€‹ 120.3â€‹â€‹ 80.2Corporate and otherâ€‹â€‹ (65.4)â€‹â€‹ (8.7)â€‹â€‹ (79.2)â€‹â€‹ (16.6)Operating income (loss)â€‹â€‹ (2.3)â€‹â€‹ 38.3â€‹â€‹ 41.1â€‹â€‹ 63.6Pension settlement chargeâ€‹â€‹â€”â€‹â€‹â€”â€‹â€‹â€”â€‹â€‹ (26.7)Losses related to sale and exit of businessâ€‹â€‹ (1.2)â€‹â€‹ (0.9)â€‹â€‹ (1.3)â€‹â€‹ (1.6)Other expense, netâ€‹â€‹ (0.2)â€‹â€‹ (0.1)â€‹â€‹ (0.3)â€‹â€‹ (0.1)Interest expenseâ€‹â€‹ (19.3)â€‹â€‹ (6.2)â€‹â€‹ (38.1)â€‹â€‹ (12.0)Interest incomeâ€‹â€‹ 0.5â€‹â€‹ 0.6â€‹â€‹ 1.0â€‹â€‹ 1.0Income (Loss) before income taxesâ€‹$ (22.5)â€‹$ 31.7â€‹$ 2.4â€‹$ 24.2â€‹â€‹Note 16 â€“ Legal Proceedingsâ€‹We are involved in various claims and legal actions, including environmental matters, arising in the ordinary course of business. We are not a party to any material pending legal proceeding (including any governmental or environmental proceeding) other than routine litigation incidental to our business except for the following:â€‹Russian Bankruptcy Litigationâ€‹During calendar years 2016 and 2017, certain subsidiaries of the Company purchased four engines from VIM-AVIA Airlines, LLC (â€œVIM-AVIAâ€), a company organized in Russia. Subsequent to the purchase of the engines, VIM-AVIA declared bankruptcy in Russian courts, and shortly thereafter the receiver of the VIM-AVIA bankruptcy estate (â€œReceiverâ€) and one of the major creditors of VIM-AVIA filed a claw-back action in the Arbitration Court of the Russian Republic of Tartarstan (the â€œRussian Trial Courtâ€) against our subsidiaries alleging that the contracts entered into with VIM-AVIA in the 2016-2017 timeframe are invalid. The clawback action alleged that our subsidiaries owe the VIM-AVIA bankruptcy estate approximately $13 million, the alleged fair market value of the four engines at the time of sale.â€‹On March 3, 2023, the Russian Trial Court awarded a $1.8 million judgment against the Company relating to one engine, and dismissed all the other claims against the Company relating to the three remaining engines. The Company recognized a corresponding charge of $1.8 million in the third quarter of fiscal 2023. The Company thereafter appealed the $1.8 million judgment entered against it by the Russian Trial Court. The receiver and the creditor thereafter appealed to the Russian Trial Courtâ€™s judgment dismissing their claims relating to the remaining three engines.â€‹On September 26, 2023, the Russian Eleventh Arbitration Court of Appeal (the â€œRussian Appellate Courtâ€) issued an order (i) affirming the Russian Trial Courtâ€™s adverse judgment against the Company relating to one of the four engines; (ii) reversing the Russian Trial Courtâ€™s dismissal of the claims relating to the remaining three engines; and (iii) awarding a judgment against the Company in the total amount of $13.0 million. During the first quarter of fiscal 2024, the Company recognized a charge for $11.2 million representing the judgment against the Company for the remaining three engines.â€‹24Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)On October 25, 2023, the Company petitioned the Russian Court of Cassation for leave to obtain the Russian Court of Cassationâ€™s appellate review of the Russian Appellate Courtâ€™s order of September 26, 2023. On November 13, 2023, the Russian Court of Cassation granted the Companyâ€™s petition. On January 31, 2024, the Russian Court of Cassation (i) reversed the Russian Appellate Courtâ€™s order of September 26, 2023; (ii) vacated in its entirety the judgment that had been entered by the Russian Appellate Court on September 26, 2023; and (iii) remanded the clawback action to the Russian Appellate Court to determine whether certain extraordinary circumstances specified by the Russian Cassation Court existed warranting the invalidation of the disputed contracts and the entry of an adverse judgment against the Company.â€‹On July 11, 2024, the Russian Appellate Court issued its full ruling, similar to the adverse judgment it entered on September 26, 2023, invalidating the disputed contracts in the amount of approximately $13 million.â€‹On August 9, 2024, the Company appealed the July 11, 2024 ruling to the Russian Court of Cassation. On October 11, 2024, the Russian Court of Cassation issued its ruling. In its ruling, the Russian Court of Cassation in effect: (i) affirmed the $1.8 million judgment against the Company relating to one of the four engines; and (ii) reversed the $11.2 million judgment against the Company relating to the remaining three engines.â€‹On December 9, 2024, the Company filed an appeal to the Russian Supreme Court requesting the reversal of that portion of the Russian Court of Cassationâ€™s October 11, 2024 ruling that affirmed the $1.8 million judgment against the Company. The Receiver of the VIM-AVIA bankruptcy estate also filed an appeal to the Russian Supreme Court requesting the reversal of that portion of the Russian Court of Cassationâ€™s October 11, 2024 ruling that vacated the $11.2 million judgment that had been entered against the Company. The Russian Supreme Court may, in its discretion, accept or not accept either or both appeals for review. The deadline for the Russian Supreme Court to decide whether to accept either or both appeals for review is February 11, 2025.â€‹The Company will continue to strongly dispute all claims asserted in the clawback action. The Company believes that the Russian Courtâ€™s affirmance of the $1.8 million judgment against the Company, which judgment concerns one of the four engines, was a result of, among other things, a hostile business and legal environment for foreign companies in Russia, which has been caused by developments in the Russia/Ukraine conflict, including the imposition of a range of sanctions and export controls on Russian entities and individuals by the U.S. and its North Atlantic Treaty Organization allies. The Companyâ€™s ability to satisfy the judgment, in whole or in part, or to otherwise settle the Receiverâ€™s claims may be restricted by the Companyâ€™s obligation to comply with U.S. trade restrictions likely applicable to undisclosed creditors of the VIM-AVIA bankruptcy estate. Although there can be no assurances, the Company also believes it would have strong defenses to any attempt that may be made to recognize and enforce outside of Russia any adverse judgment that may be entered against it in further proceedings before the Russian courts. As of November 30, 2024, our Condensed Consolidated Balance Sheet included a liability for the matter of $13.0 million classified as long-term in Other liabilities. If the Russian Supreme Court declines to accept the appeals filed by the Receiver and the Company, the October 11, 2024 ruling and judgment of the Russian Cassation Court will become final, and the Company will expect to de-recognize $11.2 million of this $13.0 million liability.â€‹Performance Guaranteeâ€‹In conjunction with the fiscal 2021 sale of our Composites business, we retained a performance guarantee to a customer of the Composites business (the â€œCustomerâ€) under an existing contract providing flap track fairings on the A220 aircraft (â€œA220 Contractâ€). The term of the A220 Contract and our performance guarantee extend for the duration that A220 aircraft are in service and the customer continues to maintain support for the A220 aircraft. The performance guarantee does not contain a financial cap.25Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)In March 2022, the buyer of the Composites business (the â€œBuyerâ€) filed for bankruptcy and moved to have the bankruptcy court reject the A220 Contract. The Customer also notified us that it believes the Buyer has failed to timely deliver products in accordance with the terms of the A220 Contract and that the Customer has incurred losses related to the asserted non-compliance that the Customer believes is covered by our performance guarantee. To date, the Customer has provided us with limited details in support of the extent of the Customerâ€™s claimed losses with respect to the A220 Contract and its contention that we may be responsible under our performance guarantee to reimburse the Customer for any portion of its claimed losses. The Customer filed suit against us during the fourth quarter of fiscal 2023 claiming damages of at least $32 million.In this regard, while we are continuing to seek additional detail around the facts and legal basis underlying the claim for losses the Customer attributed to the A220 Contract and the Customerâ€™s corresponding claim under the performance guarantee, we strongly disagree with the premise of the Customerâ€™s claim based on the information available and known to us at this time, and we believe that we have numerous defenses available against this claim that we will vigorously pursue. While it is reasonably possible that we will incur a loss from the claim under the performance guarantee, we are unable to estimate the range of loss on this claim. There can be no assurance that the Customerâ€™s claim under the performance guarantee will not have a material adverse effect on our operations, financial position and cash flows. â€‹Self-Reporting of Potential Foreign Corrupt Practices Act Violationsâ€‹As previously disclosed, in 2019, the Company retained outside counsel to investigate possible violations of the U.S. Foreign Corrupt Practices Act (the â€œFCPAâ€) relating to certain transactions in Nepal and South Africa that were signed in 2016 and 2017. Based

on these investigations, in 2019, the Company self-reported these matters to the U.S. Department of Justice (the â€œDOJâ€), the SEC, and the U.K. Serious Fraud Office. â€‹On December 19, 2024, after cooperating with the DOJâ€™s and SECâ€™s investigations, the Company reached resolutions with the DOJ and the SEC regarding the aforementioned matters.â€‹The Company agreed to the terms contained in a Non-Prosecution Agreement with the DOJ, dated December 19, 2024 (the â€œNPAâ€), for an 18-month term. Pursuant to the NPA, among other terms, the Company paid a penalty of $26.3 million and forfeiture of $18.6 million, the latter of which was credited in full against the disgorgement paid to the SEC as outlined below. The DOJ agreed that it will not prosecute the Company for conduct described in the NPA provided that the Company complies with the terms of the NPA for the 18-month term.â€‹The SEC approved the Companyâ€™s Offer of Settlement and issued its Cease-and-Desist Order (the â€œSEC Orderâ€) dated December 19, 2024 with respect to certain violations of the anti-bribery, books and records, and internal accounting controls provisions of the FCPA. Pursuant to the terms of the SEC Order, the Company paid disgorgement of $23.5 million and prejudgment interest of $5.8 million to the SEC and agreed to cease and desist any violations of the anti-bribery, books and records and internal accounting control provisions of the FCPA. â€‹The total amount payable under the NPA and SEC Order is $55.6 million, which was recognized as a charge within Selling, general and administrative expenses in the second quarter of fiscal 2025.â€26Table of ContentsAAR CORP. and SubsidiariesNotes to Condensed Consolidated Financial StatementsNovember 30, 2024(Unaudited)(Dollars in millions, except per share amounts)Enforcement Proceeding in Nepalâ€‹As previously disclosed, the Company became aware via news reports that Nepalâ€™s Commission for Investigation of Abuse of Authority (â€œCIAAâ€) apparently initiated a criminal proceeding in April 2024 against over 35 entities and individuals, including AAR International, Inc., a subsidiary of the Company. The charges alleged violations of Nepalese public procurement law and were related to the same transactions in Nepal in 2016 to 2017 that the Company previously self-reported to U.S. and U.K. authorities, as described above. The proceeding also named a former AAR International, Inc. employee, as well as John Holmes in his capacity as president of AAR International, Inc. at the time of the alleged conduct. Neither AAR International, Inc. nor Mr. Holmes were served personally by the CIAA, though a June 3, 2024 summons published in the Nepalese press purported to instruct all named individuals and entities to appear before the Special Court in Nepal within 30 days.â€‹AAR International, Inc. does not accept or admit these charges, and neither AAR International, Inc. nor Mr. Holmes appeared before the Special Court for several reasons including because the Company believes that any proceedings before the Special Court lacks appropriate due process protections.â€‹Based on news reports and a summary judgment from the Nepalese court, we understand that several defendants were convicted in connection with the charges, including AAR International, Inc. The conviction against AAR International, Inc. purportedly carries a fine of approximately $0.9 million as well as a prison sentence of 1.5 years. We understand that Mr. Holmes was not personally convicted, but because under Nepalese law it is the responsibility of the companyâ€™s principal business executive to accept the sentence of the company, Mr. Holmes has been assigned the companyâ€™s sentence by the court. The Company does not currently intend to participate in the proceedings, and does not intend to pay the fine, believing the proceedings and outcome lack due process. The Company does not believe that the outcome of these proceedings will have a material adverse effect on the Companyâ€™s operations, financial position, or cash flows. We have recognized a liability for the $0.9 million fine in the three-month period ended November 30, 2024.â€‹Note 17 â€“ Subsequent Eventâ€‹On December 19, 2024, we entered into an agreement to divest our Landing Gear Overhaul (â€œLGOâ€) business to GA Telesis for $51 million subject to post-closing adjustments for working capital, cash, and debt. The sale is expected to close in the first calendar quarter of 2025, subject to customary and regulatory closing conditions.â€‹In connection with the decision to exit the LGO business, the LGO business will be presented as held for sale beginning in the third quarter of fiscal 2025. We will recognize a non-cash, pre-tax loss of approximately $60 million in the fiscal third quarter ending February 28, 2025 reflecting the adjustment of LGOâ€™s carrying value to its fair value less costs to sell. As of November 30, 2024, we had not committed to a plan to sell the LGO business and significant uncertainty remained as to whether a sale would take place as of that date.â€‹â€‹27Table of ContentsItem 2 â€“ Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations (Dollars in millions)â€‹General Overview and Outlookâ€‹We report our activities in four business segments:â€‹â—Parts Supply, primarily consisting of our sales of used serviceable engine and airframe parts and components and distribution of new parts;â—Repair & Engineering, primarily consisting of our maintenance, repair, and overhaul (â€œMROâ€) services across airframes and components, including landing gear;â—Integrated Solutions, primarily consisting of our fleet management and operations of customer-owned aircraft, customized performance-based supply chain logistics programs in support of the U.S. Department of Defense (â€œDoDâ€) and foreign governments, flight hour component inventory and repair programs for commercial airlines, and integrated software solutions, including Trax; andâ—Expeditionary Services, primarily consisting of products and services supporting the movement of equipment and personnel by the U.S. and foreign governments and non-governmental organizations.â€‹Our chief operating decision making officer (â€œCODMâ€) is our Chief Executive Officer and he evaluates performance on our operating segments using operating income as the primary profitability measure. Our operating segments are aligned principally around differences in products and services. The Company has not aggregated operating segments for purposes of identifying reportable segments. Inter-segment sales are recorded at fair value which results in intercompany profit on inter-segment sales that is eliminated in consolidation. Corporate selling, general and administrative expenses include centralized functions such as legal, finance, treasury and human resources with a portion of the costs allocated to our operating segments.â€‹Parts Supplyâ€‹Our Parts Supply segment primarily consists of sales and leasing of used serviceable aircraft engine and airframe material (â€œUSMâ€), aircraft and engines and aftermarket distribution of new, original equipment manufacturer (â€œOEMâ€)-supplied replacement parts. â€‹USM is an important category of the aviation aftermarket in which parts removed from engines or airframes can be refurbished to be utilized as replacement parts in the aftermarket. We utilize a network of third-party repair facilities to perform this work. USM parts often represent a cost-effective and more timely solution for operators when compared to sourcing new parts. â€‹We also distribute new OEM-supplied replacement parts to aircraft operators, airlines, government customers and other MRO companies across the world. Our parts are supplied to narrow-body, wide-body and regional aircraft. In most cases, we enter exclusive relationships with OEM manufacturers for a given market where we are the only provider of that supplierâ€™s product category. We provide global scale, independence, and highly technical sales capabilities across both commercial and government end-markets.â€‹Repair & Engineeringâ€‹Our airframe maintenance services are primarily comprised of major airframe inspection, MRO, painting services, line maintenance, airframe modifications, structural repairs, avionics service and installation, exterior and interior refurbishment and engineering services and support for many types of commercial and military aircraft. Component repair services are primarily comprised of MRO services for structural components, engine and airframe accessories, and interior refurbishment. Our landing gear overhaul services also include repair services on wheels and brakes for commercial and military aircraft.â€‹Our Repair & Engineering segment also develops Parts Manufacturer Approval (â€œPMAâ€) parts for aftermarket applications. PMA is a designation under Federal Aviation Administration (â€œFAAâ€) regulations that permits the design of approved parts for specific aircraft components that can be provided by non-OEM sources at cost-efficient and sometimes improved availability.â€‹In December 2024, we entered into an agreement to divest our Landing Gear Overhaul business to GA Telesis for $51 million subject to post-closing adjustments. The sale is expected to close in the first calendar quarter of 2025, subject to customary and regulatory closing conditions. For more information, see Note 17 â€“ Subsequent Event to the Notes to the Condensed Consolidated Financial Statements.â€‹28Table of ContentsIntegrated Solutionsâ€‹Our Integrated Solutions segment primarily consists of our fleet management and operations of customer-owned aircraft, customized performance-based supply chain logistics programs in support of the DoD and foreign governments, flight hour component inventory and repair programs for commercial airlines and integrated software solutions including Trax.Fleet management and operations of customer-owned aircraft is performed for the U.S. Department of State (â€œDoSâ€) under the INL/A WASS contract. We are the prime contractor on this ten-year performance-based contract which began in fiscal 2018. Our services under the contract include operating and maintaining the global DoS fleet of fixed- and rotary-wing aircraft. â€‹Supply chain logistics programs are primarily comprised of material planning, sourcing, logistics, information and program management and parts and component repair and overhaul. Flight hour component inventory and repair programs for commercial airlines are primarily comprised of outsourcing programs for airframe parts and components including warranty claim management in support of our airline customersâ€™ maintenance activities. â€‹Our integrated software solutions are primarily comprised of our Trax software which we recently acquired in fiscal 2023. Trax has the first fully cloud-based electronic enterprise resource platform for the MRO industry and also offers a full suite of â€œpaperlessâ€ mobility apps that are in process of automating MRO workflows with artificial intelligence.â€‹Expeditionary Servicesâ€‹The Expeditionary Services segment primarily consists of products and services supporting the movement of equipment and personnel by the U.S. and foreign governments and non-governmental organizations. We design, manufacture, and repair transportation pallets and a wide variety of containers and shelters used in support of military and humanitarian tactical deployment activities. The containers and shelters are used in numerous mission requirements, including armories, supply and parts storage, refrigeration systems, tactical operation centers, briefing rooms, laundry and kitchen facilities, water treatment, and sleeping quarters. Shelters include both stationary and vehicle-mounted applications. We also provide engineering, design, and system integration services for specialized command and control systems.â€‹Over the long-term, we expect to see strength in our aviation products and services given our offerings of value-added solutions to both commercial and government and defense customers. We believe long-term commercial aftermarket growth trends are favorable. As we continue to invest in the pipeline of opportunities in the government market, our long-term strategy continues to emphasize investing in the business and capitalizing on opportunities in both the commercial and government markets.â€‹29Table of ContentsDiscussion of Results of OperationsThree- and Six-Month Periods Ended November 30, 2024 and 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended November 30,â€‹Six Months Ended November
30,Â â€‹â€‹2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Â Â Â 2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Sales:Â Â Â Â â€‹Â Â â€‹â€‹Â Â â€‹Â Â â€‹â€‹Â Â â€‹â€‹Â Â Â Â Â Â Â Â â€‹Commercialâ€‹$ 500.2â€‹$ 385.2â€‹ 29.9%Â Â $ 973.1â€‹$ 777.7Â 25.1%Government and defenseâ€‹Â 185.9â€‹Â 160.2â€‹ 16.0%Â 374.7â€‹Â 317.4Â 18.1%â€‹â€‹$ 686.1â€‹$ 545.4Â 25.8%$ 1,347.8â€‹$ 1,095.1Â 23.1%â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Gross Profit:â€‹Â Â Â â€‹Â â€‹Â â€‹â€‹Â Â Â â€‹Â Â Â Â â€‹â€‹Commercialâ€‹$ 97.8â€‹$ 78.7Â 24.3%$ 190.6â€‹$ 154.3Â 23.5%Government and defenseâ€‹Â 30.8â€‹Â 24.7Â 24.7%Â 55.2â€‹Â 50.4Â 9.5%â€‹â€‹$ 128.6â€‹$ 103.4Â 24.4%$ 245.8â€‹$ 204.7Â
20.1%â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Gross Profit Margin:â€‹Â Â Â â€‹Â Â Â Â â€‹â€‹Â Â Â â€‹Â Â Â Â Â Â â€‹Commercialâ€‹Â 19.6%Â Â Â
20.4%Â Â â€‹â€‹Â 19.6%Â Â Â 19.8%Â Â Â Â â€‹Government and defenseâ€‹Â 16.6%Â 15.4%Â Â â€‹â€‹Â 14.7%Â 15.9%Â Â Â Â â€‹Consolidatedâ€‹Â 18.7%Â 19.0%Â Â â€‹â€‹Â 18.2%Â
18.7%Â Â Â Â â€‹â€‹Three-Month Period Ended November 30, 2024Consolidated sales for the second quarter of fiscal 2025 increased $140.7 million, or 25.8%, over the prior year quarter primarily due to an increase in sales to commercial customers. Consolidated sales to commercial customers increased $115.0 million, or 29.9%, over the prior year quarter primarily due to the acquisition of the Product Support business in the fourth quarter of fiscal 2024 and strong demand and volume growth in our Parts Supply segment from both new parts distribution and aftermarket parts trading activities. Our consolidated sales to government customers increased $25.7 million, or 16.0%, primarily due to volume growth in our Parts Supply segment from new parts distribution activities and the contribution from the recent Product Support acquisition. â€‹Consolidated cost of sales increased $115.5 million, or 26.1%, over the prior year quarter which was largely in line with the consolidated sales increase of 25.8% discussed above.â€‹Consolidated gross profit for the second quarter of fiscal 2025 increased $25.2 million, or 24.4%, over the prior year quarter. Gross profit on sales to commercial customers increased $19.1 million, or 24.3%, over the prior year quarter due to the acquisition of the Product Support business. Gross profit margin on sales to commercial customers decreased to 19.6% from 20.4% in the prior year quarter primarily due to lower margins in our aftermarket parts trading activities.â€‹Gross profit on sales to government customers increased $6.1 million, or 24.7%, over the prior year quarter. Gross profit on sales to government customers increased primarily due to strong demand and volume growth across our new parts distribution activities. Gross profit margin on sales to government customers increased to 16.6% from 15.4% primarily due to volume growth in our new parts distribution activities.â€‹Selling, General, and Administrative Expenses â€‹Selling, general and administrative expenses increased $67.4 million, or 102.6%, over the prior year quarter primarily due to increased costs of $56.6 million related to the previously disclosed FCPA investigations. â€‹Operating Income â€‹Operating income decreased $40.6 million, or 106.0%, from the prior year quarter primarily due to the increased costs for the FCPA settlement and related costs.â€‹â€‹30Table of ContentsInterest Expenseâ€‹Interest expense increased $13.1 million in the second quarter of fiscal 2025 reflecting the impact of both higher interest rates and higher average borrowings used to fund investments in the business, including our acquisition of Product Support businesses in the fourth quarter of fiscal 2024. Our average borrowing rate was 6.8% in the second quarter of fiscal 2025 compared to 6.7% in the prior year quarter.â€‹Income Taxesâ€‹Our income tax expense was $8.1 million in the second quarter of fiscal 2025 while our loss before income taxes was $(22.5) million. The majority of the FCPA settlement charge is nondeductible for income tax purposes resulting in no income tax benefit.â€‹Six-Month Period Ended November 30, 2024â€‹Consolidated sales for the six-month period ended November 30, 2024 increased $252.7 million, or 23.1%, over the prior year period primarily due to an increase in sales to commercial customers. Consolidated sales to commercial customers increased $195.4 million, or 25.1%, over the prior year period primarily due to the acquisition of the Product Support business in the fourth quarter of fiscal 2024 and strong demand and volume growth in our Parts Supply segment from our new parts distribution activities. Our consolidated sales to government customers increased $57.3 million, or 18.1%, primarily due to the Product Support acquisition and volume growth in our Parts Supply segment from our new parts distribution activities. â€‹In addition, our Mobility business received a stop-work order from our U.S. Government customer on the Next Generation Pallet contract as the program was terminated for convenience by the customer in the first quarter of fiscal 2025. In conjunction with the termination, we recognized sales of $9.5 million reflecting the estimated recovery on our incurred costs. â€‹Consolidated cost of sales increased $211.6 million, or 23.8%, over the prior year period which was largely in line with the consolidated sales increase of 23.1% discussed above.â€‹Consolidated gross profit for the six-month period ended November 30, 2024 increased $41.1 million, or 20.1%, over the prior year period. Gross profit on sales to commercial customers increased $36.3 million, or 23.5%, over the prior year period due to the acquisition of the Product Support business. Gross profit margin on sales to commercial customers decreased to 19.6% from 19.8% in the prior year period primarily due to lower margins in our aftermarket parts trading activities.â€‹Gross profit on sales to government customers increased $4.8 million, or 9.5%, over the prior year period. Gross profit on sales to government customers increased primarily due to strong demand and volume growth across our new parts distribution activities. Gross profit margin on sales to government customers decreased to 14.7% from 15.9% primarily due to the impact from the termination of the Next Generation Pallet contract.â€‹Selling, General, and Administrative Expenses â€‹Selling, general and administrative expenses increased $68.6 million, or 48.9%, over the prior year period primarily due to increased costs of $60.5 million related to the previously disclosed FCPA investigations and settlement and increased costs of $5.5 million for amortization and acquisition-related expenses for the Product Support and Trax acquisitions. These increases were partially offset by the recognition of a charge for $11.2 million in the prior year period related to an unfavorable Russian court judgment.â€‹Operating Income â€‹Operating income decreased $22.5 million, or 35.4%, from the prior year period primarily due to the increased costs for the FCPA settlement and related costs.â€‹Pension Settlement Chargeâ€‹During the first quarter of fiscal 2024, we settled all future obligations under our frozen U.S. defined benefit retirement plan. The settlement included a combination of lump-sum payments to participants who elected to receive them and the transfer of the remaining benefit obligations to a third-party insurance company under a group annuity contract. As a result of the settlements, we recognized a non-cash, pre-tax pension settlement charge of $26.7 million ($16.1 million after-tax) in fiscal 2024 related to the accelerated recognition of all unamortized net actuarial losses in Accumulated other comprehensive loss. 31Table of Contentsâ€‹Interest Expenseâ€‹Interest expense for the six-month period ended November 30, 2024 increased $26.1 million reflecting the impact of both higher interest rates and higher average borrowings used to fund investments in the business, including our acquisition of Product Support businesses in the fourth quarter of fiscal 2024. Our average borrowing rate was 6.8% for the six-month period ended November 30, 2024 compared to 6.6% in the prior year period.â€‹Income Taxesâ€‹Our income tax expense was $15.0 million for the six-month period ended November 30, 2024 while our income before income taxes was $2.4 million. The majority of the FCPA settlement charge is nondeductible for income tax purposes resulting in no income tax benefit. â€‹Operating Segment Results of Operationsâ€‹Three-Month Periods Ended November 30, 2024 and 2023â€‹Parts Supply Segmentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended November
30,Â â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Third-party salesâ€‹$ 273.7â€‹$ 227.6â€‹ 20.3%Operating incomeâ€‹Â 31.6â€‹Â 28.4Â 11.3%Operating marginâ€‹Â 11.5%Â
12.5%Â Â Â Â â€‹â€‹Sales in the Parts Supply segment increased $46.1 million, or 20.3%, over the prior year quarter primarily due to a $31.6 million increase in sales in our new parts distribution activities from increased demand and growth from new and expanded distribution agreements. Whole asset sales in our aftermarket parts trading activities increased $5.2 million in the second quarter of fiscal 2025 from the prior year quarter.â€‹Operating income in the Parts Supply segment increased $3.2 million, or 11.3%, over the prior year quarter, primarily due to the

mix of products sold within our new parts distribution activities.â€‹Repair & Engineering Segmentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended November 30,Â â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Third-party salesâ€‹$ 228.8â€‹$ 145.4â€‹ 57.4%Operating incomeâ€‹Â 22.8â€‹Â 11.3Â 101.8%Operating marginâ€‹Â 10.0%Â 7.8%Â Â Â Â â€‹â€‹Sales in the Repair & Engineering segment increased $83.4 million, or 57.4%, over the prior year quarter primarily due to the acquisition of the Product Support business in the fourth quarter of fiscal 2024 which contributed sales of $74.1 million inclusive of repair services transferred from our Garden City, New York location as part of our ongoing integration activities. In addition, sales increased $12.1 million at our airframe maintenance facilities. â€‹Operating income in the Repair & Engineering segment increased $11.5 million, or 101.8%, over the prior year quarter primarily due to the Product Support acquisition. Operating margin increased to 10.0% from 7.8% in the prior year quarter, reflecting the favorability of the higher margin Product Support business.â€‹32Table of ContentsIntegrated Solutions Segmentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended November 30,Â â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Third-party salesâ€‹$ 163.4â€‹$ 156.6â€‹ 4.3%Operating incomeâ€‹Â 6.5â€‹Â 6.4Â 1.6%Operating marginâ€‹Â 4.0%Â 4.1%Â Â Â Â â€‹â€‹Sales in the Integrated Solutions segment increased $6.8 million, or 4.3%, over the prior year quarter primarily due to higher commercial program activity.â€‹Operating income in the Integrated Solutions segment increased $0.1 million, or 1.6%, over the prior year quarter. The slight increase was driven by improved profitability across our government programs largely offset by lower profitability across our commercial programs. Operating margin decreased to 4.0% from 4.1% in the prior year quarter primarily due to the mix of products and services across our commercial and government programs.â€‹Expeditionary Services Segmentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Three Months Ended November 30,Â â€‹â€‹2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Third-party salesâ€‹$ 20.2â€‹$ 15.8Â 27.8%Operating incomeâ€‹Â 2.2â€‹Â 0.9Â 144.4%Operating marginâ€‹Â 10.9%Â Â 5.7%Â Â Â Â â€‹â€‹Sales in the Expeditionary Services segment increased $4.4 million, or 27.8%, over the prior year period primarily due to higher sales volumes for pallets.â€‹Operating income in the Expeditionary Services segment increased $1.3 million, or 144.4%, over the prior year quarter with the operating margin increased to 10.9% from 5.7% in the prior year quarter. These increases were attributable to the higher sales volumes.â€‹Six-Month Periods Ended November 30, 2024 and 2023â€‹Parts Supply Segmentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Six Months Ended November 30,Â â€‹â€‹2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Third-party salesâ€‹$ 523.4â€‹$ 464.4Â 12.7%Operating incomeâ€‹Â 61.7â€‹Â 43.5Â 41.8%Operating marginâ€‹Â 11.8%Â Â Â 9.4%Â Â Â Â â€‹â€‹Sales in the Parts Supply segment for the six-month period ended November 30, 2024 increased $59.0 million, or 12.7%, over the prior year period primarily due to a $62.2 million increase in sales in our new parts distribution activities from increased demand and growth from new and expanded distribution agreements. Whole asset sales in our aftermarket parts trading activities decreased $19.1 million from the prior year period.â€‹Operating income in the Parts Supply segment increased $18.2 million, or 41.8%, over the prior year period primarily due to improved profitability from the increased sales volume within our new parts distribution activities. In addition, we recognized an $11.2 million charge related to an unfavorable Russian court judgment in the prior year period.â€‹Repair & Engineering Segmentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Six Months Ended November 30,Â â€‹â€‹2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Third-party salesâ€‹$ 446.4â€‹$ 282.9Â 57.8%Operating incomeâ€‹Â 43.9â€‹Â 20.4Â 115.2%Operating marginâ€‹Â 9.8%Â Â Â 7.2%Â Â Â Â â€‹â€‹33Table of ContentsSales in the Repair & Engineering segment for the six-month period ended November 30, 2024 increased $163.5 million, or 57.8%, over the prior year period primarily due to the acquisition of the Product Support business in the fourth quarter of fiscal 2024 which contributed sales of $149.0 million inclusive of repair services transferred from our Garden City, New York location as part of our ongoing integration activities. In addition, sales increased $19.7 million at our airframe maintenance facilities. â€‹Operating income in the Repair & Engineering segment increased $23.5 million, or 115.2%, over the prior year period primarily due to the Product Support acquisition. Operating margin increased to 9.8% from 7.2% in the prior year period, reflecting the favorability of the higher margin Product Support business.â€‹Integrated Solutions Segmentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â Six Months Ended November 30,Â â€‹â€‹2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Third-party salesâ€‹$ 332.3â€‹$ 312.9Â 6.2%Operating incomeâ€‹Â 14.2â€‹Â 14.1Â 0.7%Operating marginâ€‹Â 4.3%Â Â Â 4.5%Â Â Â Â â€‹â€‹Sales in the Integrated Solutions segment for the six-month period ended November 30, 2024 increased $19.4 million, or 6.2%, over the prior year period primarily due to higher commercial program activity. â€‹Changes in estimates and assumptions related to our arrangements accounted for using the cost-to-cost method are recorded using the cumulative catch-up method of accounting. In the six-month period ended November 30, 2024, we recognized favorable cumulative catch-up adjustments of $2.4 million compared to net favorable cumulative catch-up adjustments of $0.2 million in the prior year period. These adjustments primarily relate to our long-term, power-by-the-hour programs where we provide component inventory management and repair services as well as certain long-term government programs.â€‹Operating income in the Integrated Solutions segment increased $0.1 million, or 0.7%, over the prior year period. The increased favorability from the cumulative catch-up adjustments discussed above was largely offset by lower profitability across our commercial programs primarily due to the mix of products and services. Operating margin decreased to 4.3% from 4.5% in the prior year period primarily due to the mix of products and services across our commercial and government programs.Expeditionary Services Segmentâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Six Months Ended November 30,Â â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â %Â ChangeÂ Third-party salesâ€‹$ 45.7Â Â Â Â $ 34.9Â Â Â 30.9%Operating incomeâ€‹Â 0.5â€‹Â 2.2Â (77.3)%Operating marginâ€‹Â 1.1%Â 6.3%Â Â Â Â â€‹â€‹Sales in the Expeditionary Services segment for the six-month period ended November 30, 2024 increased $10.8 million, or 30.9%, over the prior year period primarily due to the sales recognized in conjunction with the termination of our Next Generation Pallet contract.â€‹Operating income in the Expeditionary Services segment decreased $1.7 million, or 77.3%, from the prior year period primarily due to the impact of termination of the Next Generation Pallet contract. In conjunction with the termination, we expensed equipment and inventory of $12.7 million and recognized a contract asset of $9.5 million reflecting the estimated recovery on our incurred costs. Operating margin decreased to 1.1% from 6.3% in the prior year period primarily due to the contract termination.â€‹Liquidity, Capital Resources and Financial Positionâ€‹Our operating activities are funded and commitments met through the generation of cash from operations. Our ability to generate cash from operations is influenced primarily by our operating performance and changes in working capital. In addition to operations, our current capital resources include an unsecured revolving credit facility under the Credit Agreement referred to below and an accounts receivable financing program. Periodically, we may also raise capital through common stock and debt financings in the public or private markets. We continually evaluate various financing arrangements, including the issuance of common stock or debt, which would allow us to improve our liquidity position and finance future growth on commercially reasonable terms. Our continuing ability to borrow from our lenders and issue debt and equity securities to the public and private markets in the future may be negatively 34Table of Contentsaffected by a number of factors, including the overall health of the credit markets, general economic conditions, airline industry conditions, geo-political events, our debt service obligations, and our operating performance.â€‹At November 30, 2024, our liquidity and capital resources included working capital of $939.7 million inclusive of cash of $61.7 million. We expect that our cash on hand, coupled with future cash flows from operations and other available sources of liquidity discussed below, will provide ample liquidity to enable us to meet our cash requirements for at least the next 12 months and foreseeable future thereafter.â€‹Borrowingsâ€‹On December 14, 2022, we entered into a new credit agreement with various financial institutions as lenders and Wells Fargo Bank, N.A. as administrative agent for the lenders (the â€œCredit Agreementâ€) that included an unsecured revolving credit facility (the â€œRevolving Credit Facilityâ€) that we can draw upon for working capital and general corporate purposes. â€‹On March 1, 2024, we entered into an amendment (the â€œRevolver Amendmentâ€) to our Credit Agreement, which governs the Companyâ€™s existing revolving credit facility (the revolving credit facility as amended by the Revolver Amendment, the â€œAmended Revolving Credit Facilityâ€). Among other things, the Revolver Amendment (i) increased the aggregate commitments under the Amended Revolving Credit Facility to $825.0 million from $620.0 million under the Revolving Credit Facility, (ii) increased the maximum leverage ratio permitted under the financial covenants applicable to the Amended Revolving Credit Facility and (iii) included an additional pricing level that increases the interest rate margins on the Amended Revolving Credit Facility to 250 basis points (in the case loans based on the secured overnight financing rate (â€œSOFRâ€)) and 150 basis points (in the case of Base Rate loans as defined in the Revolver Amendment) if our Adjusted Total Debt to EBITDA Ratio as defined in the Revolver Amendment exceeds 3.75:1.00.â€‹In connection with the Revolver Amendment, we borrowed $186.2 million under the Amended Revolving Credit Facility to fund a portion of the purchase price for the acquisition of the Product Support business in the fourth quarter of fiscal 2024.â€‹Under certain circumstances, we may request an increase to the lending commitments under the Credit Agreement by an aggregate amount of up to $300 million, not to exceed $1,125 million in total. The Credit Agreement expires on December 14, 2027. Borrowings under the Credit Agreement bear interest at a variable rate based on SOFR plus 112.5 to 250 basis points based on certain financial measurements if a SOFR loan, or at the offered fluctuating Base Rate plus 12.5 to 150 basis points based on certain financial measurements if a Base Rate loan.â€‹At November 30, 2024, borrowings outstanding under the Amended Revolving Credit Facility were $447.0 million and there were approximately $9.7 million of outstanding letters of credit, which reduced the availability under this facility to $368.3 million. There are no other terms or covenants limiting the availability of the Amended Revolving Credit Facility. As of November 30, 2024, we also had other financing arrangements that did not limit availability on our Amended Revolving Credit Facility, including foreign lines of credit of $9.4 million.â€‹On March 1, 2024, we issued $550.0 million aggregate principal amount of 6.75% Senior Notes due 2029 (the â€œNotesâ€) to fund a portion of the purchase price for the acquisition of the Product Support business. The Notes bear interest at a rate of 6.75% per year, payable semiannually in cash in arrears on March 15 and September 15 of each year, commencing September 15, 2024. The Notes will mature on March 15, 2029. â€‹At any time prior to March 15, 2026, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date plus an applicable â€œmake-wholeâ€ premium. At any time prior to March 15, 2026, the Company may also redeem up to 40% of the Notes with net cash proceeds of certain equity offerings at a redemption price equal to 106.75% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. On or after March 15, 2026, the Company may redeem the Notes, in whole or in part, at specified redemption prices ranging from 100.000% to 103.375% depending on the date of redemption.â€‹Our financing arrangements require us to comply with leverage and interest coverage ratios and comply with certain affirmative and negative covenants, including those relating to financial reporting and notification, compliance with applicable laws, and limitations on additional liens, indebtedness, acquisitions, investments and disposition of assets. Our financing arrangements also generally require our significant domestic subsidiaries to provide a guarantee of payment. At November 30, 2024, we were in compliance with the financial and other covenants under each of our financing arrangements.â€‹35Table of ContentsSale of Receivablesâ€‹We maintain a Purchase Agreement with Citibank N.A. (â€œPurchaserâ€) for the sale, from time to time, of certain accounts receivable due from certain customers (the â€œPurchase Agreementâ€). Under the Purchase Agreement, the maximum amount of receivables sold is limited to $150.0 million and Purchaser may, but is not required to, purchase the eligible receivables we offer to sell. The term of the Purchase Agreement expires after February 22, 2025, but, the Purchase Agreement may be terminated earlier under certain circumstances. The term of the Purchase Agreement is automatically extended for annual terms unless either party provides advance notice that they do not intend to extend the term.â€‹We have no retained interests in the sold receivables, other than limited recourse obligations in certain circumstances, and only perform collection and administrative functions for the Purchaser. We account for these receivable transfers as sales under Accounting Standards Codification 860, Transfers and Servicing, and de-recognize the sold receivables from our Condensed Consolidated Balance Sheet. At November 30, 2024, we had utilized $12.7 million which reduced the availability under the Purchase Agreement to $137.3 million.â€‹Customer Mattersâ€‹During fiscal 2024, we experienced delayed collections from one of our significant regional airline customers and issued the customer a Notice of Payment and Other Defaults during the second quarter of fiscal 2024 to request payment and reserve our rights under our agreements. In the fourth quarter of fiscal 2024, we terminated a power-by-the-hour (â€œPBHâ€) program with this customer which resulted in a net termination charge of $4.8 million. The charge included a reduction in contract assets and revenue of $7.8 million and the establishment of repair reserves of $2.5 million partially offset by a $5.5 million gain recognized from the customerâ€™s obligation to purchase the rotable assets we utilized to perform the PBH services. In conjunction with the termination for default, the customer is obligated to purchase the rotable assets for $20.9 million. The rotable assets are classified as assets held for sale and the carrying value of the assets is presented within Prepaid assets and other current assets on our Condensed Consolidated Balance Sheets.â€‹We currently expect full payment from the customer of all amounts due under the terminated agreement and all other agreements and do not believe a reserve for credit loss is warranted. Our Condensed Consolidated Balance Sheet as of November 30, 2024 included accounts receivable of $15.1 million, including $7.3 million past due, and contract assets of $13.3 million related to this customer.â€‹Stock Repurchase Programâ€‹On December 16, 2021, our Board of Directors authorized a renewal of our stock repurchase program, under which we may repurchase up to $150 million of our common stock with no expiration date. No repurchases were made during the three-month period ended November 30, 2024. Since inception of the renewal authorization, we have repurchased 2.2 million shares for an aggregate purchase price of $97.5 million. The timing and amount of repurchases are subject to prevailing market conditions and other considerations, including our liquidity and acquisition and other investment opportunities. â€‹Cash Flows from Operating Activitiesâ€‹Net cash provided by operating activities was $3.4 million in the six-month period ended November 30, 2024 compared to cash used of $1.3 million in the prior year period. The increase in the cash provided by operating activities over the prior year of $4.7 million was primarily attributable to working capital changes, including less inventory investments in both new parts and used serviceable material in the current year period.â€‹Cash Flows from Investing Activitiesâ€‹Net cash used in investing activities was $13.2 million in the six-month period ended November 30, 2024 compared to $20.3 million in the prior year period. The decrease in cash used in investing activities from the prior year of $7.1 million was primarily related to the favorable resolution of post-closing, purchase price adjustments of $2.9 million for the Product Support business acquisition in the current year period. In addition, we received $2.2 million of proceeds from the exit of our Indian joint venture in the current year period. â€‹36Table of ContentsCash Flows from Financing Activitiesâ€‹Net cash used in financing activities was $3.8 million in the six-month period ended November 30, 2024 compared to cash provided of $15.3 million in the prior year period. The increase in cash used in financing activities over the prior year of $19.1 million was primarily related to less stock option exercises in the current year period.â€‹Critical Accounting Policies and Significant Estimatesâ€‹We make a number of significant estimates, assumptions and judgments in the preparation of our financial statements. See Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended May 31, 2024 for a discussion of our critical accounting policies. There have been no significant changes to the application of our critical accounting policies during the second quarter of fiscal 2025. â€‹Forward-Looking Statementsâ€‹This report contains certain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements often address our expected future operating and financial performance and financial condition, or targets, goals, commitments, and other business plans, and often may also be identified because they contain words such as â€œanticipate,â€ â€œbelieve,â€ â€œcontinue,â€ â€œcould,â€ â€œestimate,â€ â€œexpect,â€ â€œintend,â€ â€œlikely,â€ â€œmay,â€ â€œmight,â€ â€œplan,â€ â€œpotential,â€ â€œpredict,â€ â€œproject,â€ â€œseek,â€ â€œshould,â€ â€œtarget,â€ â€œwill,â€ â€œwould,â€ or similar expressions and the negatives of those terms.â€‹These forward-looking statements are based on beliefs of our management, as well as assumptions and estimates based on information available to us as of the dates such assumptions and estimates are made, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors, including: (i) factors that adversely affect the commercial aviation industry; (ii) adverse events and negative publicity in the aviation industry; (iii) a reduction in sales to the U.S. government and its contractors; (iv) cost overruns and losses on fixed-price contracts; (v) nonperformance by subcontractors or suppliers; (vi) a reduction in outsourcing of maintenance activity by airlines; (vii) a shortage of skilled personnel or work stoppages; (viii) competition from other companies; (ix) financial, operational and legal risks arising as a result of operating internationally; (x) inability to integrate acquisitions effectively and execute operational and financial plans related to the acquisitions; (xi) failure to realize the anticipated benefits of acquisitions; (xii) circumstances associated with divestitures; (xiii) inability to recover costs due to fluctuations in market values for aviation products and equipment; (xiv) cyber or other security threats or disruptions; (xv) a need to make significant capital expenditures to keep pace with technological developments in our industry; (xvi) restrictions on use of intellectual property and tooling important to our business; (xvii) inability to fully execute our stock repurchase program and return capital to stockholders; (xviii) limitations on our ability to access the debt and equity capital markets or to draw down funds under loan agreements; (xix) non-compliance with restrictive and financial covenants contained in our debt and loan agreements; (xx) changes in or non-compliance with laws and regulations related to federal contractors, the aviation industry, international operations, safety, and environmental matters, and the costs of complying with such laws and regulations; and (xxi) exposure to product liability and property claims that may be in excess of our liability insurance coverage. Should one or more of these risks or uncertainties materialize adversely, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described.â€‹For a discussion of these and other risks and uncertainties, refer to our Annual Report on Form 10-K, Part I, â€œItem 1A, Risk Factorsâ€ and our other filings from time to time with the SEC. These events and uncertainties are difficult or impossible to predict accurately and many are beyond our control. The risks described in these reports are not the only risks we face, as additional risks and uncertainties are not currently known or foreseeable or impossible to predict accurately or risks that are beyond our control or deemed immaterial may materially adversely affect our business, financial condition or results of operations in future periods. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by law.â€‹37Table of ContentsItem 3 â€“ Quantitative and Qualitative Disclosures About Market Riskâ€‹Our exposure to market risk includes fluctuating interest rates under our credit agreements, changes in foreign exchange rates, and credit losses on accounts receivable. See Note 1 of Notes to Consolidated Financial Statements in our Annual Report on FormÂ 10-K for the year ended May 31, 2024 for a discussion of accounts receivable exposure.â€‹Foreign Currency Risk. Revenues and expenses of our foreign operations are translated at average exchange rates during the period, and balance sheet accounts are translated at period-end exchange rates. Balance sheet translation adjustments are excluded from the results of operations and are recorded in stockholdersâ€™ equity as a component of accumulated other comprehensive loss. A hypothetical 10 percent devaluation of the U.S. dollar against foreign currencies would not have had a material impact on our financial position or operations for the quarter ended November 30, 2024.â€‹Interest Rate Risk. Refer to the section Quantitative and Qualitative Disclosures about Market Risk in our Annual Report on FormÂ 10-K for the year ended May 31, 2024. There were no significant changes during the quarter ended November 30, 2024.â€‹Item 4 â€“ Controls and Proceduresâ€‹Evaluation of Disclosure Controls and Proceduresâ€‹As required by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of November 30, 2024. This evaluation was carried out under the supervision and with participation of our Chief Executive Officer and our Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Therefore, effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of November 30, 2024 to provide reasonable assurance that information required to be disclosed in the reports that are filed under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported in a timely manner.There were no changes in our internal control over financial reporting during the quarter ended November 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.â€‹38Table of ContentsPARTÂ II â€“ OTHER INFORMATIONâ€‹Item 1 â€“ Legal Proceedingsâ€‹The information in Note 16 to the Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference. There are no matters which constitute material pending legal proceedings to which we are a party other than those incorporated into this item by reference from Note 16 to our Condensed Consolidated Financial Statements for the quarter ended November 30, 2024 contained in this Quarterly Report on Form 10-Q.â€‹Item 1A â€“ Risk Factorsâ€‹There have been no material changes in the risk factors disclosed in Part I Item 1A â€œRisk Factorsâ€ contained in our Annual Report on Form 10-K for the fiscal year ended May 31, 2024.â€‹Item 5 â€“ Other Informationâ€‹During the three months ended November 30, 2024, none of our directors or â€œofficersâ€ (as defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted, modified or terminated a â€œRule 10b5-1 trading arrangementâ€ or a â€œnon-Rule 10b5-1 trading arrangementâ€ as such terms are defined under Item 408 of Regulation S-K.â€‹â€‹39Table of ContentsItem 6 â€“ Exhibitsâ€‹The exhibits to this report are listed on the following index:â€‹ExhibitNo.Â Â Â Â Descriptionâ€‹Â Â Â Â Exhibitsâ€‹â€‹â€‹â€‹â€‹â€‹4.â€‹Instruments Defining the Rights of Security Holders4.1â€‹Second Supplemental Indenture, dated as of October 8, 2024, by and among AAR CORP., as issuer, AAR Allen Services, Inc., as guaranteeing subsidiary, and Wilmington Trust, National Association, as trustee (filed herewith).â€‹â€‹â€‹â€‹â€‹â€‹10.â€‹Material Contracts10.1â€‹Supplemental Guaranty, dated as of September 10, 2024, by AAR Allen Services, Inc., as guarantor, to Wells Fargo Bank, N.A., as administrative agent and contractual representative (filed herewith).â€‹â€‹â€‹â€‹â€‹â€‹â€‹10.2â€‹Fifth Amendment to Purchase Agreement, dated as of December 3, 2024, by and between AAR CORP., as seller representative, servicer and parent, and Citibank, N.A., as buyer (filed herewith).31.â€‹RuleÂ 13a-14(a)/15(d)-14(a)Â Certifications31.1â€‹Section 302 Certification of Chief Executive Officer of Registrant (filed herewith).â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹31.2â€‹Section 302 Certification of Chief Financial Officer of Registrant (filed herewith).â€‹â€‹â€‹â€‹32.â€‹SectionÂ 1350 Certifications32.1â€‹Section 906 Certification of Chief Executive Officer of Registrant (filed herewith).â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹32.2â€‹Section 906 Certification of Chief Financial Officer of Registrant (filed herewith).â€‹â€‹â€‹â€‹â€‹â€‹101.â€‹Interactive Data File101â€‹The following materials from the Registrantâ€™s Quarterly Report on Form 10-Q for the quarter ended November 30, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at November 30, 2024 and May 31, 2024, (ii) Condensed Consolidated Statements of Operations for the three- and six-months ended November 30, 2024 and 2023, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three- and six-months ended November 30, 2024 and 2023, (iv) Condensed Consolidated Statements of Cash Flows for the six- months ended November 30, 2024 and 2023, (v) Condensed Consolidated Statement of Changes in Equity for the three- and six-months ended November 30, 2024 and 2023, and (vi) Notes to Condensed Consolidated Financial Statements.*â€‹â€‹â€‹â€‹104.â€‹Cover Page Interactive Data File104â€‹Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).â€‹*Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.â€‹40Table of ContentsSIGNATURESâ€‹Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.â€‹â€‹â€‹Â Â Â Â AAR CORP.â€‹â€‹â€‹(Registrant)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Date:January 7, 2025â€‹/s/ SEAN M. GILLENâ€‹â€‹â€‹Sean M. Gillenâ€‹â€‹â€‹Senior Vice President and Chief Financial Officerâ€‹â€‹(Principal Financial Officer)â€‹â€‹41Exhibit 4.1SECOND SUPPLEMENTAL INDENTURE (this â€œSupplemental Indentureâ€), dated as of October 8, 2024, among AAR CORP. (the â€œIssuerâ€), AAR Allen Services, Inc. (the â€œGuaranteeing Subsidiaryâ€), a subsidiary of the Issuer, and Wilmington Trust, National Association, as trustee under the Indenture referred to below (the â€œTrusteeâ€).W I T N E S S E T HWHEREAS, the Issuer has heretofore executed and delivered to the Trustee an indenture (as supplemented and amended from time to time, the â€œIndentureâ€), dated as of March 1, 2024 providing for the issuance of 6.750% Senior Notes due 2029 (the â€œNotesâ€);WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Issuerâ€™s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the â€œGuaranteeâ€); andWHEREAS, pursuant to Section 901 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:1.CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.2.AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Indenture including but not limited to Article Twelve thereof.3.NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Issuer or any Guaranteeing Subsidiary under the Notes, any Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Guarantees, to the extent permitted by applicable law.4.GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. THE PARTIES HERETO AGREE TO SUBMIT TO THE JURISDICTION OF ANY UNITED STATES FEDERAL OR STATE COURT LOCATED IN THE BOROUGH OF MANHATTAN, IN THE CITY OF NEW YORK IN ANY ACTION ORâ€‹PROCEEDING ARISING OUT OF OR RELATING TO THIS SUPPLEMENTAL INDENTURE.5.COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. The exchange of copies of the Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of the Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.6.EFFECT OF HEADINGS. The Section headings herein are for convenience or reference only and are not intended to be considered a part hereof and shall not affect the construction hereof.7.THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Issuer.â€‹IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.Dated:October 8, 2024â€‹AAR CORP.â€‹â€‹â€‹By:/s/ Sean Gillenâ€‹â€‹Name:Sean Gillenâ€‹â€‹Title:Senior Vice President and Chief Financial Officerâ€‹â€‹AAR ALLEN SERVICES, INC., as Guaranteeing Subsidiaryâ€‹â€‹â€‹By:/s/ Sean Gillenâ€‹â€‹Name:Sean Gillenâ€‹â€‹Title:Vice Presidentâ€‹â€‹WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trusteeâ€‹â€‹â€‹By:/s/ Karleen R. Bratlandâ€‹â€‹Name:Karleen R. Bratlandâ€‹â€‹Title:Assistant Vice Presidentâ€‹Exhibit 10.1SUPPLEMENTAL GUARANTYSeptember 10, 2024Wells Fargo Bank, N.A.,as Administrative Agent for the Lenders underthe below-described Credit AgreementLadies and Gentlemen:Reference is hereby made to (i) that certain Credit Agreement, dated as of December 14, 2022 (as amended, restated, supplemented or otherwise modified from time to time, the â€œCredit Agreementâ€), among AAR Corp., a Delaware corporation, the lenders from time to time parties thereto (the â€œLendersâ€) and Wells Fargo Bank, N.A., as administrative agent and contractual representative (the â€œAdministrative Agentâ€) on behalf of itself and the other Lenders, and (ii) that certain Guaranty, dated as December 14, 2022 Â (as amended, restated, supplemented or otherwise modified from time to time, the â€œGuarantyâ€), executed and delivered by the Guarantors parties thereto in favor of the Administrative Agent. Terms not defined herein which are defined in the Credit Agreement shall have for the purposes hereof the respective meanings provided therein.In accordance with Section 6.07 of the Credit Agreement and Paragraph 19 of the Guaranty, the undersigned, AAR ALLEN SERVICES, INC., an Illinois corporation, hereby elects to be a â€œGuarantorâ€ and for all purposes of the Credit Agreement and the Guaranty, respectively, effective from the date hereof.Without limiting the generality of the foregoing, the undersigned hereby agrees to perform all the obligations of a Guarantor under, and to be bound in all respects by the terms of, the Guaranty, to the same extent and with the same force and effect as if the undersigned were a direct signatory thereto. By its execution below, the undersigned represents and warrants as to itself that all of the representations and warranties contained in Paragraph 15 of the Guaranty are true and correct as of the date hereof.This Supplemental Guaranty shall be construed in accordance with the internal laws of the State of New York, but otherwise without regard to the conflict of laws provisions, but giving effect to federal laws applicable to national banks.[Signature page follows]â€‹â€‹IN WITNESS WHEREOF, this Supplemental Guaranty has been duly executed by the undersigned as of the date first written above.â€‹â€‹â€‹â€‹AAR ALLEN SERVICES, INC.â€‹â€‹â€‹By:/s/ Sean M. Gillenâ€‹Name:Sean M. Gillenâ€‹Title:Vice Presidentâ€‹â€‹â€‹Notice Information:â€‹1100 N. Wood Dale Roadâ€‹Wood Dale, Illinois 60191â€‹â€‹Exhibit 10.2FIFTH AMENDMENT TO PURCHASE AGREEMENTThis Fifth Amendment to Purchase Agreement, dated as of December 3, 2024 (this â€œAmendmentâ€), is among AAR CORP., on behalf of itself and each Seller (in such capacity, the â€œSeller Representativeâ€), as servicer (in such capacity, the â€œServicerâ€ and, together with the Seller Representative, the â€œAAR Partiesâ€ and each an â€œAAR Partyâ€), and as parent (in such capacity, the â€œParentâ€), and CITIBANK, N.A. (the â€œBuyerâ€).RECITALSWHEREAS, the AAR Parties, the Sellers and the Buyer are parties to that certain Purchase Agreement, dated as of February 23, 2018 (as amended, restated, supplemented or otherwise modified through the date hereof, the â€œAgreementâ€); andWHEREAS, the parties hereto desire to amend the Agreement in certain respects as set forth herein.NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:SECTION 1.Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.SECTION 2.Amendments to the Agreement.(a)AAR Landing Gear LLC, a Florida limited liability company and an affiliate of AAR listed as a Seller on the signature pages of the Agreement (â€œAAR LGâ€), is hereby terminated as a Seller under the Agreement effective as of the date hereof.(b)From and as of the date hereof, (i) AAR LG will (A) no longer be able to Post Offers, utilize the Platform or otherwise transact business under the Agreement, and (B) no longer be party to, or a Seller under, the Agreement, and (ii) any reference in the Agreement and in the other Transaction Documents to â€œSellerâ€ without further designation shall be a reference to each Seller, respectively, as applicable, except AAR LG.(c)The obligations of AAR LG arising in connection with the Agreement, including but not limited to, confidentiality, security, indemnity, payment and reimbursement obligations, related to AAR LGâ€™s activities prior to the date hereof shall survive AAR LGâ€™s termination as a Seller under the Agreement, and each Sellerâ€™s joint and several liability with respect to such obligations, as applicable, shall continue in full force and effect and shall be governed by the terms of the Agreement.â€‹â€‹â€‹SECTION 3.Conditions to Effectiveness. This Amendment shall become effective on the date on which each of the parties hereto shall have received counterparts of this Amendment executed by each of the other parties hereto.SECTION 4.Representations and Warranties. The Seller Representative (on behalf of itself and each Seller) and the Servicer hereby make to the Buyer, on and as of the date hereof, the following representations and warranties:(a)Authority. The execution, delivery and performance by the applicable AAR Party of this Amendment (i) are within such AAR Partyâ€™s corporate powers and (ii) have been duly authorized by all necessary corporate action;(b)Enforceability. This Amendment constitutes the legal, valid and binding obligation of the applicable AAR Party, enforceable against such AAR Party in accordance with its terms, except as limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other laws relating to the enforcement of creditorsâ€™ rights generally and general principles of equity (regardless of whether enforcement is sought at equity or law);(c)Representations, Warranties and Covenants. Its representations, warranties and covenants contained in the Agreement (other than those set forth in clauses (i) and (k) of Exhibit C thereof) are true and correct in all material respects, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date; and(d)No Event of Termination. No Event of Termination has occurred and is continuing.SECTION 5.Ratification of Parent Undertaking. Â The Parent hereby acknowledges and agrees that, immediately after giving effect to this Amendment, the Parent Undertaking shall remain in full force and effect and is hereby ratified and confirmed.SECTION 6.Effect of Amendment; Ratification.(a)Upon the effectiveness of this Amendment, each reference in the Agreement to the â€œPurchase Agreementâ€, â€œthis Agreementâ€, â€œhereunder,â€ â€œhereof,â€ â€œherein,â€ â€œherebyâ€ or words of like import shall mean and be a reference to the Agreement as amended hereby, and each reference to the Agreement in any other document, instrument and agreement executed and/or delivered in connection with the Agreement shall mean and be a reference to the Agreement as amended hereby.(b)Except as specifically amended hereby, the Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed in all respects.(c)The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Buyer or any of its assignees under the Agreement or any other document, instrument, or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein.â€‹2â€‹SECTION 7.Execution; Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by electronic mail attachment in portable document format (.pdf) shall be effective as delivery of a manually executed counterpart of this Amendment.SECTION 8.Governing Law. This Amendment shall be governed by the laws of the State of New York, without giving effect to conflicts of law principles.SECTION 9.Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment or the Agreement or any provision hereof or thereof.(signature pages follow)â€‹â€‹3â€‹IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.â€‹â€‹â€‹â€‹â€‹AAR CORP., as Seller Representative (on behalf of itself and each Seller) and as Servicerâ€‹â€‹â€‹â€‹â€‹â€‹â€‹By:/s/ Mark Zitellaâ€‹Name:Mark Zitellaâ€‹Title:Vice President and Treasurerâ€‹â€‹â€‹â€‹â€‹â€‹â€‹AAR CORP., as Parentâ€‹â€‹â€‹â€‹â€‹â€‹By:/s/ Mark Zitellaâ€‹Name:Mark Zitellaâ€‹Title:Vice President and Treasurerâ€‹â€‹Fifth

Amendmentâ€‹â€‹â€‹â€‹â€‹CITIBANK, N.A.,â€‹as Buyerâ€‹â€‹â€‹By: /s/ Brendan Colemanâ€‹Name:Brendan Colemanâ€‹Title:Vice Presidentâ€‹â€‹â€‹Fifth AmendmentExhibit 31.1â€‹SECTION 302CERTIFICATIONâ€‹I, John M. Holmes, certify that:â€‹1.I have reviewed this quarterly report on Form 10-Q of AAR CORP. (the â€œRegistrantâ€) for the quarterly period ended November 30, 2024;â€‹2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;â€‹3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;â€‹4.The Registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:â€‹a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;â€‹b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;â€‹c)Evaluated the effectiveness of the Registrantâ€™s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; andâ€‹d)Disclosed in this report any change in the Registrantâ€™s internal control over financial reporting that occurred during the Registrantâ€™s most recent fiscal quarter (the Registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrantâ€™s internal control over financial reporting; andâ€‹5.The Registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrantâ€™s auditors and the audit committee of the Registrantâ€™s board of directors (or persons performing the equivalent functions):â€‹a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrantâ€™s ability to record, process, summarize and report financial information; andâ€‹b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrantâ€™s internal control over financial reporting.â€‹DATE: January 7, 2025â€‹â€‹/s/ JOHN M. HOLMESâ€‹John M. Holmesâ€‹Chairman, President, and Chief Executive Officerâ€‹(Principal Executive Officer)â€‹Exhibit 31.2â€‹SECTION 302CERTIFICATIONâ€‹I, Sean M. Gillen, certify that:â€‹1.I have reviewed this quarterly report on Form 10-Q of AAR CORP. (the â€œRegistrantâ€) for the quarterly period ended November 30, 2024;â€‹2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;â€‹3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;â€‹4.The Registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:â€‹a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;â€‹b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;â€‹c)Evaluated the effectiveness of the Registrantâ€™s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; andâ€‹d)Disclosed in this report any change in the Registrantâ€™s internal control over financial reporting that occurred during the Registrantâ€™s most recent fiscal quarter (the Registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrantâ€™s internal control over financial reporting; andâ€‹5.The Registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrantâ€™s auditors and the audit committee of the Registrantâ€™s board of directors (or persons performing the equivalent functions):â€‹a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrantâ€™s ability to record, process, summarize and report financial information; andâ€‹b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrantâ€™s internal control over financial reporting.â€‹DATE: January 7, 2025â€‹â€‹â€‹â€‹/s/ SEAN M. GILLENâ€‹Sean M. Gillen â€‹Senior Vice President and Chief Financial Officerâ€‹(Principal Financial Officer)â€‹Exhibit 32.1â€‹CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002â€‹In connection with the AAR CORP. (the â€œCompanyâ€) quarterly report on Form 10-Q for the period ended November 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), I, John M. Holmes, Chairman, President, and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:â€‹1.The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; andâ€‹2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.â€‹Date: January 7, 2025â€‹â€‹â€‹â€‹/s/ JOHN M. HOLMESâ€‹John M. Holmesâ€‹Chairman, President, and Chief Executive Officerâ€‹(Principal Executive Officer)â€‹Exhibit 32.2â€‹CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002â€‹In connection with the AAR CORP. (the â€œCompanyâ€) quarterly report on Form 10-Q for the period ended November 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), I, Sean M. Gillen, Senior Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:â€‹1.The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; andâ€‹2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.â€‹Date: January 7, 2025â€‹â€‹â€‹â€‹/s/ SEAN M. GILLENâ€‹Sean M. Gillenâ€‹Senior Vice President and Chief Financial Officerâ€‹(Principal Financial Officer)â€‹