AAR REPORTS FIRST QUARTER FISCAL YEAR 2016 RESULTS

News / Finance

AAR (NYSE: AIR) today reported **first quarter fiscal year 2016** sales of $377.8 million and income from continuing operations of $8.2 million, or $0.23 per diluted share. For the first quarter of the prior fiscal year, the Company reported sales of $395.1 million and income from continuing operations of $11.8 million, or $0.29 per diluted share.

During the quarter, the Company recorded a pre-tax gain of $27.7 million within discontinued operations from the receipt of additional proceeds from the sale of the Telair Cargo Group. Including this impact, the Company reported total net income of $22.9 million in the first quarter, or $0.65 per diluted share. In the prior year period, the Company reported total net income of $14.4 million, or $0.36 per diluted share.

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“Performance in the first quarter was in line with our expectations as we continue executing on our industry-leading aviation and government services strategy,” said David P. Storch, Chairman, President and Chief Executive Officer of AAR CORP. “In the Aviation Services segment we experienced slight year-over-year growth as we saw flat supply chain performance and higher sales in our aircraft maintenance operations. Our Expeditionary Services segment reported a year-over-year decline in sales due to the mix of our aircraft flying positions and lower mobility product volumes, but the segment grew sequentially as airlift ramped up new programs.”

Storch continued, “For the balance of the year, in our Aviation Services segment, we expect continued demand for our MRO services and a return to more robust growth in supply chain. In our Expeditionary Services segment, we expect similar results in the second quarter with sequential improvement through the second half of the year as airlift increases its contracted fleet in different geographies.”

Gross profit margin from continuing operations was 14.4% for the first quarter compared to 15.8% last year. In the Aviation Services segment, gross profit margin improved year-over-year due to higher margins in MRO. In the Expeditionary Services segment, gross profit margin declined year-over-year due to the mix of flying positions at airlift.

First quarter sales to commercial customers represented 61% of consolidated sales, compared to 60% of consolidated sales in the first quarter of last year. The balance of the sales was to government customers including defense.

Selling, general and administrative expenses as a percentage of sales were 10.4% for the first quarter, compared to 9.7% last year. This quarter was adversely impacted by increased legal expenses. Net interest expense from continuing operations for the quarter decreased to $1.9 million from $6.3 million last year as net debt declined to $150.8 million from $545.3 million last year. The Company ended the quarter with a net debt to capitalization ratio of 15.0%, versus 35.2% in the prior year quarter.

In the first quarter, the Company paid out dividends to shareholders of $2.6 million and repurchased approximately 300,000 shares for $7.1 million. The Company further invested approximately $20.0 million in net inventory to support future growth in supply chain. Average diluted share count for the quarter was 35.1 million compared to 39.2 million in the first quarter last year.

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