

# Investor Presentation

May 2017

# Disclosures

**Forward-Looking Statements:** This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be preceded by, followed by or include the words “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates” or similar expressions. These statements are based on the beliefs and assumptions of our management. Generally, forward-looking statements include information concerning our possible or assumed future actions, events or results of operations. Forward-looking statements specifically include, without limitation, the information in this presentation regarding: projections; efficiencies/cost avoidance; cost savings; forward loss reserves; income and margins; earnings per share; growth; economies of scale; the macro economy; capital expenditures; future financing needs; future acquisitions and dispositions; litigation; potential and contingent liabilities; management’s plans; and integration related expenses.

Although we believe that the expectations reflected in the forward-looking statements are based on reasonable assumptions, these forward-looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. We cannot guarantee future results, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. All written and oral forward-looking statements made in connection with this presentation that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by “Risk Factors” and other cautionary statements included herein.

The information in this presentation is not a complete description of our business or the risks. There can be no assurance that other factors will not affect the accuracy of these forward-looking statements or that our actual results will not differ materially from the results anticipated in such forward-looking statements. Factors that could cause actual results to differ materially from those estimated by us include, but are not limited to, those factors or conditions described under “Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2016 and the following: our ability to manage and otherwise comply with our covenants with respect to our outstanding indebtedness; our ability to service our indebtedness; the cyclical nature of our end-use markets and the level of new commercial and military aircraft orders; industry and customer concentration; production rates for various commercial and military aircraft programs; the level of U.S. Government defense spending, including the impact of sequestration; compliance with applicable regulatory requirements and changes in regulatory requirements, including regulatory requirements applicable to government contracts and sub-contracts; further consolidation of customers and suppliers in our markets; product performance and delivery; start-up costs, manufacturing inefficiencies and possible overruns on contracts; increased design, product development, manufacturing, supply chain and other risks and uncertainties associated with our growth strategy to become a Tier 2 supplier of higher-level assemblies; our ability to manage the risks associated with international operations and sales; possible additional goodwill and other asset impairments; economic and geopolitical developments and conditions; unfavorable developments in the global credit markets; our ability to operate within highly competitive markets; technology changes and evolving industry and regulatory standards; the risk of environmental liabilities; and litigation with respect to us.

We caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this presentation. We do not undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect actual outcomes.

**Non-GAAP Financial Measures:** This presentation includes certain non-GAAP financial measures, such as EBITDA and free cash flow. For a reconciliation of such non-GAAP financial measures to the closest GAAP measure as well as why management believes these measures are useful, see “Non-GAAP Financial Measures” in the Appendix of this presentation.

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

# Company Snapshot

**Manufacturer of complex electronics and structural systems for commercial aircraft, military and space programs, and industrial applications**



- Strategically positioned on key platforms: Boeing 737, 787 & 777 and Airbus A320, A330 & A350
- Commercial aerospace backlog and build rates are at record levels
- Defense spending has stabilized in strategic areas, including missiles

# Investment Highlights

## Defendable Niche

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

## Improving Financials

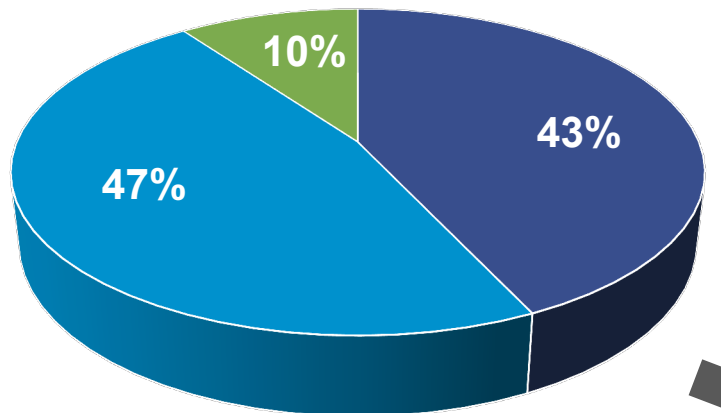
- Strong cash flow to reduce debt and fund long-term growth
- Focused on driving profitable top-line growth
- Process improvements and supply chain initiative to drive improved margins

## Sharpened Business Strategy

- Transformation into higher margin innovative solutions
- Continuous focus on innovation and investment to maintain differentiation and drive productivity
- Relentless effort to drive companywide operational excellence

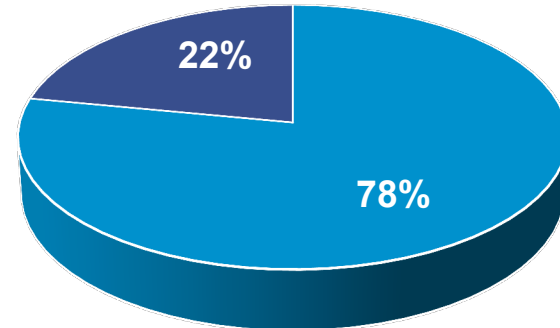
# Two Business Segments – Revenues

LTM Q1 2017 Revenues  
\$544.8 million

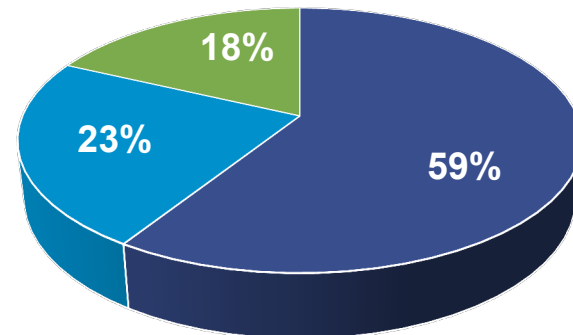


■ Military and Space   ■ Commercial Aerospace   ■ Industrial

Structural Systems  
(44% of 2016 Revenues)

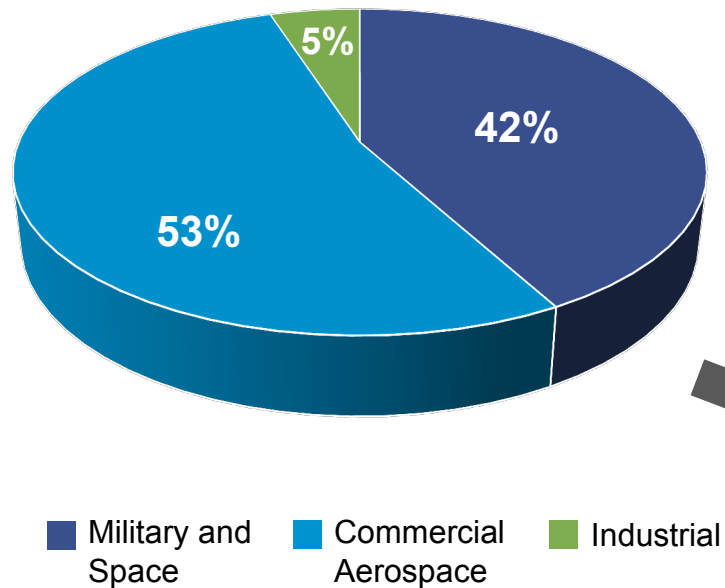


Electronic Systems  
(56% 2016 Revenues<sup>1</sup>)

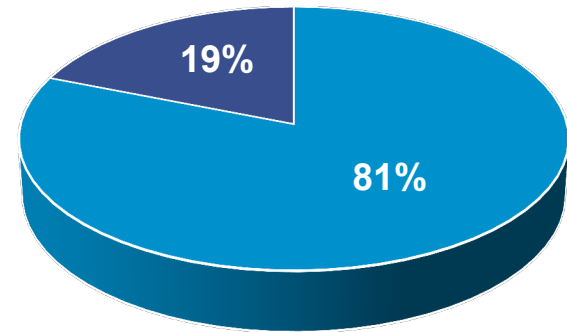


# Backlog Supports Focus on Aerospace and Defense Strategy

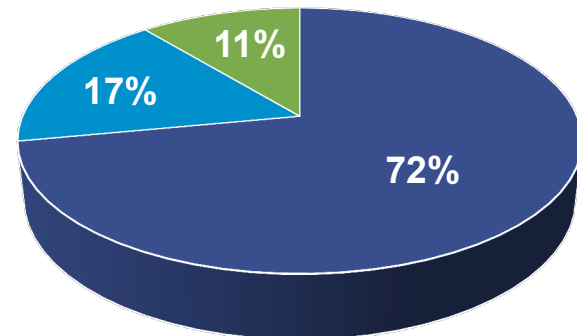
Total Backlog at April 1, 2017  
\$580.9 million



Structural Systems  
(56% of Total Backlog)



Electronic Systems  
(44% of Total Backlog)



# We Go to Market as One Company with Broad Capabilities

## Each SBU is built on a unique set of competencies

### Strategic Business Units

#### Electronic Systems

##### Circuit Board Solutions



- Low-to-medium volume
- High mix
- High rate of change

##### Electronic Integrated Solutions



- Box-level electronic, electromechanical and mechanical assembly
- RF and HMI products

##### Interconnect Solutions



- Cables and wiring harnesses
- High-temperature, pressure, flexibility, and frequency

##### Bonded Component Solutions



- Composite materials
- Spoilers, winglets, tail cones, rotor blades

#### Structural Systems

##### Structural Assembly Solutions



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

##### Structural Systems Solutions



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

# Expansive Footprint on Commercial and Military Fixed Wing Aircraft



## ELECTRONICS

- ① Avionics systems
- ② Cockpit controls, lighted panels and switches
- ③ Radar assemblies
- ④ Fuel management systems
- ⑤ Brake systems
- ⑥ Engine and nacelle electronics
- ⑦ Flight surface control systems
- ⑧ Communication and countermeasure systems

## STRUCTURES

- ⑨ Ailerons, spoilers, winglets and other flight control surfaces
- ⑩ Tail cones
- ⑪ Fuselage skins
- ⑫ Passenger and cargo doors
- ⑬ Window surrounds
- ⑭ Engine ducts
- ⑮ Exhaust ducts and nozzles

### Trends helping to drive significant long-term growth opportunities in aerospace segment:

- OEM/Tier 1 outsourcing and supplier consolidation
- Expansion of titanium capabilities and content
- Strategically positioned on key platforms
- Increased build rates on Boeing 737 and Airbus A320

# Expansive Footprint on Commercial and Military Rotary Aircraft



## ELECTRONICS

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

## STRUCTURES

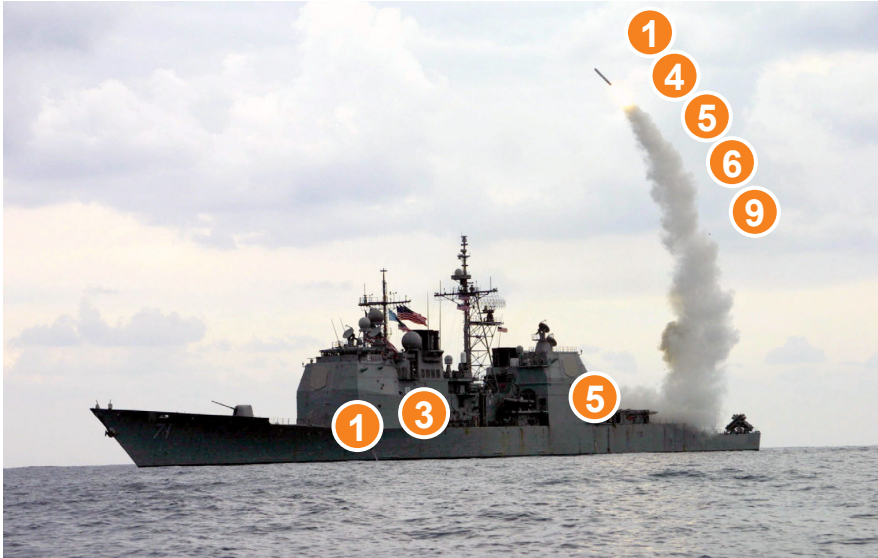
- ⑧ Rotor blades and blade abrasion strips
- ⑨ Engine ducts, nozzles and heat shields
- ⑩ Door surrounds and bulkheads
- ⑪ Window surrounds

## Trends helping to drive significant long-term growth opportunities in defense segment:

- Supplier consolidation favors larger suppliers
- Increasing defense budget with solid funding on missile platforms
- Platform upgrades
- Foreign military sales

# Diverse Content on Key Missile Platforms

## Land, Sea and Air



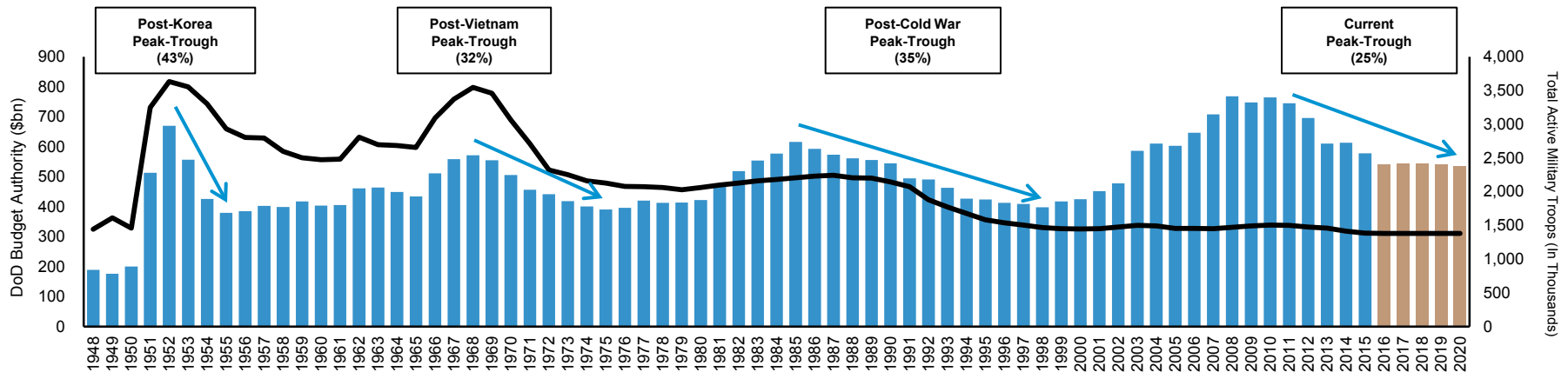
### ELECTRONICS

- 1 Target acquisition systems
- 2 Launch systems
- 3 Command and control systems
- 4 Range safety antennas
- 5 Guidance systems
- 6 Navigation systems
- 7 Warhead electronics
- 8 Umbilical container cables
- 9 Automated test systems

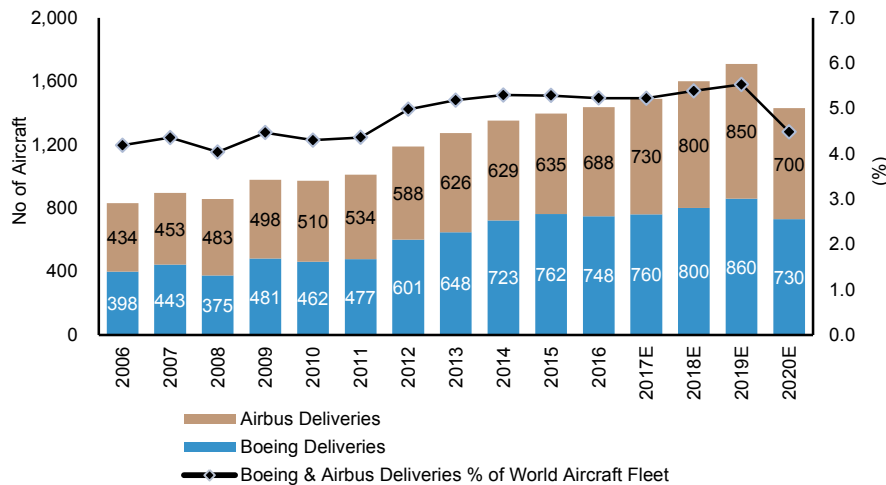


# Macro Trends

## Historical Defense Spending<sup>(1)</sup>

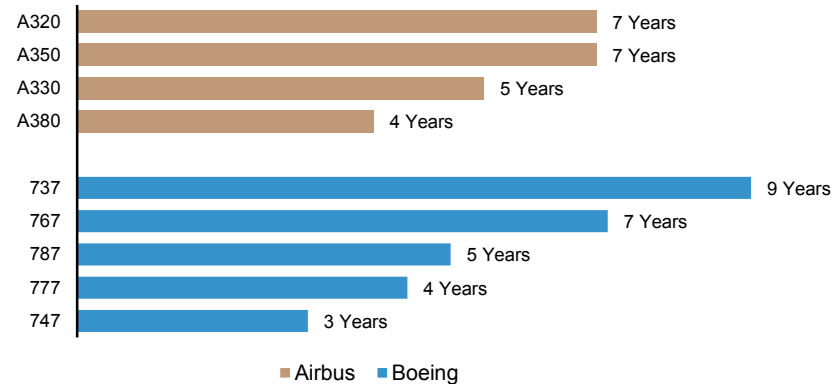


## Commercial Aircraft Deliveries | # of Aircraft






## Air Transport Aircraft Backlogs

**Airbus and Boeing have record backlogs, approaching 7 years on average**



# Where Our Growth Will Come From

	% of LTM Q1 2017 Revenue	% of Backlog at 4/1/17	Key Platforms	Growth Outlook	Commentary
Commercial Aerospace	47%	53%	Boeing 737 and 737 MAX Boeing 787 Dreamliner Airbus A320/A330/A350 Rolls-Royce Engines	 4-6%	Aircraft and engine OEM build rates and shipset gains support growth through the medium-term.
Military and Space	43%	42%	Black Hawk Helicopter Trident Missile System Tomahawk Missile SM-3 Missile	 0-2%	New Republican administration supports continued strong funding of various defense platforms.
Industrial	10%	5%	High-end industrial and medical products	 0-1%	Continued strong relationships with existing strategic customers on a more focused customer base. Growth tempered by medium-term industrial outlook.

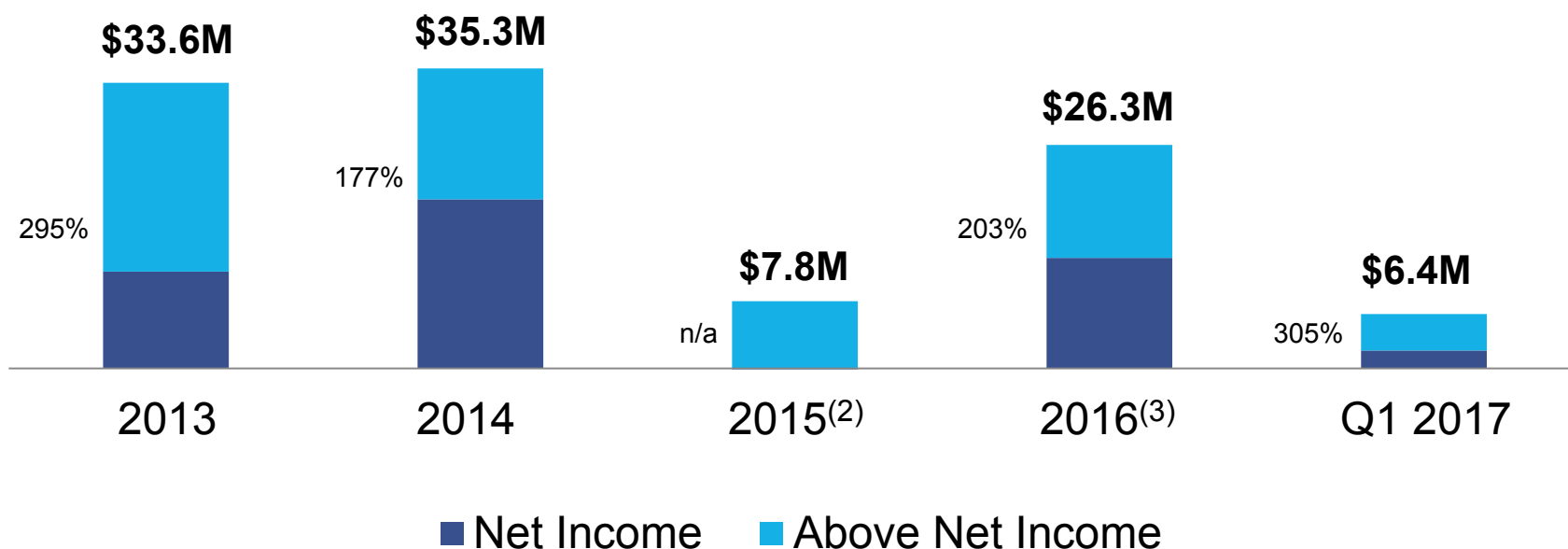
# Why We Win

- ✓ Innovative, value-added solutions for tough technical challenges (e.g., temperature, weight, vibration, pressure)
- ✓ Diverse product capabilities – customers want fewer, more sophisticated supplier-partners
- ✓ Agile, flexible and adaptable
- ✓ Electronics and structural integration capabilities for increased technology content
- ✓ Engineering design and rapid prototyping services support innovative outcomes
- ✓ Ease of doing business – exceptional customer experience

# Solid Cash Flows Support Future Growth

## Free Cash Flow<sup>(1)</sup>/NI Conversion

### Cash Flow from Operations



<sup>(1)</sup> Free cash flow is a non-GAAP financial measure, which we define as operating cash flow less capital expenditures. For a reconciliation, please see "Non-GAAP Financial Measures" in the Appendix to this presentation

<sup>(2)</sup> Net income excludes loss on extinguishment of debt, goodwill/intangible asset impairment, and restructuring charges

<sup>(3)</sup> Net income excludes net gains on divestitures

# Why to Invest in Ducommun

- Defendable niche
  - Unique range of capabilities are in demand
  - Long-term relationships with broad base of blue-chip customers
- Well-positioned in large, growing A&D markets
  - Strategically positioned on key platforms
- Transformation into higher margin innovative solutions
- Consistently strong cash flows to reduce debt and fund long-term growth

# Appendix

# Key Facts

## Ducommun Incorporated

Exchange/Ticker	NYSE: DCO
Share price <sup>(1)</sup>	\$29.39
52-week high/low <sup>(1)</sup>	\$33.65/\$15.53
Diluted shares outstanding <sup>(2)</sup>	11.5 million
Market cap <sup>(1)</sup>	\$329.2 million
Cash <sup>(2)</sup>	\$7.1 million
Net debt outstanding <sup>(2)</sup>	\$157.9 million
Enterprise value	\$487.1 million
LTM Q1 2017 pro forma revenue <sup>(3)</sup>	\$544.8 million
LTM Q1 2017 consolidated adjusted EBITDA <sup>(3)</sup>	\$55.4 million

<sup>(1)</sup> As of 4/28/17

<sup>(2)</sup> As of 4/1/17

<sup>(3)</sup> Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation, please see "Non-GAAP Financial Measures" in the Appendix of this presentation

# Non-GAAP Financial Measures

**Note Regarding Non-GAAP Financial Information:** This presentation contains non-GAAP financial measures, including Adjusted EBITDA (which excludes interest expense, income tax expense (benefit), depreciation, amortization, stock-based compensation expense, net gain on divestitures, loss on extinguishment of debt, goodwill impairment, intangible asset impairment, and restructuring charges).

The Company believes the presentation of these non-GAAP financial measures provide important supplemental information to management and investors regarding financial and business trends relating to its financial condition and results of operations. The Company's management uses these non-GAAP financial measures along with the most directly comparable GAAP financial measures in evaluating the Company's actual and forecasted operating performance, capital resources and cash flow. The non-GAAP financial information presented herein should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

For more information on our non-GAAP financial measures and a reconciliation of such measures to the nearest GAAP measure, please see the "Reconciliation of GAAP to Non-GAAP Measures" tables.

# Reconciliation of GAAP to Non-GAAP Measures

## Free Cash Flow and Cash Flow Conversion (\$ millions)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Q1 2017</u>
<u>Free Cash Flow</u>					
Cash flow from operations (GAAP)	46.0	53.4	23.7	43.3	13.2
Capital expenditures (GAAP)	(12.4)	(18.1)	(15.9)	(17.0)	(6.8)
Free cash flow (Non-GAAP)	33.6	35.3	7.8	26.3	6.4
<u>Cash Flow Conversion</u>					
Free cash flow (Non-GAAP)	33.6	35.3	7.8	26.3	6.4
Adjusted Net Income (Non-GAAP)*	11.4	19.9	(0.1)	13.0	2.1
FCF/Net Income Conversion (Non-GAAP)	295%	177%	NA	203%	305%

*\*2015 excludes loss on extinguishment of debt, goodwill/intangible asset impairment, and restructuring charges. 2016 excludes net gains on divestitures*

# Consolidated EBITDA for LTM Q1 2017

*(dollars in thousands)*

Net income	\$	13,826
Interest expense		7,468
Income tax expense (benefit)		6,085
Depreciation		13,255
Amortization		9,532
Stock-based compensation		3,829
Gain on divestitures (w.c. adj in Q4)		1,211
Restructuring charges		182
<b>Consolidated EBITDA</b>	<b>\$</b>	<b><u>55,388</u></b>