



# 70 years of Doing It Right<sup>®</sup>



Dear fellow shareholders,

Fiscal Year 2025 marked our 70-year anniversary. It was a great year for our Company. We broke records, optimized our services portfolio to position the Company for future growth, and responded to the industry’s increased demand for aftermarket services. Our achievements highlighted our entrepreneurial spirit and ability to continue to evolve to meet the ever-changing needs of our industry.

Our 70th anniversary

Founded in 1955 with an astute understanding of the aviation industry’s emerging needs, AAR – known as Allen Aircraft Radio at the time – sought to transform the aftermarket. With this deftness and vision, throughout our history, we have innovated, strategically evolved our offerings, and prioritized safety and service. Today, we remain committed to these foundational tenets and continue to place our valued customers, team members, shareholders, communities, and the industry as a whole at the center of our activities. We proudly celebrate 70 years of Doing It Right®.

Our financial results

AAR’s financial discipline and strong execution yielded record-breaking financial results for FY2025. Notably, growth of our new parts Distribution activities contributed to exceptional profitability improvements. More broadly, our focus on significantly expanding margins across all business areas drove unprecedented revenue, adjusted EBITDA, and adjusted EPS, taking the Company well above our pre-pandemic highs.

Specifically, AAR’s consolidated sales grew 20% from \$2.3 billion to \$2.8 billion. Our adjusted operating margin reached 9.6%, up from 8.3% in FY2024. We recorded



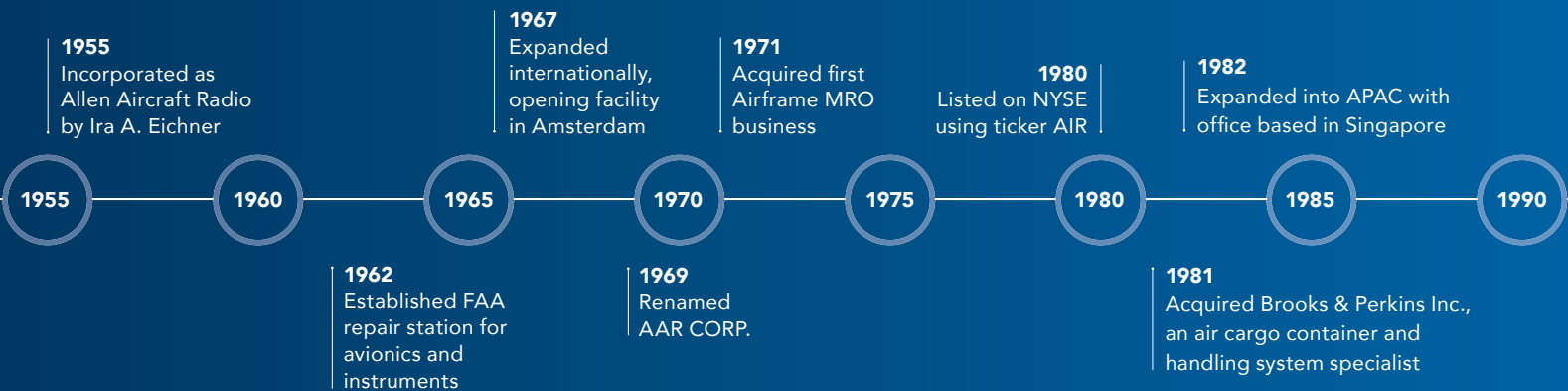
GAAP diluted earnings per share of \$0.35, compared to \$1.29 in FY2024, and our adjusted diluted earnings per share from continuing operations were \$3.91, up 17% from \$3.33 in FY2024.

Our investments

Disciplined allocation of our capital was central to AAR’s growth in FY2025 and is the basis for our future strategy.

In FY2023, we completed the acquisition of Trax<sup>SM</sup>, a leading aviation maintenance and engineering software company. After two years of investment, Trax has experienced significant growth and our acquisition thesis has been confirmed. We launched several new services and announced many new business wins with some of the largest airlines and MRO providers, and we have nearly doubled Trax’s revenue

70 years of Doing It Right®



since the acquisition. We are pleased with this outstanding success and are positioning the company to achieve opportunities for significant further growth.

This year, we substantially completed the integration of AAR's FY2024 Product Support acquisition, realizing synergies and delivering strong performance. Our Component Services activities benefited from the additional capabilities, expanded global footprint, and higher margin offerings brought through the acquisition.

AAR made considerable adjustments to optimize our portfolio, focusing on our core segments and highest margin offerings. With this emphasis, we also continue to strengthen our existing businesses through further investments. Digital technologies are transforming our Company and industry while affording superior profitability. In our Airframe MRO activities, digital advancements have driven efficiencies that contribute to significant margin expansion, and we continue to make progress toward additional maintenance capacity through the construction of two Airframe MRO facility expansions.

#### Our impact

AAR's record financial performance was achieved by the Best Team in Aviation: AAR's 6,000 global team members. We endeavor to foster a positive Company culture that values each team member and unifies them in our pursuits. Our success was validated in March 2025, when AAR earned the prestigious Great Place to Work® Certification based on team member feedback. Team AAR ranked our regard for their safety as the Company's most salient attribute and reported a widespread feeling of pride in our shared accomplishments. AAR also earned repeat Military Friendly®

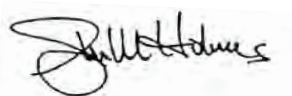
Employer and Spouse Employer designations for our comprehensive, impactful initiatives supporting current members of the military, veterans, and their families.

AAR's positive Company culture translates to successful outcomes for our operations and customers. This is seen in our recognition from Newsweek as one of America's Most Responsible Companies 2025, from The145.com as the overall Top Shop for Best Total Solutions Provider Repair, and from NATO Support and Procurement Agency, which ranked AAR's Component Services – Amsterdam facility as the No. 1 Best Source of Repair.

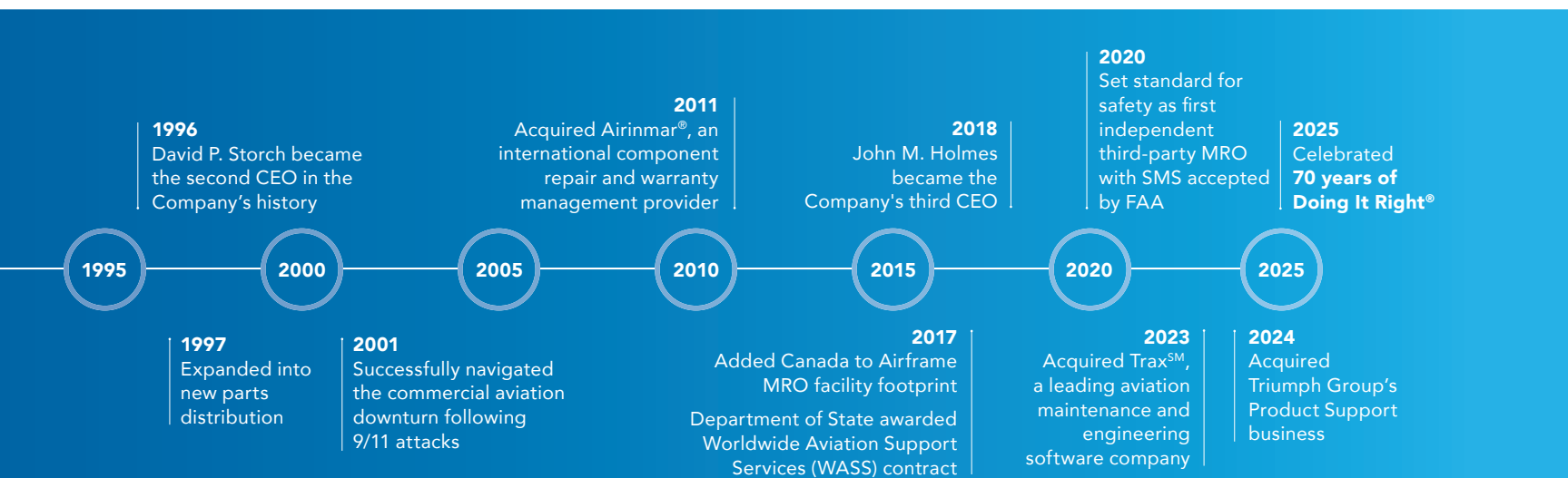
#### Our future

For the past seven decades, AAR has optimized our parts and services portfolio to meet the needs of the aviation industry. As we look to the year ahead, we are focused on creating value through our differentiated offerings, organic growth through market share gains and capacity expansions, and investing in strategic M&A. We remain focused on delivering unmatched support for our customers, superior returns for our shareholders, and meaningful opportunities for our team members. We are committed to Doing It Right® in the decades ahead.

Thank you for your continued confidence and investment in AAR.



John M. Holmes  
Chairman, President and Chief Executive Officer



## Financial highlights

### Selected financial highlights

(dollars in millions except per share data)

For the year ended May 31	2025	2024	2023	2022	2021
<b>Operating performance</b>					
Net sales	\$ 2,780.5	\$ 2,318.9	\$ 1,990.5	\$ 1,820.0	\$ 1,652.3
Operating income	185.2	129.2	133.9	106.9	85.2
Diluted earnings per share from continuing operations	0.35	1.29	2.52	2.16	1.30
<b>Financial position</b>					
Working capital	955.9	922.7	746.4	659.0	600.2
Total assets	2,844.6	2,770.0	1,833.1	1,573.9	1,539.7
Total debt	997.0	997.0	272.0	100.0	135.2
Stockholders' equity	1,211.6	1,189.8	1,099.1	1,034.5	974.4

### Adjusted operating income

(in millions - unaudited)

For the year ended May 31	2025	2024
Operating income	\$ 185.2	\$ 129.2
FCPA settlement and investigation costs	65.3	10.5
Acquisition, integration, and amortization expenses	26.8	36.7
Contract termination/restructuring costs and loss provisions, net	0.2	4.8
Russian bankruptcy court judgment (reversal)	(11.1)	11.2
Gain related to sale of joint venture	(2.1)	—
Government COVID-related subsidy liability	0.8	—
Severance costs	—	0.5
<b>Adjusted operating income</b>	<b>\$ 265.1</b>	<b>\$ 192.9</b>

### Adjusted diluted earnings per share

(unaudited)

For the year ended May 31	2025	2024
Diluted earnings per share	\$ 0.35	\$ 1.29
Acquisition, integration, and amortization expenses	0.74	1.21
Pension settlement charges	—	0.76
FCPA settlement and investigation costs	1.84	0.29
Russian bankruptcy court judgment (reversal)	(0.31)	0.32
Contract termination cost	—	0.14
Losses related to sale and exit of business/joint venture, net	1.97	0.07
Severance charges	—	0.01
Government COVID-related subsidy liability	0.02	—
Tax effect on adjustments <sup>(a)</sup>	(0.70)	(0.76)
<b>Adjusted diluted earnings per share</b>	<b>\$ 3.91</b>	<b>\$ 3.33</b>

<sup>(a)</sup> Calculation uses estimated statutory tax rates on non-GAAP adjustments except for the impact of the non-deductible portion of the FCPA settlement charge and the tax effect of the pension settlement charge, which includes income taxes previously recognized in accumulated other comprehensive loss.

## Adjusted EBITDA

(in millions - unaudited)

For the year ended May 31	2025
Net income	\$ 12.5
Income tax expense	26.4
Other expense, net	0.3
Interest expense, net	73.6
Depreciation and amortization	55.2
Acquisition and integration expenses	10.8
Russian bankruptcy court judgment (reversal)	(11.1)
FCPA settlement and investigation costs	65.3
Contract termination cost	0.2
Losses related to sale and exit of business/joint venture	70.3
Government COVID-related liability	0.8
Stock-based compensation	19.9
<b>Adjusted EBITDA</b>	<b>\$ 324.2</b>

## Net debt

(in millions - unaudited)

May 31	2025
Total debt	\$ 977.0
Less: Cash and cash equivalents	(96.5)
<b>Net debt</b>	<b>\$ 880.5</b>

## Net debt to adjusted EBITDA

(in millions - unaudited)

May 31	2025
Adjusted EBITDA for the year ended	\$ 324.2
Net debt at year end	880.5
<b>Net debt to adjusted EBITDA</b>	<b>2.72</b>

Adjusted operating income, adjusted diluted earnings per share, adjusted EBITDA, net debt, and net debt to pro forma adjusted EBITDA are “non-GAAP financial measures” as defined in Regulation G of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We believe these non-GAAP financial measures are relevant and useful for investors as they illustrate our core operating performance and leverage unaffected by the impact of certain items that management does not believe are indicative of our ongoing and core operating activities. When reviewed in conjunction with our GAAP results and the accompanying reconciliations, we believe these non-GAAP financial measures provide additional information that is useful to gain an understanding of the factors and trends affecting our business and provide a means by which to compare our operating performance and leverage against that of other companies in the industries we compete. These non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. Our non-GAAP financial measures reflect adjustments for certain items including, but not limited to, the following:

- Costs associated with U.S. Foreign Corrupt Practices Act (“FCPA”) matters that we self-reported to the U.S. Department of Justice and other agencies, including investigation costs and settlement charges.
- Expenses associated with recent acquisition activity, including professional fees for legal, due diligence, and other acquisition activities, bridge financing fees, intangible asset amortization, integration costs, and compensation expense related to contingent consideration and retention agreements.
- Pension settlement charges associated with the settlement and termination of our frozen defined benefit pension plan.

- Legal judgments related to or impacted by the Russia / Ukraine conflict.
- Contract termination / restructuring costs comprised of gains and losses that are recognized at the time of modifying, terminating, or restructuring certain customer and vendor contracts, including the impact from the U.S. government exercising their termination for convenience in the first quarter of Fiscal Year 2025 for our Mobility Systems business’s new-generation pallet contract.
- Losses related to our exit from our Indian joint venture, our Landing Gear Overhaul business, and our Composites manufacturing business, including legal fees for the performance guarantee associated with the Composites’ A220 aircraft contract.

Adjusted EBITDA is net income before interest income (expense), other income (expense), income taxes, depreciation and amortization, stock-based compensation, and items of an unusual nature including but not limited to business divestitures and acquisitions, FCPA investigation, settlement and remediation compliance costs, acquisition, integration, and amortization expenses from recent acquisition activity, pension settlement charges, certain legal judgments, and significant customer contract terminations.





## 70 years of commercial expertise

Fiscal Year 2025 was a banner year for our commercial activities. With 70 years of commercial expertise as our foundation, we achieved growth in all segments.

Our Parts Supply segment drove considerable value for the Company, with our new parts Distribution business, which serves both the commercial and government markets, increasing market share through new business wins and experiencing 25% organic growth during the year. In the commercial market, original equipment manufacturers (OEMs) recognize the unique value proposition of AAR's new parts Distribution services: They benefit from AAR's expanded stocking locations, reduced customer lead times, and enhanced customer service, while AAR grows our robust product offerings and adds exclusivity to many contracts. This combination enabled AAR to incrementally add OEMs and product lines, including through multiple long-term distribution

agreements with Ontic and a multi-year agreement with Whippany, a TransDigm Group business. Separately, in an agreement with OTTO Engineering, Inc., we leveraged our international expertise to expand our Americas-based electronics distribution services to the global market. Also within our Parts Supply segment, we signed two agreements with Chromalloy to distribute Parts Manufacturer Approval (PMA) parts for the CF6-80C2 and PW4000 engine types. We further strengthened our engine activities with the extension of our exclusive Serviceable Engine Products agreement with FTAI to provide CFM56, the most popular engine platform in the world, engine material to the global aviation aftermarket through 2030.



**~650** aircraft maintained, repaired, and overhauled

**3.8M+** commercial parts shipped / received

**5.5M** labor hours on aircraft

Data from FY2025

In Repair & Engineering, our Airframe MRO teams continued to deliver reliable, high-quality, and on-time service, and we increased our efficiency and throughput. Two facilities transitioned to fully paperless processes, and others are working toward implementing the same technologies to enhance their operations. The facility expansions underway in Miami and Oklahoma City will enable us to meet increased MRO demand for committed customers in the future. The first full fiscal year of our Product Support acquisition unlocked opportunities to cross-sell parts and services. The integration of our expanded Component Services capabilities across business units also enables us to keep more repairs in house, and we see room for continued

international growth, including through our plan to form an Asian-based joint venture with Air France.

In our Integrated Solutions segment, our Trax<sup>SM</sup> subsidiary signed multiple agreements to modernize aviation maintenance processes by deploying Trax's software suite to WestJet, Cathay Pacific, SIA Engineering Company, and Amerijet International. Trax also announced a collaboration with Rolls-Royce to launch an interface that will improve engine on-wing operations. Trax continues to win new business, deliver high margins, and make innovative advancements for the benefit of our Company, customers, and the industry. Additionally, our Airinmar<sup>®</sup> subsidiary renewed and extended existing contracts, including

for Singapore Airlines' repair cycle management services, and added Airhub Aviation and GetJet Airlines as new customers for repair cost oversight.

Our new Cebu Pacific agreement includes supplying engine material for the airline's CFM56-5B engine overhauls and providing warranty management and repair cost oversight services through our Airinmar subsidiary.

The breadth and reach of our global sales force and footprint, paired with our digital offerings, grew AAR's commercial activities in FY2025. Looking ahead, we expect to further build on these strengths and continue this momentum to support the commercial aftermarket.





## 70 years of government and defense expertise

In Fiscal Year 2025, AAR built upon 70 years of government and defense expertise and strengthened our Integrated Solutions, new parts Distribution, which serves both the commercial and government markets, and Mobility Systems activities.

In our Integrated Solutions segment, AAR won two five-year contracts with the U.S. Navy's Naval Air Systems Command (NAVAIR) in support of the P-8A Poseidon. Under the first contract, AAR will continue to perform depot airframe maintenance and provide depot field team support for the U.S. Navy, government of Australia, and foreign military sales (FMS) customers. Under the second contract, AAR and strategic partner Delta TechOps will perform engine depot maintenance and repair. The contracts retain AAR's position as a leader of commercial derivative airframe maintenance for the U.S. Department of Defense and are expected to increase the volume of AAR's engine parts sales, respectively. In further support of the U.S. Navy, KALS LLC, a joint venture between AAR and KIRA Aviation Services under the federal

government's Small Business Administration Mentor-Protégé Program, was awarded an undefinitized contract for in-flight training and currency for Naval Aviators in support of the U.S. Navy's E-6B Mercury.

A leading supporter of the F-16, AAR's Integrated Solutions segment continues to expand our scope of services across this platform. During the fiscal year, we opened seven new Contractor Field Team locations globally, where our teams perform various modifications and upgrade work on this critical fleet. Our existing contracts also continue to fuel other areas of our business. Through our KC-46 parts indefinite delivery, indefinite quantity (IDIQ) contract and others, our government customers continue to realize the value of FAA-certified overhauled parts, driving sales in our Parts Supply





**200K** parts shipped to support government customers

**900+** team members supporting government and defense business

**29** government fleet types supported

Data from FY2025

segment. Our positions on these contracts are also driving additional new parts Distribution agreements and OEM partnerships.

A trusted partner for 70 years, our new parts Distribution team continues to focus on strengthening relationships with governments and militaries within the U.S. and internationally. We became Defense Logistics Agency (DLA) Richmond's first Supply Chain Alliance (SCA) partner with a charter that will enable efficient operational execution and further advance strategic readiness and the broader National Defense Strategy. We also signed an SCA with U.S. DLA Land and Maritime, formalizing a commitment to strengthening our joint support of the nation's warfighter. The alliance recognizes AAR as a top provider of supply chain

management solutions while enhancing AAR's position to effectively support OEM customers and expediting the process of awarding work. We continue to partner across the defense industry, with OEMs recognizing our unique value proposition. AAR's new parts Distribution team bridged our commercial and government defense initiatives by adding Unison products – a current commercial partner – under our Supplier Capabilities Contract with the DLA. As we execute on our strategic plan, we are poised to continue gaining market share by providing our enhanced value-added services to our government and defense customers and partners.

Under an existing contract with the U.S. Air Force, AAR's Mobility Systems tripled production of HCU 6/E legacy cargo pallets, an offering we have

provided the Air Force since 1963. We also won a contract to provide the Air Force KC-46 palletized seating systems, a cornerstone of our Mobility Systems activities, to enhance the warfighter's abilities to transport military personnel globally. Additionally, our Mobility Systems team is positioned to support the Department of Defense's significant demand requirements for shelter systems expected in the year ahead.

AAR is proud of our tremendous wins in FY2025 and optimistic about our pipeline of future opportunities. We are committed to serving the government and defense market and are well positioned to continue providing our differentiated services to support global readiness in the years ahead.

## AAR leadership

### Corporate Officers

**John M. Holmes**

Chairman, President and  
Chief Executive Officer

**John B. Cooper**

Senior Vice President, Global  
Government and Defense;  
Lt. General, U.S. Air Force (Ret.)

**Nathaniel S. Cottrell**

Vice President, Internal Audit

**Sarah L. Flanagan**

Vice President, Financial Operations

**Jessica A. Garascia**

Senior Vice President, General Counsel,  
Chief Administrative Officer, and Secretary

**Rahul S. Ghai**

Senior Vice President and Chief Digital  
and Technology Officer

**Sean M. Gillen**

Senior Vice President and  
Chief Financial Officer

**Nicholas P. Gross**

Senior Vice President,  
Integrated Solutions

**Thomas D. Hoferer**

Senior Vice President, Repair & Engineering

**Christopher A. Jessup**

Senior Vice President and  
Chief Commercial Officer

**Lori A. Knudson**

Vice President and Chief Ethics and  
Compliance Officer

**Frank Landrio**

Senior Vice President, Distribution

**Salvatore J. Marino**

Senior Vice President, Parts Supply

**Eric S. Pachapa**

Vice President, Controller, and  
Chief Accounting Officer

**Sharon N. Purnell**

Senior Vice President and Chief Human  
Resources Officer

**Art R. Smith**

Vice President and Chief Quality Officer

**Mark Zitella**

Vice President and Treasurer

### Board of Directors

**John M. Holmes** <sup>3</sup> – Chairman

Chairman, President and  
Chief Executive Officer, AAR CORP.

**Michael R. Boyce** <sup>1, 4, 5</sup>

Chairman, Chief Executive Officer, and  
Managing Director, Peak Investments, LLC

**John W. Dietrich** <sup>1, 2, 5</sup>

Executive Vice President and Chief  
Financial Officer, FedEx Corporation

**Jeffrey N. Edwards** <sup>1, 3, 4</sup> – Chairman

Partner and Vice Chairman, New Vernon  
Capital

**Robert F. Leduc** <sup>1, 2, 5</sup>

Former President, Pratt & Whitney

**Ellen M. Lord** <sup>2, 4, 5</sup>

Former Under Secretary of Defense  
for Acquisition and Sustainment,  
U.S. Department of Defense; former  
President & CEO, Textron Systems

**Duncan J. McNabb** <sup>3, 4, 5</sup> – Chairman

General, U.S. Air Force (Ret.);  
Co-Founder and Managing Partner,  
Ares Mobility Solutions, Inc.

**Billy J. Nolen** <sup>2, 5</sup>

Former acting FAA Administrator;  
Chief Regulatory Affairs Officer, Archer  
Aviation Inc.

**Peter Pace** <sup>1, 2</sup>

General, U.S. Marine Corps (Ret.); former  
Chairman of the Joint Chiefs of Staff

**Jennifer L. Vogel** <sup>2</sup> – Chairman, <sup>3, 4</sup>

Former Senior Vice President, General  
Counsel, Secretary, and Chief Compliance  
Officer, Continental Airlines

**Marc J. Walfish** <sup>1</sup> – Chairman, <sup>3, 4, 6</sup>

Founding Partner, Merit Capital Partners

**Hema Widhani**

Principal, Chief Experience, Brand,  
and Marketing Officer, Edward Jones

<sup>1</sup> Member of Audit Committee

<sup>2</sup> Member of Human Capital and  
Compensation Committee

<sup>3</sup> Member of Executive Committee

<sup>4</sup> Member of Nominating and Governance  
Committee

<sup>5</sup> Member of Aviation Safety and Training  
Committee

<sup>6</sup> Lead Director

## Business overview



### Parts Supply

- New parts Distribution to commercial and government customers
- Used serviceable material (USM)
- Parts, loans, and exchange services
- Aircraft and engine sales and leasing
- Online PAARTS<sup>SM</sup> Store
- Worldwide 24/7 AOG service



### Repair & Engineering

- Airframe MRO
- Component Services
- Engineering Services
- Development of proprietary Parts Manufacturer Approval (PMA) parts



### Integrated Solutions

- Government aircraft maintenance, logistics, and operations support programs (CLS, PBL, 3PL)
- Commercial flight-hour-based aircraft component support
- Consumable and expendable parts
- Airinmar<sup>®</sup>
- Trax<sup>SM</sup>



### Expeditionary Services

- Mobility Systems: Rapid deployment sustainment solutions for governments, militaries, and nonprofit organizations
- Specialized pallets
  - Containers for customized air-mobile shipping and storage of equipment
  - Mobile tactical shelter systems



# 2025 Form 10-K



70 years of Doing It Right®



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended May 31, 2025  
or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to  
Commission file number 1-6263

AAR CORP.

(Exact name of registrant as specified in its charter)

Delaware

36-2334820

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

One AAR Place, 1100 N. Wood Dale Road, Wood Dale, Illinois 60191

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (630) 227-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$1.00 par value	AIR	New York Stock Exchange NYSE Texas

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) 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) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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 "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting stock held by nonaffiliates was approximately \$2,429 million (based upon the closing price of the Common Stock at November 29, 2024 as reported on the New York Stock Exchange).

On June 30, 2025, there were 35,847,589 shares of Common Stock outstanding.

Documents Incorporated by Reference

Portions of the Company's proxy statement for the Company's 2025 Annual Meeting of Stockholders, to be held September 16, 2025, are incorporated by reference in Part III of this report.

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## PART I

### ITEM 1. BUSINESS

#### General

AAR CORP. and its subsidiaries are referred to herein collectively as “AAR,” “Company,” “we,” “us,” and “our” unless the context indicates otherwise. AAR was incorporated in 1955 and we are a leading independent provider of solutions to the global aviation aftermarket. We offer a broad line of products and services to commercial and government aerospace customers. We operate globally in over 20 countries through four business segments: Parts Supply, Repair & Engineering, Integrated Solutions and Expeditionary Services.

In fiscal 2025, we continued our efforts to optimize our products and services portfolio to position us for continued strong growth as well as to respond to the industry’s increased demand for aftermarket services. Double-digit sales growth in our new parts Distribution activities was a key contributor to improvements in profitability. Our fiscal 2023 investment in Trax has enabled us to scale to win the business from some of the largest airlines and maintenance, repair and overhaul (“MRO”) providers. We also continued our integration of our fiscal 2024 Product Support acquisition and have realized significant synergies while our broader Component Services activities have benefited from these additional capabilities, expanded global footprint, and higher margin offerings brought through the acquisition.

As part of our portfolio optimization efforts, we divested our Landing Gear Overhaul (“LGO”) business to better focus on our core segments and highest margin offerings. We have made further investments to continue to strengthen our existing businesses, including in digital technologies, to help transform our service delivery and the aviation industry while contributing to improved profitability. In our Airframe MRO activities, digital advancements have driven efficiencies contributing to significant profitability improvement, and we continue to make progress toward additional maintenance capacity through the construction of two Airframe MRO facility expansions, one in Miami, Florida and one in Oklahoma City, Oklahoma.

Consolidated sales in fiscal 2025 increased \$461.6 million, or 19.9%, over the prior year primarily due to an increase in sales to commercial customers. Consolidated sales to commercial customers increased \$338.2 million, or 20.6%, over the prior year 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 \$123.4 million, or 18.1%, primarily due to increased sales volume for our new parts distribution activities and increased pallet demand in our Mobility business.

We were also successful in winning new long-term agreements in both the government and commercial markets. In our Parts Supply segment, we were awarded multiple distribution contracts including from Unison, Chromalloy, and Ontic and we extended our exclusive agreement with FTAI Aviation to provide used serviceable material (“USM”) on the CFM56 engine platform through 2030. In the government market, we were awarded two, multi-year contracts from the U.S. Navy to support their P-8A aircraft, advancing our support of commercial derivatives.

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.

#### Business Segments

##### *Parts Supply*

Our Parts Supply segment primarily consists of sales and leasing of USM and aftermarket distribution of new, original equipment manufacturers (“OEM”) supplied replacement parts. The Parts Supply segment accounted for approximately 40% of our sales in fiscal 2025. We have established formal distribution relationships with OEM suppliers of aircraft components, which are utilized by aircraft operators and aircraft



repair and maintenance operations. We are a leading independent distributor of factory new aircraft parts for the aftermarket. As we continue to enhance our digital solutions, we have developed the online PAARTS<sup>sm</sup> Store, which facilitates the electronic fulfillment of orders when customers choose this channel.

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.

We take an active role in sourcing USM inventory by monitoring the market for opportunities to acquire used aircraft and engines. After acquisition, we manage the process of disassembly, repair and inspection of the various parts or discrete components that can be sold to customers. Our extensive network of industry relationships and presence in the market positions us with operators, lessors and other trading companies to source opportunities. Additionally, our global reach and long-standing customer relationships position us to meet market demand for these products.

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 supplier's product category. We provide global scale, independence, and highly technical sales capabilities across both commercial and government end-markets.

We are an authorized distributor for more than 30 product lines, which include parts from over 300 Federal Supply Class codes sourced from over 20 leading OEMs. We also have an interest in a joint venture supporting the distribution of OEM parts to customers in Asia.

Our business activities in this segment are primarily conducted through AAR Supply Chain, Inc.; AAR Aircraft & Engine Sales & Leasing, Inc.; and AAR International, Inc.

### *Repair & Engineering*

Our Repair & Engineering segment primarily provides airframe maintenance and component repair services. The Repair & Engineering segment accounted for approximately 32% of our sales in fiscal 2025.

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.

In fiscal 2025, we sold our LGO business to GA Telesis for net proceeds of \$48 million subject to post-closing adjustments for working capital, cash, and debt. We recognized a loss on the divestiture of \$71.1 million which included goodwill of \$14.6 million.

Our Repair & Engineering segment also develops Parts Manufacturer Approval ("PMA") parts for aftermarket applications. PMA is a designation under Federal Aviation Administration ("FAA") 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. In addition, this segment also designs proprietary designated engineering representative ("DER") repairs.

Our Repair & Engineering business primarily supports narrow-body Airbus, Boeing and Embraer regional aircraft for customers, as well as U.S. government defense agencies.

We operate six airframe maintenance facilities and six component repair facilities. Our U.S. airframe maintenance facilities are in Indianapolis, Indiana; Oklahoma City, Oklahoma; Miami, Florida; and Rockford, Illinois; and our Canadian airframe maintenance facilities are in Trois Rivières, Quebec and Windsor, Ontario. Our component repair facilities are in Hot Springs, Arkansas; Grand Prairie, Texas; Wellington, Kansas; Chonburi, Thailand; Garden City, New York; and Amsterdam, Netherlands. In conjunction with the integration of the recently acquired Product Support business, we are consolidating our

facility footprint which includes closing our Garden City, New York facility. We expect to complete the transition of the facility's operations to other component repair facilities in fiscal 2026.

We are currently expanding both our Miami and Oklahoma City airframe maintenance facilities to meet growing customer demand. In Miami, we are constructing a 114,000 square foot facility with three bays adjacent to our existing hangar. In Oklahoma City, we are constructing an 80,000 square foot facility with three bays and warehouse space adjacent to our existing hangar. Both facilities are expected to be complete and operational in the next 12-18 months with the Oklahoma City expansion slightly ahead of schedule, and the Miami expansion slightly behind due to some permitting delays.

In addition to our North American airframe maintenance facilities, we also had an interest in a joint venture that operated an airframe maintenance facility in India. During fiscal 2025, we exited the joint venture and recognized a gain of \$2.1 million related to the sale of our interests.

Our business activities in this segment are primarily conducted through AAR Aircraft Services, Inc.; AAR Allen Services, Inc.; AAR International, Inc.; AAR Component Services (Thailand) Ltd.; AAR Component Services — Hot Springs, LLC; and AAR Component Services — Grand Prairie, Inc.

### *Integrated Solutions*

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 U.S. Department of Defense ("DoD") and foreign governments, flight hour component inventory and repair programs for commercial airlines and integrated software solutions including Trax. The Integrated Solutions segment accounted for approximately 25% of our sales in fiscal 2025.

Fleet management and operations of customer-owned aircraft are performed for the U.S. Department of State ("DoS") 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.

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 customers' maintenance activities.

Our integrated software solutions are primarily comprised of our Trax software, which we 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 "paperless" mobility apps that are in process of automating MRO workflows with artificial intelligence. Through Trax, we are a leading provider of maintenance software for airlines, other aircraft operators and MROs. Through its eMRO and eMobility products, Trax provides comprehensive software solutions for aircraft maintenance designed to increase efficiency, improve asset utilization, streamline the information flow among interested parties during the maintenance process and create the required regulatory system of record required by airline and lessor customers.

Our business activities in this segment are primarily conducted through AAR Supply Chain, Inc.; AAR Government Services, Inc.; AAR Aircraft Services, Inc.; AAR International, Inc.; Trax USA CORP.; and AAR Airlift Group, Inc.

### *Expeditionary Services*

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. The Expeditionary Services segment accounted for approximately 3% of our sales in fiscal 2025.

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.

Our business activities in this segment are primarily conducted through AAR Manufacturing, Inc. and Brown International Corporation.

### **Raw Materials and Procurement of Repair and Other Services**

Although we generated approximately 60% of our fiscal 2025 sales from the sale of products, we are generally engaged in only limited manufacturing activities and have minimal exposure to fluctuations in both the availability and pricing of raw materials. We purchase raw materials for our Expeditionary Services manufacturing operations, including steel, aluminum, extrusions, balsa, and other necessary supplies from several vendors. Where necessary, we have been able to obtain raw materials and other inventory items from numerous sources at competitive prices, terms, and conditions, and we expect to be able to continue to do so.

Historically, we have not been significantly impacted by inflation. Increases in raw material costs, freight, or other costs have generally been offset through efficiencies or price increases. A portion of our contracts contain terms and conditions that enable us to pass inflationary price increases to our customers. In those cases whereby inflationary increases are not contractually stipulated, we attempt to actively negotiate price increases. We have consistently implemented actions to deliver efficiencies and cost savings. While the historical benefits of these efforts have generally offset the margin impact of competitive pricing conditions in the markets that we serve, there are no assurances that higher prices can effectively be passed through to our customers or that we will be able to fully offset the effects of higher costs through price increases on a timely basis.

To support our aviation activities, we acquire parts and components from domestic and foreign airlines, independent aviation service companies, aircraft leasing companies, and OEMs. We have ongoing arrangements with OEMs that provide us access to parts, repair manuals, and service bulletins in support of parts manufactured by them. Although the terms of each arrangement vary, they typically are made on standard OEM terms as to duration, price, and delivery. From time to time, we purchase airframes and engines for resale or disassembly into individual parts and components. Airframes and engines may also be leased to airlines by us or through joint ventures on a short-term basis prior to disassembly or sale.

### **Terms of Sale**

We generally sell our products and services under standard 30-day payment terms. On occasion, certain customers will negotiate extended payment terms of 60-90 days. Except for customary warranty provisions, customers neither have the right to return products nor do they have the right to extended financing. Our government contracts may extend several years and include one or more base years and one or more option years. The government generally has the right not to exercise options to extend or expand our contracts and may otherwise terminate, cancel, or modify some contracts at its convenience.

The majority of our product sales are made pursuant to standard commercial purchase orders. Government sales are generally made under standard types of government contracts, which can include firm fixed-price contracts, cost plus fixed fee contracts, and time-and-materials contracts. For cost plus fixed fee contracts, we typically receive reimbursement of our costs, to the extent the costs are allowable under contractual and regulatory provisions, in addition to receiving a fixed fee. Some of our contracts call for the performance of specified services or the delivery of specified products under indefinite delivery/indefinite quantity ("ID/IQ") arrangements. Certain inventory supply and management and performance-based logistics program agreements reflect negotiated terms and conditions.

### **Customers**

The principal customers for our products and services are domestic and foreign passenger airlines, domestic and foreign cargo airlines, regional and commuter airlines, business and general aviation operators, OEMs, aircraft leasing companies, aftermarket aviation support companies, the DoD and its contractors, the DoS, and foreign military organizations or governments.



Sales of aviation products and services to our commercial airline customers are generally affected by such factors as the number, type and average age of aircraft in service, the levels of aircraft utilization (e.g., frequency of schedules, flying hours, and take-off and landing cycles), the number of airline operators, the general economy, and the level of sales of new and used aircraft. Sales to the DoD and other government agencies are subject to a number of factors, including the level of troop deployment worldwide, government funding, competitive bidding, and requirements generated by worldwide geopolitical events.

We primarily market and sell products and services through our own employees. In certain markets outside of the United States, we rely on foreign sales representatives to assist in the sale of our products and services.

### **Sales to Government and Defense Customers**

Sales to global government and defense customers (including sales to branches, agencies, and departments of the U.S. government) were \$804.3 million (28.9% of consolidated sales), \$681.0 million (29.4% of consolidated sales), and \$661.7 million (33.2% of consolidated sales) in fiscal 2025, 2024, and 2023, respectively. Sales to branches, agencies, and departments of the U.S. government and their contractors were \$687.6 million (24.7% of consolidated sales), \$576.1 million (24.8% of consolidated sales), and \$577.0 million (29.0% of consolidated sales) in fiscal 2025, 2024, and 2023, respectively.

Sales to government and defense customers are reported in each of our operating segments (See Note 17 of Notes to Consolidated Financial Statements). Since such sales are subject to competitive bidding and government funding, no assurance can be given that such sales will continue at levels previously experienced. The majority of our U.S. government sales are for products and services supporting DoS flight operations and DoD logistics and mobility strategy. Thus, our government contracts have changed, and may continue to change, with fluctuations in defense and other governmental agency spending and requirements.

Our government contracts are also often subject to termination for convenience by the customer; in the event of such a termination, we are contractually entitled to recover all allowable costs incurred by us through the date of termination.

### **Government Regulation and Certificates**

The FAA regulates the manufacture, repair, and operation of all aircraft and aircraft parts operated in the United States. Similar rules and regulatory authorities exist in other countries. The inspection, maintenance and repair procedures for the various types of aircraft and equipment are prescribed by these regulatory authorities and can be performed only by certified repair facilities utilizing certified technicians. The FAA requires that various maintenance routines be performed on aircraft engines, certain engine parts, and airframes at regular intervals based on takeoff and landing cycles or flight time. Our businesses, which sell defense products and services directly to the U.S. government or through its contractors, can be subject to various laws and regulations governing pricing and other factors.

We have twelve FAA certificated repair stations across the United States, Canada, Asia, and Europe. Of the twelve FAA certificated repair stations, ten are also European Aviation Safety Agency (“EASA”) and three are also Transport Canada Civil Aviation (“TCCA”) certificated repair stations. Such certificates, which are ongoing in duration, are required for us to perform authorized maintenance, repair, and overhaul services for our customers and are subject to revocation by the government for non-compliance with applicable regulations. All of the certificated repair stations are within the Repair & Engineering segment. We believe that we currently possess all licenses and certifications that are material to the conduct of our business.

### **Competition**

Competition in each of our markets is based on quality, ability to provide a broad range of products and services, speed of delivery, and price. Aviation competitors include OEMs, the service divisions of large commercial airlines, and other independent suppliers of parts, repair, and overhaul services to the commercial and defense markets. Our Expeditionary Services segment competes with a number of divisions of large corporations and other large and small companies. Although certain of our competitors have substantially greater financial and other resources than we do, we believe that we have maintained a satisfactory competitive

position through our responsiveness to customer needs, our attention to safety and quality, our unique portfolio of high-quality solutions with lower cost to the customer, combination of market expertise and deep technical knowledge, our long-standing customer relationships, and our integrated, connected business model.

## **Backlog**

Backlog represents the amount of revenue that we expect to derive from unshipped orders or signed contracts. The backlog primarily relates to our long-term programs where we provide component inventory management, supply chain logistics programs, and/or repair services. Backlog includes our remaining performance obligations based on the transaction price of firm orders for which work has not yet been performed as of May 31, 2025 and excludes unexercised contract options and potential orders under contracts such as ID/IQ contracts.

At May 31, 2025, our firm backlog was \$537.2 million, and we expect that approximately 75% of this backlog will be recognized as revenue in fiscal 2026, an additional 20% of the firm backlog in fiscal 2027, and the balance thereafter.

## **Human Capital Resources**

As of May 31, 2025, we employed approximately 5,600 employees worldwide, with 4,200 employees in the United States and 1,400 employees outside of the United States. We also retained approximately 500 contract workers as of May 31, 2025, the majority of whom are located at our airframe maintenance facilities. We retain these contract workers as they provide unique skill sets which are necessary at certain facilities as well as mitigate the impact of demand variability with our customers.

Our employees provide the foundation for our ability to achieve our strategic objectives. They are instrumental in driving operational excellence and strong financial performance and maintaining a robust safety, quality and compliance program.

The success and growth of our business depends on our ability to attract, retain, and develop talented and high-performing employees at all levels of our organization. To achieve this objective, our goal is to be the place of choice for people to build an inspiring career. We care about the experience our employees have with us and the impact we collectively have in our community. We are excited that Sharon Purnell has joined AAR as our Chief HR Officer leading our people strategy globally, centered on a purposeful culture, proactive career development, and an inspiring employee experience. We believe this strategy is important because it helps us ensure workforce engagement, retention, and productivity, which enables strong business growth globally. We are proud to be recognized in 2025 as a Certified Great Place to Work, a Military Friendly Employer and one of Newsweek's America's Most Responsible Companies.

### *Commitment to Safety*

Safety and wellbeing are central to AAR. Our commitment to safety starts at the top levels of our organization. Our Board of Directors includes an Aviation Safety and Training Committee that oversees safety and training matters as well as our culture of safety compliance.

We believe a safe and healthy workplace is fundamental to our success, and we are committed to complying with applicable safety and health laws, regulations, and internal requirements. We are also committed to engaging our employees to continually improve health and safety by acting upon opportunities to reduce risk and improve our safety and health performance. We maintain comprehensive safety programs focused on identifying hazards, reducing quality escapes and eliminating risks that can lead to severe injuries.

Our corporate Safety and Management System ("SMS") program provides a single platform for all employees to proactively identify and report hazards, perform risk analysis, mitigate risks, and share best practices. This is complemented via companywide safety videos to encourage proactive reporting and recognize individual team members for focusing on safety and quality.

### *Competitive Pay and Benefits*

We pay our employees competitively and reward our employees for achieving and exceeding objectives focused on creating long-term value for stockholders.

Providing comprehensive, competitive, and affordable benefits is important to our talent attraction and retention strategy. We offer health benefits that include various medical/pharmacy/dental plan options as well as a cost comparison tool to assist employees with their decisions. Health savings accounts for those in a high-deductible health plan and flexible spending accounts for both health care and dependent care are also available to employees. The retirement, investment, and tax savings/deferral opportunities offered to employees include competitive 401k benefits and an Employee Stock Purchase Plan.

Employees are eligible for paid and unpaid leaves, and we offer a variety of other benefits to meet the needs of employees, including an employee assistance program that provides a series of free counseling sessions, educational assistance and adoption assistance. Some AAR facilities also have fitness centers on site for employee use.

### *Inclusion and Engagement*

As reflected in our values, we have a long-standing commitment to embracing a culture of inclusion. AAR's statement on our Work as one. Be inclusive. Company value reads: Just as unique parts are essential to an aircraft's ability to fly, unique talent is essential to AAR's ability to succeed. Our strength is rooted in our commitment to inclusion. We create opportunities through new thoughts and ideas to embrace an ever-changing world. These values empower our people to be a team of producers, innovators, and world class leaders, who are Doing It Right® to better connect the world.

### *Talent Development*

Our continued success depends on a workforce of skilled talent. Attracting people to join us and retaining that workforce requires collaboration across industry, education, and government to develop pathways for future talent. We are proud to lead the way. Our custom-built EAGLE Career Pathway program is helping AAR build the next generation labor force, hire from untapped talent pools, and enable smooth transition from military service. We are also proud to partner with Choose Aerospace, a 501(c)(3) nonprofit, to create a curriculum based on FAA General certification standards. Following a successful pilot program, the curriculum officially launched across six states in 2022 and has expanded to seventeen states and over 1,000 students in the 2024/2025 academic year. AAR developed the first aviation maintenance, Skillbridge, in partnership with Embry-Riddle Aeronautical University. In nine weeks, the program trains and places transitioning military service members and veterans into aviation maintenance technician careers industrywide. This program has expanded to seven military bases and since launching this program in 2019 over 700 service members have graduated. We have elevated our commitment to supporting the future generation of technicians by donating over \$2.5 million in aged inventory to airframe and powerplant schools in February 2025.

Our summer internship program continues to be an instrumental part of how we attract talent. We have expanded our internships across business sectors and locations. Students have an opportunity to take part in a professional learning experience that offers meaningful, practical work related to their field of study. Throughout the 10-week program, each intern works closely with their assigned department to perform duties similar to those of a full-time employee and learn more about AAR and the aviation industry. Interns visit our MRO facilities, tour airports, participate in development opportunities, and work to improve the business through an assigned project. AAR interns have an opportunity to receive an offer of full-time employment.

At AAR, our global talent development model aligns with our desire to support a talented and high performing workforce throughout our organization. Annual talent reviews are conducted to provide meaningful and timely feedback and to identify career aspirations and opportunities to grow technical and leadership skills. The development of our talent and creation of Career Pathways is ongoing through Individual Development Plans, assessments, learning and development classes, compliance training, mentorship programs, and cohort style leadership development programs.

### *Business Ethics*

Our Code of Conduct ("Code") is a statement of the principles and standards that we expect our employees to follow. Each officer, director and employee is required to use good ethical judgement when conducting business and comply with applicable laws, rules, and regulations. The Code describes appropriate



behavior and guides ethical business decisions that maintain a commitment to integrity. Failure to comply with the Code and applicable laws can have severe consequences for both the Company and individuals involved, including disciplinary action, civil penalties, or criminal prosecution under certain circumstances.

### Available Information

For additional information concerning our business segments, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business Segment Information” in Note 17 of Notes to Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

Our internet address is [www.aarcorp.com](http://www.aarcorp.com). We make available free of charge through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. Information contained on our website is not, and will not be deemed to be, a part of this Annual Report on Form 10-K or incorporated by reference into our other filings with the Securities and Exchange Commission.

### Information about our Executive Officers

Information concerning each of our executive officers is set forth below:

Name	Age	Present Position with the Company
John M. Holmes	48	Chairman, President, and Chief Executive Officer, Director
Sean M. Gillen	39	Senior Vice President and Chief Financial Officer
Jessica A. Garascia	46	Senior Vice President, General Counsel, Chief Administrative Officer and Secretary
Chris Jessup	47	Senior Vice President, Chief Commercial Officer
Eric S. Pachapa	52	Vice President, Controller and Chief Accounting Officer

**Mr. Holmes** is Chairman, President and Chief Executive Officer, having served in that capacity since January 2023. Prior to that he served as President and Chief Executive Officer since June 2018. From June 2017 to May 2018, Mr. Holmes served as President and Chief Operating Officer. From February 2015 to June 2017, Mr. Holmes served as Chief Operating Officer — Aviation Services. Prior to that, Mr. Holmes served as Group Vice President, Aviation Services — Inventory Management and Distribution from 2012 to 2015, General Manager and Division President of our Allen Asset Management business from 2003 to 2012, and in various other positions since joining the Company in September 2001. Mr. Holmes has been a director of the Company since 2017.

**Mr. Gillen** is Senior Vice President and Chief Financial Officer, having served in that capacity since January 2019. Prior to joining AAR, Mr. Gillen was Vice President and Treasurer of USG Corporation since 2017. Prior to USG Corporation, Mr. Gillen spent nine years in investment banking with Goldman Sachs, most recently as a Vice President in their Global Industrials Group.

**Ms. Garascia** is Senior Vice President, General Counsel, Chief Administrative Officer and Secretary, having served in the capacity of General Counsel and Secretary since February 2020 and Chief Administrative Officer since July 2022. Prior to joining the Company, from September 2013 through February 2020, Ms. Garascia served in positions of increasing responsibility for USG Corporation, most recently as Deputy General Counsel. Prior to USG Corporation, Ms. Garascia was an attorney for the Museum of Science and Industry and the law firm of Jenner & Block LLP.

**Mr. Jessup** is Senior Vice President, Chief Commercial Officer, having served in that capacity since June 2017. Mr. Jessup previously served as Chief Commercial Officer for the Company’s Aviation Services segment since February 2015, and prior to that, he served in various capacities within the Company’s Maintenance, Repair and Overhaul operations.

**Mr. Pachapa** is Vice President, Controller and Chief Accounting Officer, having served in that capacity since July 2016. Mr. Pachapa previously served as Controller from October 2015 to July 2016 and Senior Director of Accounting and Reporting from April 2014 to October 2015. Prior to joining the Company, Mr. Pachapa was with Glanbia plc from 2011 to 2014, and with Ernst & Young LLP from 1996 to 2011.

Each executive officer is elected annually by the Board of Directors. Executive officers continue to hold office until their successors are duly elected or until their death, resignation, termination or reassignment.

## ITEM 1A. RISK FACTORS

The following is a description of the principal risks inherent in our business. Any of the risks and uncertainties described below could materially and adversely affect our business, financial condition, and results of operations and should be considered in evaluating us. You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. Although the risks are organized by heading, and each risk is described separately, many of the risks are interrelated. While we believe we have identified and discussed below the material risks affecting our business, there may be additional risks and uncertainties that we do not presently know or that we do not currently believe to be material that may adversely affect our business, financial condition, or results of operations in the future.

### **Risks Related to Our Business and Industry**

#### **We are affected by factors that adversely impact the commercial aviation industry.**

Our sales to commercial customers, including major airlines and related OEM suppliers, were \$1,976.1 million (71.1% of consolidated sales) in fiscal 2025. As a provider of products and services to the commercial aviation industry, we are greatly affected by the overall economic conditions and other trends that affect our customers in that industry, including any decrease in outsourcing by aircraft operators or projected market growth that may not materialize or be sustainable. The commercial aviation industry is historically cyclical and has been negatively affected in the past, and could be negatively affected in future periods, by geopolitical events, ongoing conflicts and wars (including the ongoing Russia-Ukraine conflict and Middle East conflicts), trade wars, the imposition or increase in tariffs or retaliatory countermeasures or changes in trade policies, terrorism, weather-related events, natural disasters, pandemics, disruption to fuel and oil production and supply shortages, high fuel and oil prices, other supply chain disruptions, labor issues and strikes (such as the union work stoppage at Boeing), environmental concerns (including climate change), lack of capital, cost inflation, high interest rates, and weak economic conditions.

As a result of these and other events, from time to time, certain of our customers have filed for bankruptcy protection or ceased operation. The impact of instability in the global financial markets has led, and may in the future lead, airlines to reduce domestic or international capacity. In addition, certain of our airline customers have in the past been impacted by tight credit markets, which limited their ability to buy parts, services, engines, and aircraft. Economic and other factors that adversely affect the aviation industry lead to reduced overall customer demand for our products and services, which decreases our operating income.

A reduction in the operating fleet or flight activity of aircraft both in the U.S. and abroad in the past has resulted in, and may again result in, reduced demand for parts support and maintenance activities for the type of aircraft affected, which decreases our operating income. A deteriorating airline environment may also result in our inability to fully collect outstanding accounts receivable, which we experienced during the height of the pandemic in 2020 and 2021.

Reduced demand from customers caused by weak economic conditions, including tight credit conditions and customer bankruptcies, may adversely impact our financial condition or results of operations. If any of the customers with whom we do business become insolvent or experience substantial financial difficulties, we may be unable to timely collect amounts owed to us by such customers, and we may not be able to sell the inventory we have purchased for such customers, which may adversely affect our results of operations and financial condition. A slowdown in the global economy, or a recession, would negatively impact the commercial aviation industry, and may have a material adverse effect on our business, results of operations, financial condition and liquidity.

In addition, an increase in energy costs and the price of fuel to the airlines could result in additional pressure on the operating costs of airlines, who comprise our largest customers. The market for jet fuel is inherently volatile and is subject to, among other things, changes in government policy on jet fuel production, fluctuations in the global supply of crude oil, disruptions in oil production or delivery caused by hostility in oil-producing areas, or potential legislation or strategic initiatives to address climate change by reducing greenhouse gas emissions, creating carbon taxes, or implementing or otherwise participating in cap and trade programs. Airlines are sometimes unable to pass on increases in fuel prices to customers by increasing fares



due to the competitive nature of the airline industry, and this compounds the pressure on operating costs, and in turn, airlines' ability to do business with us.

In addition, our business depends on maintaining a sufficient supply of various products to meet our customers' demands. If we were to lose a key supplier, or were unable to obtain the same levels of deliveries from these suppliers and were unable to supplement those purchases with products obtained from other suppliers, it could have a material adverse effect on our business. Additionally, our key suppliers could also increase the pricing of their products, which would negatively affect our operating results if we were not able to pass these price increases through to our customers. The supply chains for our business could also be disrupted by natural disasters, extreme weather events, pandemics, or other public health threats, governmental actions, and legislative or regulatory changes. For example, during the pandemic, our results of operation were materially and adversely impacted due to a steep decline in the numbers of aircraft flying.

Current geopolitical conditions, including the adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental actions related to tariffs or trade agreements or policies (such as those announced or threatened by various countries) could cause significant materials and parts shortages, as well as delivery delays, labor shortages, distribution issues, energy cost increases and price increases, which may adversely impact demand for our products, our costs, our customers, our suppliers, and the U.S. and global economy. As a result, any of these factors could have a material adverse effect on our business, financial condition, results of operations and cash flows. If price increases are not sufficient to fully offset impacts, we would expect to experience lower margins. Furthermore, stock market volatility associated with macroeconomic concerns related to tariffs and trade policies has impacted our stock price and may affect our stock price in future periods.

The effect of the current U.S. federal administration's decisions on trade licensing, such as the denial of or inaction regarding export license applications, could have a material impact on the Company, particularly our distribution and government services businesses. For example, there have been two instances in the current U.S. federal administration where license applications have been placed on hold by the U.S. Department of Commerce. In addition, in May 2025, the Secretary of Commerce initiated an investigation to determine the effects on the national security of imports of commercial aircraft and jet engines, and parts for commercial aircraft and jet engines under Section 232 of the Trade Expansion Act of 1962, as amended. The outcome of this investigation is uncertain, but it could have a material impact on the Company.

Our business, financial condition, results of operations, and growth rates have been and may continue to be adversely affected by these and other events that impact the aviation industry, including those mentioned elsewhere in this report and the following:

- deterioration in the financial condition of our existing and potential customers;
- reductions in the need for, or the deferral of, aircraft maintenance and repair services and spare parts support;
- retirement of older generation aircraft, resulting in lower prices for spare parts and services for those aircraft;
- reductions in demand for used aircraft and engines;
- increased in-house maintenance by airlines;
- lack of parts in the marketplace;
- changes in world trade policies and tariffs;
- government-to-government relations;
- acts of terrorism;
- economic sanctions, including retaliatory measures;
- inflationary pressures and conditions;
- political, social and economic instability and disruptions;
- climate change, environmental catastrophes and government regulations implemented to address them;

- environmental and safety-related constraints imposed upon aircraft operations, including airline operators choosing not to outsource MRO services to third-party providers due to safety oversight concerns;
- technological changes;
- cost of labor shortages and other changes in labor conditions;
- future outbreaks of infectious diseases; and
- acts of God.

**Adverse events that occur in the aviation industry generally may adversely affect our reputation, which may adversely affect our business, financial results, financial condition and stock price.**

As a leading aerospace maintenance company serving most U.S. registered air carriers and operating on a global scale, we face substantial business risks tied directly to the aviation industry's overall health and stability as outlined above. Any significant adverse events affecting an individual aviation company can create a negative ripple effect across the entire industry, negatively impacting our business, financial results, financial condition and stock price.

We operate under the stringent oversight of both domestic and foreign regulatory authorities. Non-compliance or unsafe practices can result in severe repercussions ranging from minor civil penalties to the revocation of operational certificates. Such outcomes can severely damage our reputation and diminish our ability to secure new contracts, directly affecting our revenue and growth prospects.

In today's climate of heightened media scrutiny, any regulatory penalties or safety incidents can escalate quickly, causing irreparable harm not just to the Company, but potentially affecting individuals within the organization as well. Maintaining rigorous compliance and safety standards is paramount to mitigate these risks and maintaining the continued trust and confidence of our stakeholders, clients, and regulatory bodies. If we fail to maintain such standards, our reputation, business, financial results, financial condition and stock price may be adversely affected.

**Our U.S. government contracts may not continue at present sales levels, which may have a material adverse effect on our financial condition and results of operations.**

Our sales to branches, agencies and departments of the U.S. government and their contractors were \$687.6 million (24.7% of consolidated sales) in fiscal 2025 compared to \$576.1 million (24.8% of consolidated sales) in fiscal 2024 (See Note 17 of Notes to Consolidated Financial Statements). The majority of our U.S. government sales is for products and services supporting DoD aircraft sustainment, mobility systems, and DoS flight operations and are, therefore, subject to changes in defense and other governmental agency funding and spending. Our contracts with the U.S. government and their contractors are typically agreements to provide products and services at a fixed price or in some cases, under cost reimbursable terms. These contracts typically have a base term of one year, and frequently are subject to extension for one or more additional periods of one year at the option of the government customer.

Sales to agencies of the U.S. government and their contractors are subject to a number of factors, including the level of troop and personnel deployment worldwide, competitive bidding, U.S. government funding, diplomatic priorities, requirements generated by world events, and budgetary constraints. For example, in conjunction with the U.S. exit from Afghanistan in fiscal 2022, we concluded our activities in Afghanistan under our DoS and DoD contracts. U.S. government programs are subject to annual congressional budget authorization and appropriation processes. In recent years, U.S. government appropriations have been affected by larger U.S. government budgetary issues, sequestration, and related legislation, including the statutory limit on the amount of permissible federal debt. These issues could negatively affect the timely collection of our U.S. government invoices.

In addition, there continues to be uncertainty with respect to program-level appropriations for the DoS, DoD, and other government agencies in the overall budgetary framework described above. For example, the prioritization of development programs could come at the expense of the sustainment of existing platforms. While we would expect to compete and be well-positioned as the incumbent on existing programs, we may not

be successful and, even if we are successful, the replacement programs may be funded at lower levels or result in lower margins. Uncertainty remains regarding how defense budgets in the current fiscal year and beyond will affect these programs.

If there are funding delays and constraints, we may be required to continue to perform for some period of time on certain of our U.S. government contracts even if the U.S. government is unable to make timely payments. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions could result in reductions, cancellations, and/or delays of existing contracts or programs which could adversely affect our results of operations and financial condition.

In addition, budgets for U.S. government programs could be negatively impacted by possible policy changes on defense spending, spending priorities outside defense, reduction in military presence overseas and general pressure to reduce DoD and DoS spending. For example, in April 2025, the White House's Office of Management and Budget proposed to reduce the DoS's budget by nearly 50%, closing a number of overseas diplomatic missions, and reducing diplomatic staff, which has negatively impacted the available funding for our DoS contracts by \$70 million in annual revenue for those contracts. Additional reductions in DoD or DoS budgets and spending could result in further reductions in the amount of our products and services furnished to the U.S. government. In addition, staff reductions and other operational disruptions in the government agencies could result in payment delays, impair our ability to perform work on existing contracts, negatively impact future orders, cause other disruptions or delays or otherwise impact our operations.

We expect the U.S. government to continue to emphasize cost-cutting and other efficiency initiatives in its procurement processes. If we have difficulty adjusting to these changing acquisition priorities and/or fail to meet affordability targets set by the DoD, DoS, or their direct customers, our revenues and market share could be further impacted.

**We use estimates when accounting for long-term contracts and face risks of cost overruns and losses on these contracts.**

We sell certain of our products and services to our commercial, government, and defense customers under firm contracts providing for fixed unit prices, regardless of costs incurred by us. Several factors may cause the costs we incur in fulfilling these contracts to vary substantially from our estimates, and we generally bear the majority of risk that increased or unexpected costs may reduce our profit or cause us to sustain losses on these contracts. The cost of providing products or services may be adversely affected by increases in the cost of labor, materials, fuel, overhead, and other unknown variants, including manufacturing and other operational inefficiencies and differences between assumptions used by us to price a contract and actual results. Increased costs may result in cost overruns and losses on such contracts, which could adversely affect our results of operations and financial condition. This risk is greater in periods of high inflation.

We recognize revenue on our long-term contracts primarily over time as there is continuous transfer of control to the customer over the duration of the contract as the services are delivered, which generally requires estimates of total costs at completion, fees earned on the contract, or both. This estimation process is complex and involves significant judgment related to assumptions on flight hours, component repair costs, labor hours and rates, and contract penalties and incentives. Adjustments to estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the contract may not change. Any adjustment as a result of a change in estimates is recognized as events become known. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that may adversely affect our future financial results.

Because our ability to terminate contracts is generally limited, we may not be able to terminate our performance requirements under these contracts at all or without substantial liability and, therefore, in the event we are sustaining reduced profits or losses, we could continue to sustain these reduced profits or losses for the duration of the contract term. Our failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately or control costs during performance on long-term contracts may reduce our profitability or cause significant losses on programs.

**If our subcontractors or suppliers fail to perform their contractual obligations, our contract profitability and our ability to win new contracts may be adversely affected.**

We rely on subcontractors to perform a portion of the services we agree to provide our customers, and our suppliers provide necessary labor, inventory and component parts. A failure by one or more of our

subcontractors or suppliers to satisfactorily provide on a timely basis the agreed-upon services or supplies may affect our ability to perform our contractual obligations. Deficiencies in the performance of our subcontractors and/or suppliers could result in liquidated damages or our customer terminating our contract for default. A termination for default could expose us to liability and adversely affect our financial performance and our ability to win new contract awards.

**The success of our Repair & Engineering business segment is dependent upon our ability to manage our operational footprint.**

We currently perform airframe repair and engineering activities at several of our leased and owned airframe maintenance facilities. Our maintenance facilities could become unavailable either temporarily or permanently due to our inability to extend our leases on commercially reasonable terms, labor disruptions at any of our facilities, or other circumstances that may be beyond our control, such as geopolitical developments or logistical complications arising from catastrophic and weather-related events. For leased facilities, timely renewal of leases, and risk mitigation from the sale of leased facilities, is required to avoid any business interruption. There is risk associated with negotiating extensions of leases with terms that are, in the long-term, amenable to us. We must also manage any permitting delays that may arise in connection with the expansion of our facility in Miami, Florida and any other issues that may arise in connection with the construction process for both the Miami, Florida and Oklahoma City, Oklahoma facility expansions.

Potential logistical complications resulting from circumstances beyond our control may include, but are not limited to, power loss, telecommunication and information systems failures, or other internal or external system or service failures, accidents or incidents arising from acts of war, terrorism, cyber-attacks, weather, global climate change, earthquakes, hurricanes, fires, floods, tornadoes or other natural disasters or pandemics, including public health crises.

If any of these events were to occur at or around any of our facilities, this could result in potential damage to physical assets and we may be unable to shift work to other facilities or to make up for lost work, which could result in a prolonged interruption of our business, significant delays in shipments of products, the loss of sales and customers, and large expenses to repair or replace the facility or facilities. We may not have insurance to adequately compensate us for any of these events. If insurance or other risk transfer mechanisms, such as existing disaster recovery and business continuity plans, are insufficient to recover all costs, we could experience a material adverse effect on our business, financial condition and results of operations.

**The success of our Repair & Engineering business segment is dependent upon continued outsourcing by the airlines.**

Revenues at our airframe maintenance facilities fluctuate based on demand for maintenance which, in turn, is driven by the number of aircraft operating and the extent of outsourcing of maintenance activities by airlines. In addition, certain airlines operate certain new fleet types and/or newer generation aircraft and we may not have contractual arrangements to service these aircraft nor technicians trained and certified to perform the required airframe maintenance, repair, and overhaul activities on such aircraft. If either the number of aircraft operating or the level of outsourcing of maintenance activities for the aircraft models for which we are authorized to service declines, we may not be able to execute our operational and financial plans at our airframe maintenance facilities, which could adversely affect our results of operations and financial condition.

In addition, we have made investments in facilities and lease commitments to support specific service offerings. A slowing or disruption of these service offerings that results in operating below intended levels could cause us to suffer financial losses.

**Our operations may be adversely affected by a shortage of skilled personnel or work stoppages.**

Our business has historically been dependent on educated and skilled aviation mechanics because of the complex nature of many of our products and services. We face competition for management and qualified technical personnel from other companies and organizations. Furthermore, we have a collective bargaining agreement covering approximately 200 employees in our Expeditionary Services segment (approximately 4% of our total workforce).



Our ability to operate successfully and meet our customers' demands could be jeopardized if we are unable to attract and retain a sufficient number of skilled personnel, including aviation mechanics, to conduct our business, or we experience a significant or prolonged work stoppage in such an environment. In such case, our ability to secure new work and our results of operations and financial condition could be adversely affected. There is significant competition for such personnel in the industries in which we operate. We are impacted, and may continue to be impacted, by higher labor costs and/or labor shortages due to wage and salary inflationary pressures in the economy, a tightening labor market and increased rates of employee resignations generally throughout the U.S. economy.

Employees in certain locations have shown increased interest in unionization. If a significant portion of our employees were to become unionized, our labor costs could increase and our business could be negatively affected by other requirements and expectations that could increase our costs, change our employee culture, decrease our flexibility and disrupt our business. Additionally, our responses to any union organizing efforts could negatively impact how we are perceived and have adverse effects on our business, including on our financial results. These responses could also expose us to legal risk, causing us to incur costs to defend legal and regulatory actions, potential penalties and restrictions or reputational harm. Recent labor activity in the aviation industry, including union strikes and extended labor negotiations, may have an adverse impact on our efforts and may result in work stoppages or slowdowns, or increased labor costs.

**We operate in highly competitive markets, and competitive pressures may adversely affect us.**

The markets for our products and services to our commercial, government, and defense customers are highly competitive, and we face competition from a number of sources, both domestic and international. Our competitors include aircraft manufacturers, aircraft component and parts manufacturers, airline and aircraft service companies, other companies providing maintenance, repair and overhaul services, and other aircraft spare parts distributors and redistributors. Market competition for opportunities to acquire aviation assets includes traditional transportation companies, commercial and investment banks, as well as a growing number of non — traditional participants, such as hedge funds, private equity funds and other private investors. Some of our competitors have substantially greater financial and other resources than we have, and others may price their products and services below our selling prices. Some of our OEM competitors have greater name recognition than us or our subsidiaries, as well as complementary lines of business and financial, marketing and other resources that we do not have. In addition, some of our competitors, including OEMs, aircraft maintenance providers, leasing companies and U.S. FAA certificated repair facilities, may attempt to bundle their services and product offerings in the supply industry for customers, thereby significantly increasing industry competition. We compete with major commercial airlines, many of which operate their own maintenance, repair and overhaul operations. Our smaller competitors may be able to offer more attractive pricing as a result of lower labor costs or other factors. These competitive markets also create pressure on our ability to retain and fill skilled labor needs. We believe that our ability to compete depends on superior customer service and support, on-time delivery, sufficient inventory availability, competitive pricing, and effective quality assurance programs.

Our government customers, including the DoD and DoS, may turn to commercial contractors, rather than traditional defense contractors, for certain work, or may utilize set asides such as small business, women-owned, or minority-owned contractors or determine to source work internally rather than use us. We are also impacted by bid protests from unsuccessful bidders on new program awards and task orders. Bid protests could result in significant expense for us, contract modifications, or the award decision being overturned and loss of the contract award. Even where a bid protest does not result in the loss of an award, the resolution can extend the time until the contract activity can begin, and delay earnings.

These competitive pressures, with potential impacts on both our commercial and government business, could adversely affect our results of operations and financial condition.

**We are exposed to risks associated with operating internationally.**

We market our products and services globally, with approximately 34.2% of our consolidated sales in fiscal 2025 derived from sales to foreign customers (See Note 17 of Notes to Consolidated Financial Statements). In addition, we maintain offices and facilities in several foreign countries. In connection with our acquisition of the Product Support business from Triumph Group, we acquired an entity and operating facility

in Thailand. We expect that sales to foreign customers will continue to account for a significant portion of our revenues in the foreseeable future. We also make capital investments in and enter into joint ventures with foreign entities from time to time. Consequently, we are subject to a variety of risks that are specific to international operations and investments, including the following:

- military conflicts, civil strife, and political risks;
- geopolitical unrest, war, terrorism and other acts of violence;
- volatility in foreign political, regulatory and economic environments;
- ability to obtain required export licenses or approvals;
- export regulations that could erode profit margins or restrict exports, including the transfer of technical data;
- export controls and financial and economic sanctions imposed on certain industry sectors, including the aviation sector, and parties in Russia by the U.S., the United Kingdom, the European Union and others;
- compliance with the U.S. Foreign Corrupt Practices Act of 1977, as amended (“FCPA”), the United Kingdom Bribery Act 2010, and other anti-bribery and anti-corruption laws (see Note 18 of Notes to Consolidated Financial Statements for information about certain pending proceedings);
- the burden and cost of compliance with foreign laws, treaties, and technical standards and changes in those regulations;
- failure by our employees or agents to comply with U.S. laws affecting the activities of U.S. companies abroad;
- difficulty staffing and managing widespread operations;
- uncertainty of the ability of foreign customers to finance purchases;
- uncertainties and restrictions concerning the availability of funding credit or guarantees;
- contract award and funding delays;
- potential restrictions on transfers of funds;
- imposition of import and export duties, tariffs, value added taxes, withholding taxes or other taxes on our foreign income;
- fluctuations in currency exchange rates, which may affect demand for our products and services and may adversely affect our profitability in U.S. dollars;
- transportation delays and interruptions;
- uncertainties arising from foreign local business practices and cultural considerations;
- changes in U.S. policies on trade relations and trade policy, including implementation of or changes in trade sanctions (such as those imposed on Russia), tariffs, and embargoes (as detailed in the first risk factor in this section);
- difficulty enforcing agreements and managing litigation risk in certain legal systems outside the U.S.; and
- inability to obtain, maintain or enforce intellectual property rights.

Additionally, international procurement and local country rules and regulations, contract laws and judicial systems differ from those in the U.S. and, in some cases, may be less predictable than those in the U.S., which could impair our ability to enforce contracts and increase the risk of adverse or unpredictable outcomes, including the possibility that certain matters that would be considered civil matters in the U.S. are treated as criminal matters in other countries.

While the impact of these factors is difficult to predict, any one or more of these factors may have a material adverse effect on our business, financial condition and results of operations. Any measures that we

have adopted or may adopt in the future to reduce the potential impact of losses resulting from the risks of doing business internationally may not be adequate, and the regions in which we operate might not continue to be stable enough to allow us to operate profitably or at all.

**Acquisitions, which are a part of our business strategy, expose us to risks, including the risk that we may be unable to achieve the anticipated benefits from the acquired businesses.**

A key element of our business strategy has been growth through the acquisition of additional businesses. We have experienced growth through strategic acquisitions in recent periods and intend to continue to pursue growth, through both acquisitions and organic expansion of products and services. We continue to have discussions with third parties regarding potential acquisitions on a regular basis. We are focused on acquiring complementary businesses that add new products, customers, and/or capabilities as well as new geographic and/or operational competitive advantages in both new and existing markets within our core competencies.

Our acquisition strategy is affected by, and poses a number of challenges and risks as a result of certain factors, including the availability of suitable acquisition candidates, incurrence of expenses, availability of capital, the cost of capital, compliance with debt covenants, consummation of acquisitions on satisfactory terms, obtaining applicable domestic and/or foreign governmental approvals such as antitrust and foreign investment related authorizations, difficulties in integrating the operations and personnel, the effects of amortization of any acquired intangible assets, the effects of potential impairments of any acquired intangible assets and/or goodwill, and the potential loss of key employees of the acquired business. For example, we recognized impairment losses for a portion of the goodwill related to the acquisition of the Product Support business in conjunction with the allocation of goodwill in the Repair & Engineering reporting unit upon the decision to divest the LGO business.

In addition, acquisitions often require substantial management resources and have the potential to divert our attention from our existing business. Our growth to date has placed, and could continue to place, significant demands on our administrative, operational and financial resources. For any businesses we acquire, we may not be able to execute our operational, financial, or integration plans for the acquired businesses, which could adversely affect our results of operations and financial condition. In addition, we may not be able to manage our growth successfully, which could have a material adverse effect on our overall business, financial condition and results of operations.

**Circumstances associated with divestitures could adversely affect our results of operations and financial condition.**

We periodically divest or seek to divest certain businesses and investments, including those that are no longer a part of our ongoing strategic plan, such as the recent divestiture of our LGO business in the fourth quarter of fiscal 2025, which adversely affected our fiscal 2025 results of operations and financial condition. Any future decisions to divest or discontinue assets, businesses, products or services may again result in asset impairments, including those related to goodwill and other intangible assets, and losses upon disposition, both of which could have adverse effects on our results of operations and financial condition. In addition, sometimes we encounter difficulty in finding buyers or executing alternative exit strategies at acceptable prices and terms in a timely manner. Some prospective buyers may have difficulty obtaining financing. Divestitures require a significant investment of time and resources, and may disrupt our business and distract management from other responsibilities. In addition, divestitures tend to involve the retention of certain current or future liabilities in order to induce a buyer to complete a divestiture or otherwise result in continued financial involvement in the divested business, including through indemnification or other arrangements, for a period of time following the transaction, which adversely affects our financial results. We may not be successful in managing these or any other significant risks that we may encounter in divesting or discontinuing assets, businesses, products or services, which could have a material adverse effect on our business, results of operations and financial condition.

**Market values for our aviation products fluctuate and we may be unable to recover our costs incurred on engines, rotatable components and other aircraft parts.**

We make a number of assumptions when determining the recoverability of rotatable components, engines, and other assets that we sell, lease, make available for lease, or keep to support our long-term programs. These assumptions include historical sales trends, current and expected usage trends, replacement values, current

and expected sales and lease rates, residual values, future demand, and future cash flows. Reductions in demand for these assets or declining market values, as well as differences between actual results and the assumptions utilized by us when determining the recoverability of our aircraft, engines, and other assets, could result in impairment charges in future periods, which would adversely affect our results of operations and financial condition. We also face risk in collecting from customers on the sales of parts.

The value of any given aircraft model, or any engine model applicable thereto, can vary significantly based on supply in the marketplace. Certain types of aircraft, engines and other assets may be used in significant numbers by commercial aircraft operators that experience financial difficulties from time to time. If such operators were to go into liquidation or similar proceedings, the resulting over-supply of certain types of aircraft, engines and other assets from these operators could create opportunities for us, but it could also have an adverse effect on the demand for the affected engine and aircraft types and the values of such assets, which may adversely impact our financial condition or results of operations.

If we acquire a high concentration of a particular model of engines and related parts, our business and financial results could be adversely affected by sector-specific or asset-specific factors. If the market demand for such engines and related parts declines, it is redesigned or replaced by its manufacturer or it experiences design or technical problems, the value and rates relating to such assets may decline, and we may be unable to lease or sell such engines or related parts on favorable terms, if at all. Any decrease in the value and rates of our assets may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

### **Risks Related to Technology and Intellectual Property**

#### **Our business could be negatively affected by cyber or other security threats or other disruptions.**

Our business depends heavily on information technology and computerized systems to communicate and operate effectively. We store sensitive data including proprietary business information, intellectual property and confidential employee or other personal data on our servers and databases. Our systems and technologies, or those of third parties on which we rely, could fail or become unreliable due to equipment failures, software viruses, cyber threats or cyber incidents, ransomware attacks, employee error or malfeasance, terrorist acts, natural disasters, power or telecommunications failures, political or social unrest, pandemics or other public health issues, or other causes. These threats arise in some cases as a result of our role as a defense contractor. Our customers, including the U.S. Government, are increasingly requiring cybersecurity protections and mandating cybersecurity standards in our products, and we have incurred and expect to continue to incur additional cost to comply with such demands.

We have faced and expect to continue to face cyber security threats. Such threats are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to our sensitive information (including that of our customers, suppliers, subcontractors and joint venture partners), business e-mail compromises, ransomware attacks, and other electronic security incidents, including at our customers, suppliers, subcontractors, and joint venture partners, that could lead to disruptions in mission critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. We have employees working remotely at times, which heightens the risk of these potential vulnerabilities. To the extent artificial intelligence capabilities improve and are increasingly adopted, they may be used to identify vulnerabilities and produce advanced cybersecurity attacks, and vulnerabilities may be introduced from the use of artificial intelligence by us, our customers, suppliers and other business partners and third-party providers.

We also rely on third parties to host certain enterprise systems and that manage and host our data and that of our customers. Our ability to monitor such third parties' security measures and the full impact of the systemic risk is limited. If our systems, data, or any third-party service that we use is unavailable to us for any reason, our customers may experience service interruptions, which could significantly impact our operations, reputation, business, and financial results. Lack of access to our data and that of our clients, or failure of our systems or those of our third-party service providers, may result in interruptions in our service, all of which may cause a loss in customers, refunds of product fees, and/or material harm to our reputation and operating results.



A theft, loss, fraudulent use or misuse of customer, stockholder, employee or our proprietary data by cybercrime or otherwise, noncompliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could adversely impact our reputation and could result in costs, fines, litigation or regulatory action against us. Security incidents that may lead to breaches can create system disruptions and shutdowns that could result in disruptions to our operations. We cannot be certain that advances in criminal capabilities, new vulnerabilities or other developments will not compromise or breach the security solutions protecting our information technology, networks and systems. A systems or network failure or cyber-attack on our information systems technology or those of our partners, customers, vendors, or suppliers could adversely affect our ability to process orders, maintain proper levels of inventory, collect accounts receivable and pay expenses; all of which could have an adverse effect on our results of operations, financial condition and cash flows. Such serious harm can involve, among other things, misuse of our assets, business disruptions, loss of data, unauthorized access to trade secrets and confidential business information, unauthorized access to personal information, damage to customer relationships, legal claims or proceedings, reporting errors, processing inefficiencies, negative media attention, reputational harm, loss of sales, remediation and increased insurance costs, and interference with regulatory compliance. We expect to continue to experience some of these types of cybersecurity threats and incidents, which could be material in the future.

We maintain a cybersecurity risk management program to monitor and mitigate cybersecurity threats and an incident response plan for realized threats. Costs associated with preventing or remediating information management security incidents or complying with related laws and regulations could have a material adverse effect on our capital expenditures, earnings or competitive position. Additionally, we have obtained insurance that provides coverage for certain cybersecurity incidents. Despite these efforts, we can make no assurances that we will be able to mitigate, detect, prevent, timely and adequately respond, or fully recover from the negative effects of cybersecurity incidents or other cybersecurity compromises, and such cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption, or unavailability of personal information, critical data and confidential or proprietary information (our own or that of third parties) and the disruption of business operations. The potential consequences of a material cybersecurity incident include financial loss, reputational damage, damage to our IT systems, data loss, litigation with third parties, theft of intellectual property, fines, customer attrition, diminution in the value of our investment in research and development, and increased cybersecurity protection and remediation costs due to the increasing sophistication and proliferation of threats, which in turn could adversely affect our competitiveness and results of operations. Any imposition of liability, particularly liability that is not covered by insurance or is in excess of insurance coverage, could materially harm our operating results and financial condition.

**We may need to make significant capital expenditures to keep pace with technological developments in our industry and we may not be successful in doing so.**

The aviation industry is constantly undergoing development and change, and new products, equipment, and methods of repair and overhaul services are introduced on an ongoing basis. In order to keep pace with technological and other developments in our industry, we sometimes need to expend significant capital to develop information technology solutions, purchase new equipment, train our employees in the new methods of service, or implement new processes to increase both efficiency and capacity. Not all projects may be implemented as anticipated as a result of various factors, including ability to meet customer specifications, delivery schedules and unique contractual requirements, supplier performance, subcontractor performance, and our ability to accurately estimate costs and timing associated with such projects. In addition, we are exploring implementing artificial intelligence strategies for our products and services, which may be costly or ineffective, introduce errors, cause loss of intellectual property, and raise complex regulatory compliance and other business and legal issues. If projects do not achieve anticipated increases in efficiency or capacity, our returns on these capital expenditures may be lower than expected. Failure to react timely to industry trends and manage our offerings and innovation activities responsively could decrease the competitiveness of our services, harm our reputation, and negatively impact our ability to compete and attract top talent.

**We do not own certain intellectual property and tooling that is important to our business.**

In our Repair & Engineering segment, OEMs of equipment that we maintain for our customers include language in repair manuals relating to their equipment asserting broad claims of proprietary rights to the

contents of the manuals used in our operations. Although we believe that our use of manufacture and repair manuals is lawful, there can be no assurance that OEMs will not try to enforce such claims, including through the possible use of legal proceedings, or that any such actions will be unsuccessful. Our business also depends on using certain intellectual property and tooling that we have the right to use pursuant to license grants under our contracts with OEM customers. These contracts contain restrictions on our use of intellectual property and tooling and may be terminated if we violate certain of these restrictions. Loss of a contract with an OEM customer and the related license rights to use an OEM's intellectual property or tooling may adversely affect our business, results of operations and financial condition.

### **Risks Related to Financial Matters**

#### **Our debt exposes us to certain risks.**

As of May 31, 2025, we had \$977.0 million of total debt outstanding. The amount of our existing debt, combined with our ability to incur significant amounts of debt in the future, could have important consequences, including:

- increasing our vulnerability to adverse economic or industry conditions;
- requiring us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, strategic initiatives, and general corporate purposes;
- increasing our vulnerability to, and limiting our flexibility in planning for, or reacting to, changes in our business or the industries in which we operate;
- exposing us to the risk of higher interest rates on borrowings under our Amended Revolving Credit Facility, which is subject to variable rates of interest;
- placing us at a competitive disadvantage compared to our competitors that have less debt; and
- limiting our ability to borrow additional funds.

#### **We are dependent upon continued availability of financing to manage our business and to execute our business strategy, and additional financing may not be available on terms acceptable to us.**

Our ability to manage our business and to execute our business strategy is dependent, in part, on the continued availability of debt and equity capital. Access to the debt and equity capital markets may be limited by various factors, including the condition of overall credit markets, general economic factors, interest rates, state of the aviation industry, our financial performance, and credit ratings. Debt and equity capital may not continue to be available to us on favorable terms, or at all. Our inability to obtain financing on favorable terms could adversely affect our results of operations and financial condition.

#### **Restrictive covenants in the documents governing our existing and any future indebtedness may limit our current and future operations, particularly our ability to respond to changes in our business or to pursue our business strategies.**

Certain financing arrangements, including our Amended Revolving Credit Facility, our accounts receivable financing program and our outstanding notes contain, and the documents governing any future indebtedness will likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us and our significant operating subsidiaries, including restrictions on our ability to take actions that we believe may be in our interest. Our failure to meet these covenants could result in default under these loan and debt agreements and may result in a cross-default under other debt agreements. In the event of a default and our inability to obtain a waiver of the default, all amounts outstanding under our debt agreements could be declared immediately due and payable. Our failure to comply with these covenants could adversely affect our results of operations and financial condition.

The restrictive covenants could adversely affect our ability to finance our operations, make strategic acquisitions or investments or enter into alliances, withstand a future downturn in our business or the economy in general, engage in business activities, including future opportunities, that may be in our interest, and plan

for or react to market conditions or otherwise execute our business strategies. Our ability to obtain future financing or to sell assets could be adversely affected because assets have been pledged as collateral for the benefit of the holders of our indebtedness.

We cannot assure you that we will be able to remain in compliance with such covenants in the future or, if we fail to do so, that we will be able to obtain waivers from the applicable holders of such indebtedness or amend such covenants and other terms of the agreements governing such indebtedness on commercially reasonable terms, if at all. Failure to comply with such covenants will entitle the applicable holders of such indebtedness to exercise remedies, including to require immediate repayment of outstanding amounts and to terminate commitments under such indebtedness, which could have a material adverse effect on our business, operations, and financial condition.

We may need to obtain additional financing in order to meet our debt obligations as they come due, to support our operations and/or to make acquisitions. Our access to debt capital markets and the cost of borrowings are affected by a number of factors, including market conditions and the strength of our credit ratings. If we cannot obtain adequate sources of credit on favorable terms, or at all, our business, operations, and financial condition could be adversely affected. We may also seek transactions to extend the maturity of our debt, reduce leverage or obtain covenant flexibility. Such transactions could result in us incurring additional debt or issuing additional equity, which could increase the risks described above.

**We may not be able to fully execute our stock repurchase program and may not otherwise return capital to our stockholders in the foreseeable future.**

In 2021, we announced a stock repurchase program with authorization to repurchase up to \$150 million of our common stock, of which \$107.5 million has been repurchased under the program as of May 31, 2025. There is no guarantee as to the exact number of shares or value that will be repurchased under the stock repurchase program and we may discontinue purchases at any time. Whether we make any further repurchases will depend on many factors, including but not limited to our business and financial performance, the business and market conditions at the time, including the price of our shares, and other factors that management considers relevant. We expect to fund any repurchases under our stock repurchase program through cash on hand or borrowings under our Amended Revolving Credit Facility, which may impact our ability to pursue potential strategic opportunities. Although our stock repurchase program is intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program's effectiveness and there can be no assurance that any stock repurchases will enhance stockholder value.

Our credit agreement prohibits payment of a dividend or repurchase of our stock if a default exists under the agreement. In addition, we have not declared a dividend on our common stock since 2020, and there can be no assurance that we will do so in the foreseeable future. The declaration and payment of cash dividends is at the discretion of our Board of Directors and will be dependent upon our future earnings, cash flows, financial condition, capital requirements and strategy and any future government restrictions. If we do not pay dividends or continue to execute on our stock repurchase program, investors will have to rely on the possibility of stock appreciation and sell their shares to realize a return on their investment.

**Risks Related to Legal and Regulatory Matters**

**If we fail to comply with laws and regulations governing federal contractors, we could lose business and be liable for various penalties or sanctions.**

We must comply with laws and regulations relating to the formation, administration, and performance of government contracts. In the U.S., these laws and regulations include the Federal Acquisition Regulations ("FAR"), Defense Federal Acquisition Regulations, the Truth in Negotiations Act, Cost Accounting Standards, and laws, regulations, and orders restricting the use and dissemination of classified information under the U.S. export control laws and the export of certain products and technical information and safeguarding of contractor information systems. Substantive policy and enforcement priorities related to government contracts are changing very quickly and sometimes ambiguously, adding to the risk. For example, FAR is currently under a comprehensive review and re-write, which may impact our business and overall risk once implemented.

In addition, we are subject to U.S. government inquiries and investigations, including periodic audits of costs that we determine are reimbursable under government contracts. U.S. government agencies routinely audit government contractors, including the Company, to review performance under contracts, cost structure, compliance with applicable contracting and procurement laws, regulations, and standards, and compliance with applicable cybersecurity requirements, as well as the adequacy of and compliance with internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. Any costs found to be misclassified or inaccurately allocated to a specific contract are not reimbursable, and to the extent already reimbursed, must be refunded. Also, any inadequacies in our systems and policies could result in payments being withheld, penalties and reduced future business.

U.S. government rules allow contracting officers to impose contractual withholdings at no less than certain minimum levels if a contracting officer determines that one or more of a contractor's business systems have one or more significant deficiencies. If a contracting officer were to impose such a withholding on us or even on a prime contractor where we are the subcontractor, it would increase the risk that we would not be paid in full or paid timely. If future audit adjustments exceed our estimates, our profitability could be adversely affected.

The terms of our defense contracts with the U.S. Government generally permit the government to terminate contracts partially or completely, either for its convenience or if we default by failing to perform under the contract. Termination for convenience provisions provide only for our recovery of unrecovered costs incurred or committed, settlement expenses and profit on the work completed prior to termination. Termination for default provisions provide for the contractor to be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source.

We have been subject to government investigation that has resulted in the payment of penalties and has required our compliance with the terms of agreements with government agencies. If other government inquiries or investigations uncover improper or illegal activities, we have been and, if government inquiries or investigations uncover allegedly improper or illegal activities, we could be subject to civil or criminal penalties or administrative sanctions, including contract termination, fines, forfeiture of fees, suspension of payment and suspension or debarment from doing business with government agencies, any of which could materially adversely affect our reputation, business, financial condition and results of operations.

In addition, DoD facility security clearance is required in order to be awarded and be able to perform on classified contracts for the DoD and certain other agencies of the U.S. Government, which is a significant part of our business. We have obtained clearance at appropriate levels that require stringent qualifications, and we may be required to seek higher level clearances in the future. If for some reason our security clearance is invalidated or terminated, we may not be able to continue to perform our present classified contracts or be able to enter into new classified contracts, which could affect our ability to maintain current business and to compete for and capture new business.

**We are subject to significant government regulation, which may cause us to incur significant expenses to comply with new or more stringent governmental regulation and may subject us to regulatory actions, which may adversely impact our business, financial condition or results of operations.**

The aviation industry is highly regulated by the FAA in the U.S. and equivalent regulatory agencies in other countries. Before we sell any of our products that are to be installed in an aircraft, such as engines, engine parts and components, and airframe and accessory parts and components, they must meet certain standards of airworthiness established by the FAA or the equivalent regulatory agencies in certain other countries. We operate repair stations that are licensed by the FAA and the equivalent regulatory agencies in certain other countries, and hold certificates to operate aircraft. Specific regulations vary from country to country; although regulatory requirements in other countries are generally satisfied by compliance with FAA requirements. New and more stringent governmental regulations may be adopted in the future that, if enacted, may have an adverse impact on us. If any of our material licenses, certificates, authorizations, or approvals were revoked or suspended by the FAA or equivalent regulatory agencies in other countries, our results of operations and financial condition may be adversely affected.

The U.S. Department of Commerce (the "Commerce Department") and the U.S. Department of State regulate the export, re-export and re-transfer of U.S. controlled goods and technologies. We are subject to the



Commerce Department's and the U.S. Department of State's regulations with respect to the lease and sale of aircraft, engines, engine parts and components, and airframes and accessory parts and components to foreign entities. The Commerce Department and the U.S. Department of State may, in certain cases, require us to obtain authorization for the export, re-export or re-transfer within foreign countries of certain items. The U.S. Department of Homeland Security, through the U.S. Customs and Border Protection, enforces regulations related to the import of aircraft, engines, engine parts and components, and airframe and accessory parts and components into the United States. We must expend resources to comply with these regulations and our failure to comply with these regulations may subject us to regulatory actions, which may adversely impact our financial condition or results of operations.

We must comply with all applicable export control laws and regulations of the United States and other countries. United States laws and regulations applicable to us include the Arms Export Control Act, the International Traffic in Arms Regulations ("ITAR"), the Export Administration Regulations ("EAR"), and the trade sanctions laws and regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). The EAR restricts the export of dual-use products and technical data to certain countries, while the ITAR restricts the export of defense products, technical data and defense services. The U.S. Government agencies responsible for administering the EAR and the ITAR have significant discretion in the interpretation and enforcement of these regulations. We cannot provide services to certain countries subject to United States trade sanctions or restrictions unless we first obtain the necessary authorizations from the applicable regulatory agency.

We are prohibited from doing business with entities designated by OFAC on its "Specially Designated Nationals List," and must monitor our operations and existing and potential lessees and other counterparties for compliance with OFAC's rules. Similarly, sanctions or prohibitions issued by the United Nations, the United States government, the European Union or other governments could prohibit or restrict us from doing business in certain countries, or with certain customers or persons, and we must monitor our operations and existing and potential customers and other counterparties for compliance with such sanctions. We must expend resources to comply with these regulations and our failure to comply with these regulations may subject us to regulatory actions, which may adversely impact our financial condition or results of operations.

Our operations are subject to anti-corruption laws including the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. §201, the United Kingdom Bribery Act 2010, the U.S. Travel Act, and other anti-corruption laws that apply in countries where we do business. The FCPA and these other laws generally prohibit us and our employees and intermediaries from authorizing, promising, offering, or providing, directly or indirectly, improper or prohibited payments, or anything else of value, to government officials or other persons to obtain or retain business or gain some other business advantage. We and certain of our customers operate in a number of jurisdictions that pose a high risk of potential FCPA violations, and we participate in collaborations and relationships with third parties whose corrupt or illegal activities have subjected us and could again potentially subject us to liability under the FCPA or local anti-corruption laws, even if we do not explicitly authorize or have actual knowledge of such activities. We cannot ensure that we will prevent all misconduct and violations of applicable laws of the jurisdictions in which we operate, including laws governing improper payments to government officials and commercial bribery, the protection of export controlled or classified information, cost accounting and billing, competition and data privacy, that may be committed by our employees, agents, subcontractors, suppliers, business partners, or others working on our behalf or with us, and this risk of improper conduct may increase as we expand globally.

We are also subject to a variety of other regulations including work-related and community safety laws. The Occupational Safety and Health Act of 1970 mandates general requirements for safe workplaces for all employees, and established the Occupational Safety and Health Administration ("OSHA") in the Department of Labor. In particular, OSHA provides special procedures and measures for the handling of certain hazardous and toxic substances. In addition, specific safety standards have been promulgated for workplaces engaged in the treatment, disposal or storage of hazardous waste. Requirements under state law, in certain circumstances, may mandate additional measures for facilities handling materials specified as extremely dangerous.

Federal, state, and local requirements relating to the discharge and emission of substances into the environment, the disposal of hazardous wastes, the remediation and abatement of contaminants, and other activities affecting the environment have had and may continue to have an impact on our operations. Management cannot assess the possible effect of compliance with future environmental requirements or of

future environmental claims for which we may not have adequate indemnification or insurance coverage. If we were required to pay the expenses related to any future environmental claims for which neither indemnification nor insurance coverage were available, these expenses could have an adverse impact on our results of operations and financial condition.

Future environmental regulatory developments in the United States and abroad concerning environmental issues, such as climate change, could adversely affect our operations and increase operating costs and, through their impact on our customers, reduce demand for our products and services. Actions may be taken in the future by the U.S. government, state governments within the United States, foreign governments, or the International Civil Aviation Organization to regulate the emission of greenhouse gases by the aviation industry. The precise nature of any such requirements and their applicability to us and our customers are difficult to predict, but the impact to us and the aviation industry would likely be adverse and could be significant, including the potential for increased fuel costs, carbon taxes or fees, or a requirement to purchase carbon credits.

Violations of these laws or regulations by us or by those with whom or through whom we do business could subject us to administrative, civil or criminal investigations and monetary and non-monetary penalties, including suspension and debarment, which could negatively impact our reputation and ability to conduct business and could have a material adverse effect on our financial position, results of operations and/or cash flows.

**Our industry is susceptible to product and other liability claims, and claims not adequately covered by insurance may adversely affect our financial condition.**

Our business exposes us to possible claims for property damage and bodily injury or death, which may result if an engine, engine part or component, airframe part or accessory, or any other aviation product that we have sold, manufactured, or repaired fails, or if an aircraft we operated, serviced, or in which our products are installed, has an accident. Claims may arise in the future, and our insurance coverage may not be adequate to protect us in all circumstances. Additionally, we might not be able to maintain adequate insurance coverage in the future at an acceptable cost. Any liability claim not covered by adequate insurance could adversely affect our results of operations and financial condition.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not Applicable.

#### **ITEM 1C. CYBERSECURITY**

We face many cybersecurity threats including ransomware, denial-of-service attacks, business email compromise, and persistent threats from state-affiliated groups. We have experienced cyber-attacks in the past and may experience cybersecurity incidents in the future. While prior incidents have not materially affected our business, results of operations or financial condition, there is no guarantee that a future cyber threat or cyber incident would not affect our business strategy, results of operations or financial condition. See Item 1A. Risk Factors for more information on our cybersecurity risks.

#### **Risk Management and Strategy**

We maintain documented information security policies and standards to protect operations, assets, data and services and to defend against, respond to and recover from potential cyberattacks. Our cybersecurity strategy and risk management processes use the National Institute of Standards and Technology governance requirements and cybersecurity framework as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our approach to cybersecurity risk management includes multiple complementary elements to mitigate our cybersecurity risks. We utilize multi-layered defenses to help prevent attacks including the use of data analytics to help detect anomalies and search for cyber threats. We have comprehensive cyber threat detection and response capabilities with applied threat intelligence, and continuous monitoring to complement other

technology, processes and threat detection techniques we have in place. We subscribe to third-party managed security services that continuously monitor our systems and networks to assist with early cybersecurity threat detection and protection.

We work with government, customer, industry and/or supplier partners to gather and develop policies and standards and share information to address cyber threats. We conduct information security assessments of partners before sharing or allowing the hosting of data in computing environments managed by third parties. We require our employees to complete phishing and other awareness training to help identify, avoid and mitigate cybersecurity threats.

While our primary focus is on prevention and detection of cybersecurity threats, we have response and recovery plans in effect, as well as service agreements with outside experts should there be a need for us to respond to an attack. We have adopted a cybersecurity incident response plan that provides direction and a defined approach for preparing for, identifying and responding to cybersecurity incidents that may pose a potential threat to our information systems, networks and data. The detailed plan defines the roles and responsibilities of all parties included in our cybersecurity incident response team which incorporates our IT team, senior management, and other functional areas.

We also have controls and procedures for reporting material cybersecurity incidents, including review of significant cybersecurity incidents by a cross-functional team to determine whether further escalation is necessary. We also periodically conduct practice exercises with management to familiarize the management team with our cyber incident response capabilities and processes. We also conduct internal and third-party assessments or penetration tests to validate our cybersecurity controls and improve our security posture. We also maintain cybersecurity liability insurance coverage.

Our Chief Information Security Officer (“CISO”) partners with management in internal functions, such as finance, legal, and internal audit, in overseeing information security risks, as well as third-party consultants who perform risk-based assessments with recommendations for designing, implementing, executing, monitoring, and improving our cybersecurity risk management program and strategies, which helps align our programs and strategies with our business and operational objectives. Results of third-party assessments are shared with the Audit Committee and the Board of Directors.

## **Governance**

To facilitate the prevention, detection and timely response to information security threats, we have a dedicated CISO whose team is responsible for managing our information security strategy, policies, standards, and processes. The information security team provides security monitoring and response and provides regular reports to the CISO to inform about and monitor the prevention, detection, mitigation and remediation of cybersecurity risks. The CISO, who also serves as our data protection officer, reports directly to our Chief Digital & Technology Officer (“CDTO”), who reports directly to our Chairman, President and Chief Executive Officer.

Our CISO and CDTO have extensive experience and expertise in developing, implementing, and operating security policies and procedures covering our network and critical data. Our CISO has 35 years of experience in information technology systems and is a 25-year military veteran of the U.S. Navy and Navy Reserves with a Top Secret/Sensitive Compartmented Information (TS/SCI) U.S. security clearance and multiple combat deployments in information warfare. Additionally, our CISO holds several certifications, including, among others, the following security certifications: Certified Information Systems Security Professional (CISSP), Certified Ethical Hacker (CEH), Certified Network Defense Analyst (CNDA), Disaster Recovery Institute International (DRII), and CompTIA — Network+ and Security+. Our CDTO has over 25 years of leadership experience across all aspects of technology-enabled digital transformations, including leading multiple transformations at a major airline prior to his role at AAR. He previously advised companies across multiple industries in collaboratively developing and executing their digital and technology roadmaps as a consultant at a major firm.

The CDTO and CISO regularly review cybersecurity matters with members of our senior management. These discussions include the latest cybersecurity risks and threats, the status of our cybersecurity incident response plan, and our overall process relating to the prevention, detection, mitigation and remediation of

cybersecurity incidents. Our Board of Directors, through its Audit Committee, is responsible for overseeing our cybersecurity risk management. On a regular basis, the Board of Directors or Audit Committee receive and review reports from the CDTO and CISO relating to the status of cybersecurity planning and protections, the overall state of our cybersecurity program, emerging cybersecurity developments and threats, and our strategy to mitigate cybersecurity risks.

## **ITEM 2. PROPERTIES**

In our Parts Supply segment, we primarily operate from our headquarters in Wood Dale, Illinois, which we own. In addition to warehouse space, this facility includes executive, sales and administrative offices which support all of our segments.

In our Repair & Engineering segment, our airframe maintenance repair services are conducted at U.S. facilities leased by us in Indianapolis, Indiana; Oklahoma City, Oklahoma; Miami, Florida; and Rockford, Illinois and at Canadian facilities leased by us in Trois Rivières, Quebec and Windsor, Ontario. Our component repair services are primarily conducted at owned facilities in Hot Springs, Arkansas; Grand Prairie, Texas; Wellington, Kansas; Chonburi, Thailand; and Amsterdam, Netherlands.

In our Integrated Solutions segment, our services to the government market are primarily conducted from leased facilities in Rockledge, Florida; Ogden, Utah; Jacksonville, Florida; and Windsor, Connecticut. Our services to the commercial market are primarily conducted from leased facilities Brussels, Belgium and Crawley, England.

Our principal activities in the Expeditionary Services segment are conducted at a facility we own in Cadillac, Michigan.

We also operate sales offices that support all our activities and are leased in London, England; Crawley, England; Paris, France; Rio de Janeiro, Brazil; Tokyo, Japan; Shanghai, China; Singapore, Republic of Singapore; and Dubai, UAE.

We believe that our owned and leased facilities are suitable and adequate for our operational requirements.

## **ITEM 3. LEGAL PROCEEDINGS**

Note 18 of the Notes to our Consolidated Financial Statements for the year ended May 31, 2025 contained in Item 8 of this Annual Report on Form 10-K includes information on legal proceedings that constitute material contingencies for financial reporting purposes that could have a material adverse effect on our consolidated financial position or liquidity if they were resolved in a manner that is adverse to us. The information in Note 18 is incorporated by reference in this Item 3.

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 18 to our Consolidated Financial Statements for the year ended May 31, 2025 contained in this Annual Report on Form 10-K.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.



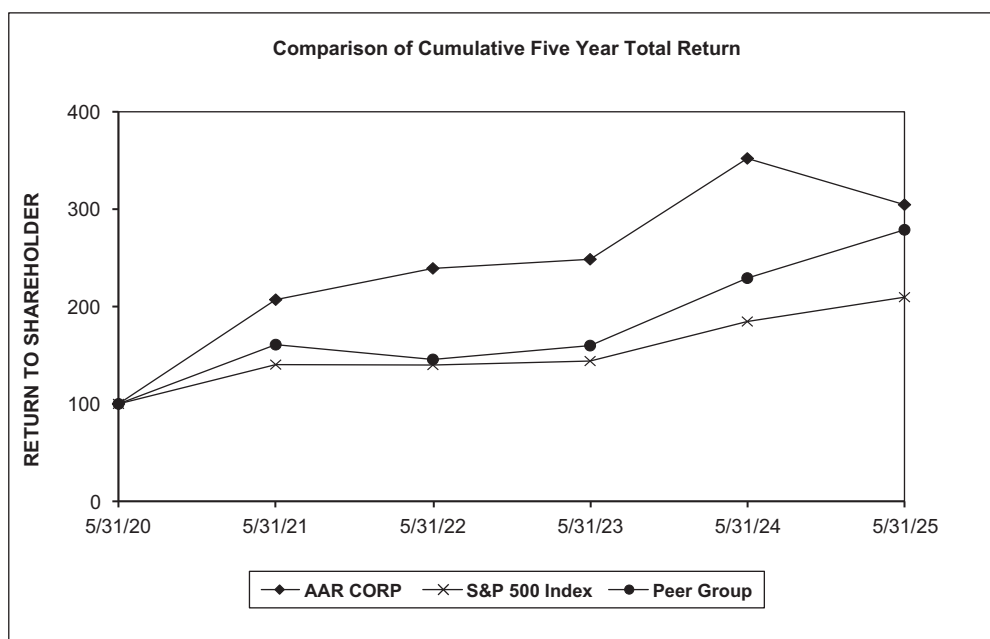
## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange and the Chicago Stock Exchange under the symbol "AIR." On June 30, 2025, there were approximately 600 holders of common stock, including participants in security position listings.

#### *Stockholder Return Performance Graph*

The following graph compares the total return on a cumulative basis of \$100 invested, and reinvestment of dividends in our common stock since May 31, 2020 to the Standard and Poor's ("S&P") 500 Index and the Proxy Peer Group:



Company Name / Index	Base Period 5/31/20	INDEXED RETURNS				
		Years Ending				
		5/31/21	5/31/22	5/31/23	5/31/24	5/31/25
<b>AAR CORP</b> .....	<b>100</b>	206.99	239.07	248.44	351.96	304.46
<b>S&amp;P 500 Index</b> .....	<b>100</b>	140.32	139.90	143.99	184.57	209.53
<b>Peer Group</b> .....	<b>100</b>	160.81	145.61	159.84	229.11	278.70

The S&P 500 Index is comprised of domestic industry leaders in four major sectors: Industrial, Financial, Utility, and Transportation, and serves as a broad indicator of the performance of the U.S. equity market. The Company's Fiscal 2025 Proxy Peer Group companies are listed as follows:

Air Lease Corporation*	MSC Industrial Direct Co., Inc.
Applied Industrial Technologies, Inc.	Spirit AeroSystems Holdings, Inc.
Barnes Group Inc.	The Timken Company
Crane Co.	TriMas Corporation
Curtiss-Wright Corporation	Triumph Group, Inc.
Ducommun Incorporated	V2X, Inc.*
Heico Corporation	VSE Corporation*
Hexcel Corporation	Woodward, Inc.
Moog Inc.	

\* New peer group companies added for fiscal 2025 due to their business and financial comparability to the Company.

We removed Kaman Corporation and Aerojet Rocketdyne Holdings, Inc. from our prior year peer group as each company has been acquired.

The Company annually revisits the composition of the peer group to ensure that the Company's performance is measured against those of comparably sized and situated companies. The mix of the Company's commercial and government/defense markets presents a challenge in constructing a peer group, given that many government/defense contractors have substantially greater resources than the Company.

#### *Dividends*

We did not declare any dividends in fiscal 2023, 2024, or 2025. The declaration and payment of cash dividends is at the discretion of our Board of Directors and will be dependent upon our future earnings, cash flows, financial condition, capital requirements and strategy and any future government restrictions.

#### *Issuer Purchases of Equity Securities*

The following table provides information about share repurchases we made during the three months ended May 31, 2025 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>1</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>1</sup>
3/1/2025 – 3/31/2025 . . . . .	—	\$ —	—	\$52,544,833
4/1/2025 – 4/30/2025 . . . . .	192,532	52.37	192,532	42,462,495
5/1/2025 – 5/31/2025 . . . . .	—	—	—	42,462,495
Total . . . . .	<u>192,532</u>	<u>\$52.37</u>	<u>192,532</u>	

<sup>1</sup> On December 21, 2021, our Board of Directors announced it had authorized a renewal of our stock repurchase program providing for the repurchase of up to \$150 million of our common stock, with no expiration date.

## ITEM 6. (Reserved)

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollars in millions)

### Background and Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations, and quantitative and qualitative disclosures about market risk should be read in conjunction with our consolidated financial statements and the related notes included in this Form 10-K. For a discussion of the comparison of fiscal 2024 and 2023, refer to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended May 31, 2024 (filed July 19, 2024).

Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may also be identified because they contain words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "likely," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or similar expressions and the negatives of those terms. These forward-looking statements are based on the beliefs of 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, including those factors discussed under Item 1A, "Risk Factors," that could cause actual results to differ materially from those anticipated. Should one or more of those risks or uncertainties materialize adversely, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described. Those events and uncertainties are difficult or impossible to predict accurately and many are beyond our control. 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.

### General Overview

We report our activities in four business segments:

- Parts Supply, primarily consisting of our sales of used serviceable material ("USM"), including aircraft, engine and airframe parts and components and distribution of new parts ("Distribution");
- Repair & Engineering, primarily consisting of our maintenance, repair, and overhaul ("MRO") services across airframes ("Airframe MRO") and components ("Component Services");
- 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 ("DoD") and foreign governments, flight hour component inventory and repair programs for commercial airlines, and integrated software solutions, including Trax; and
- 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.

Our chief operating decision making officer ("CODM") 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.

### *Parts Supply*

Our Parts Supply segment primarily consists of sales and leasing of USM and aftermarket distribution of new, original equipment manufacturer ("OEM")-supplied replacement parts.

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.

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 supplier's product category. We provide global scale, independence, and highly technical sales capabilities across both commercial and government end-markets.

#### *Repair & Engineering*

Our Airframe MRO services are primarily comprised of major airframe inspection, maintenance, repair, and overhaul services, 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 Services are primarily comprised of MRO services for structural components, engine and airframe accessories, and interior refurbishment.

In fiscal 2025, we sold our Landing Gear Overhaul ("LGO") business to GA Telesis for net proceeds of \$48 million subject to post-closing adjustments for working capital, cash, and debt. We recognized a loss on the divestiture of \$71.1 million which included goodwill of \$14.6 million.

Our Repair & Engineering segment also develops Parts Manufacturer Approval ("PMA") parts for aftermarket applications. PMA is a designation under Federal Aviation Administration ("FAA") 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.

#### *Integrated Solutions*

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 ("DoS") 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.

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 customers' maintenance activities.

Our integrated software solutions are primarily comprised of our Trax software which we 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 "paperless" mobility apps that are in process of automating MRO workflows with artificial intelligence.

#### *Expeditionary Services*

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.

## Business Trends and Outlook

In fiscal 2025, we continued our efforts to optimize our products and services portfolio to position us for continued strong growth as well as to respond to the industry’s increased demand for aftermarket services. Double-digit sales growth in our new parts Distribution activities was a key contributor to improvements in profitability. Our fiscal 2023 investment in Trax has enabled us to scale to win the business from some of the largest airlines and maintenance, repair and overhaul (“MRO”) providers. We also continued our integration of our fiscal 2024 Product Support acquisition and have realized significant synergies while our broader Component Services activities have benefited from these additional capabilities, expanded global footprint, and higher margin offerings brought through the acquisition.

As part of our portfolio optimization efforts, we divested our LGO business to better focus on our core segments and highest margin offerings. We have made further investments to continue to strengthen our existing businesses, including in digital technologies, to help transform our service delivery and the aviation industry while contributing to improved profitability. In our Airframe MRO activities, digital advancements have driven efficiencies contributing to significant profitability improvement, and we continue to make progress toward additional maintenance capacity through the construction of two Airframe MRO facility expansions, one in Miami, Florida and one in Oklahoma City, Oklahoma.

We were also successful in winning new long-term agreements in both the government and commercial markets. In our Parts Supply segment, we were awarded multiple distribution contracts including from Unison, Chromalloy, and Ontic and we extended our exclusive agreement with FTAI Aviation to provide used serviceable material (“USM”) on the CFM56 engine platform through 2030. In the government market, we were awarded two, multi-year contracts from the U.S. Navy to support their P-8A aircraft, advancing our support of commercial derivatives.

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.

## Discussion of Results of Operations

	Year Ended May 31,		
	2025	2024	% Change
Sales:			
Commercial . . . . .	\$1,976.1	\$1,637.9	20.6%
Government and defense . . . . .	804.4	681.0	18.1%
	<u>\$2,780.5</u>	<u>\$2,318.9</u>	19.9%
Gross Profit:			
Commercial . . . . .	\$ 391.6	\$ 322.8	21.3%
Government and defense . . . . .	136.1	119.5	13.9%
	<u>\$ 527.7</u>	<u>\$ 442.3</u>	19.3%
Gross Profit Margin:			
Commercial . . . . .	19.8%	19.7%	
Government and defense . . . . .	16.9%	17.5%	
Consolidated . . . . .	19.0%	19.1%	

Consolidated sales in fiscal 2025 increased \$461.6 million, or 19.9%, over the prior year primarily due to an increase in sales to commercial customers. Consolidated sales to commercial customers increased

\$338.2 million, or 20.6%, over the prior year 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 \$123.4 million, or 18.1%, primarily due to increased sales volume for our new parts distribution activities and increased pallet demand in our Mobility business.

Consolidated cost of sales increased \$376.2 million, or 20.0%, over the prior year which was largely in line with the consolidated sales increase of 19.9% discussed above.

Consolidated gross profit in fiscal 2025 increased \$85.4 million, or 19.3%, over the prior year. Gross profit on sales to commercial customers increased \$68.8 million, or 21.3%, over the prior year primarily due to the acquisition of the Product Support business in the fourth quarter of fiscal 2024. Gross profit margin on sales to commercial customers increased slightly to 19.8% from 19.7% in the prior year primarily due to the acquisition of the Product Support business as its margins are accretive to our historical margins.

Gross profit on sales to government customers increased \$16.6 million, or 13.9%, over the prior year primarily due to strong demand and volume growth across our new parts distribution activities. Gross profit margin on sales to government customers decreased to 16.9% from 17.5% primarily due to lower margins from inefficiencies related to the shutdown of our Garden City, New York component services facility.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased \$35.5 million, or 11.4%, over the prior year primarily due to increased costs of \$54.8 million related to the previously disclosed FCPA investigation and settlement. This increase was partially offset by lower amortization and acquisition-related expenses of \$18.2 million related to the Trax and Product Support business acquisitions.

As a percent of sales, selling, general and administrative expenses decreased to 12.5% from 13.5% in the prior year primarily due to the operating leverage from a full year of sales from the Product Support acquisition.

#### *Operating Income*

Operating income in fiscal 2025 increased \$56.0 million, or 43.3%, over the prior year primarily due to the factors discussed above.

#### *Pension Settlement Charge*

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 settlement, 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.

#### *Interest Expense*

Interest expense in fiscal 2025 increased \$32.2 million primarily reflecting the impact of higher average borrowings used to fund investments in the business, including our acquisition of Product Support businesses in the fourth quarter of fiscal 2024. This increase was partially offset by \$6.1 million of bridge financing facility expenses in fiscal 2024 related to our acquisition of the Product Support business. Our average borrowing rate was 6.54% in fiscal 2025 compared to 6.69% in the prior year.

#### *Income Taxes*

In fiscal 2025, our effective income tax rate was 67.9% as the majority of the FCPA settlement charge was nondeductible for income tax purposes resulting in no income tax benefit. In fiscal 2024, our effective income tax rate was 20.6% which reflected the recognition of a deferred tax benefit in conjunction with the pension settlement in the first quarter of fiscal 2024.

## Operating Segment Results of Operations

### *Parts Supply Segment*

	Year Ended May 31,		
	2025	2024	% Change
Third-party sales . . . . .	\$1,099.6	\$967.0	13.7%
Operating income . . . . .	156.8	109.8	42.8%
Operating margin . . . . .	14.3%	11.4%	

Sales in the Parts Supply segment in fiscal 2025 increased \$132.6 million, or 13.7%, over the prior year period primarily due to a \$129.9 million increase in sales in our new parts distribution activities from increased demand and growth from new and expanded distribution agreements.

Sales for our USM activities increased \$2.7 million as a result of increased demand for whole assets as those sales increased \$13.1 million over the prior year.

Operating income in the Parts Supply segment increased \$47.0 million, or 42.8%, over the prior year, primarily due to increased sales volumes across our new parts distribution activities. In addition, an \$11.2 million Russian legal liability was de-recognized in fiscal 2025 as a result of the Russian Court's ruling which reversed the previous judgment against us. We also recognized a gain of \$6.5 million in fiscal 2025 as a result of an insurance recovery related to an aircraft which was on lease to a customer and was damaged beyond repair in Haiti. The aircraft was originally acquired in the third quarter of fiscal 2024 and was expected to be sold in fiscal 2025. The insured value for the aircraft approximated its fair value and the insurance proceeds were recognized within Cost of sales.

### *Repair & Engineering Segment*

	Year Ended May 31,		
	2025	2024	% Change
Third-party sales . . . . .	\$884.9	\$640.1	38.2%
Operating income . . . . .	81.2	52.5	54.7%
Operating margin . . . . .	9.2%	8.2%	

Sales in the Repair & Engineering segment in fiscal 2025 increased \$244.8 million, or 38.2%, over the prior year primarily due to the acquisition of the Product Support business in the fourth quarter of fiscal 2024 which contributed incremental sales of \$232.7 million in fiscal 2025. In addition, sales increased \$39.0 million at our Airframe MRO facilities. These increases were partially offset by lower sales volume of \$8.6 million due to the sale of our LGO business in the fourth quarter of fiscal 2025.

Operating income in the Repair & Engineering segment increased \$28.7 million, or 54.7%, over the prior year primarily due to the Product Support acquisition. Operating margin increased to 9.2% from 8.2% in the prior year, reflecting the favorability of the higher margin Product Support business.

### *Integrated Solutions Segment*

	Year Ended May 31,		
	2025	2024	% Change
Third-party sales . . . . .	\$695.3	\$641.9	8.3%
Operating income . . . . .	36.4	23.9	52.3%
Operating margin . . . . .	5.2%	3.7%	

Sales in the Integrated Solutions segment in fiscal 2025 increased \$53.4 million, or 8.3%, over the prior year primarily due to higher commercial program activity with increased sales of \$36.5 million. This increase included our sale of certain rotatable assets for \$18.7 million to a former, long-term power-by-the-hour customer in conjunction with the contract's termination.

In fiscal 2025, we recognized net unfavorable cumulative catch-up adjustments of \$(2.8) million compared to net favorable cumulative catch-up adjustments of \$3.0 million in the prior year. 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.

Operating income in the Integrated Solutions segment increased \$12.5 million, or 52.3%, over the prior year with the operating margin increasing to 5.2% from 3.7% in the prior year. These increases were primarily due to lower amortization and acquisition-related expenses of \$5.3 million for Trax and improved profitability from the mix of products and services across our government programs.

#### *Expeditionary Services Segment*

	Year Ended May 31,		
	2025	2024	% Change
Third-party sales . . . . .	\$100.7	\$69.9	44.1%
Operating income . . . . .	10.1	3.5	188.6%
Operating margin . . . . .	10.0%	5.0%	

Sales in the Expeditionary Services segment in fiscal 2025 increased \$30.8 million, or 44.1%, over the prior year primarily due to higher sales volumes for pallets. In addition, we recognized sales of \$13.5 million reflecting the estimated recovery on our incurred costs for the Next Generation Pallet contract that was terminated for convenience by the customer.

Operating income in the Expeditionary Services segment increased \$6.6 million, or 188.6%, over the prior year with the operating margin increasing to 10.0% from 5.0% in the prior year. These increases are primarily due to the higher sales volumes for pallets.

#### **Liquidity, Capital Resources and Financial Position**

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 affected 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.

At May 31, 2025, our liquidity and capital resources included working capital of \$955.9 million inclusive of cash of \$96.5 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.

#### *Borrowings*

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 “Credit Agreement”) that included an unsecured revolving credit facility (the “Revolving Credit Facility”) that we can draw upon for working capital and general corporate purposes. In conjunction with the Credit Agreement, we terminated our revolving credit facility under the credit agreement dated April 12, 2011, as amended, (the “2011 Credit Agreement”) with the outstanding borrowings under the 2011 Credit Agreement at the date of its termination rolled over to the Credit Agreement.

On March 1, 2024, we entered into an amendment (the “Revolver Amendment”) to our Credit Agreement, which governs the Company’s existing revolving credit facility (the revolving credit facility as



amended by the Revolver Amendment, the “Amended Revolving Credit Facility”). 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 (“SOFR”)) and 150 basis points (in the case of Base Rate loans) if our adjusted total debt to EBITDA ratio exceeds 3.75:1.00.

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.

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.

At May 31, 2025, borrowings outstanding under the Amended Revolving Credit Facility were \$427.0 million and there were approximately \$7.9 million of outstanding letters of credit, which reduced the availability under this facility to \$390.1 million. There are no other terms or covenants limiting the availability of the Amended Revolving Credit Facility. As of May 31, 2025, we also had other financing arrangements that did not limit availability on our Amended Revolving Credit Facility, including outstanding letters of credit of \$0.1 million and foreign lines of credit of \$9.8 million.

On March 1, 2024, we issued \$550.0 million aggregate principal amount of 6.75% Senior Notes due 2029 (the “Notes”) 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, which commenced on September 15, 2024. The Notes 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 “make-whole” 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.

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 May 31, 2025, we were in compliance with the financial and other covenants under each of our financing arrangements.

#### *Sale of Receivables*

We maintain a Purchase Agreement with Citibank N.A. (“Purchaser”) for the sale, from time to time, of certain accounts receivable due from certain customers (the “Purchase Agreement”). 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, 2026, 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.

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 Consolidated Balance Sheet. At May 31, 2025, we have utilized \$13.9 million which reduced the availability under the Purchase Agreement to \$136.1 million.

#### *Customer Matters*

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 (“PBH”) 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 customer’s obligation to purchase the rotatable assets we utilized to perform the PBH services. In conjunction with the termination for default, the customer is obligated to purchase the rotatable assets and we sold the assets to the customer in the fourth quarter of fiscal 2025 for \$18.7 million.

We 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 Consolidated Balance Sheet as of May 31, 2025 included accounts receivable of \$29.4 million, including \$7.5 million past due, and contract assets of \$1.4 million related to this customer.

#### *Stock Repurchase Program*

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. During fiscal 2025, we repurchased 0.2 million shares for an aggregate purchase price of \$10.1 million. During fiscal 2024, we repurchased 0.1 million shares for an aggregate purchase price of \$5.1 million. During fiscal 2023, we repurchased 1.2 million shares for an aggregate purchase price of \$50.1 million. Since inception of the renewal authorization, we have repurchased 2.4 million shares for an aggregate purchase price of \$107.5 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.

### **Cash Flows**

#### *Cash Flows from Operating Activities*

Net cash provided by operating activities was \$36.1 million in fiscal 2025 compared to \$43.6 million in the prior year. The decrease in cash provided from the prior year of \$7.5 million was primarily attributable to working capital changes, including the timing of customer collections in accounts receivable partially offset by higher amounts of accounts payable and accrued liabilities primarily due to timing of vendor payments.

#### *Cash Flows from Investing Activities*

Net cash provided by investing activities was \$10.7 million in fiscal 2025 compared to a use of cash of \$758.5 million in the prior year. The increase in cash provided by investing activities over the prior year’s use of cash was \$769.2 million which was primarily related to the acquisition of the Product Support business in fiscal 2024 compared to the sale of the LGO business in fiscal 2025.

#### *Cash Flows from Financing Activities*

Net cash used in financing activities was \$33.7 million in fiscal 2025 compared to cash provided by financing activities of \$729.2 million in the prior year. The decrease in cash provided by financing activities from the prior year of \$762.9 million was primarily related to debt financing to fund the acquisition of the Product Support business in fiscal 2024.

## Contractual Obligations and Off-Balance Sheet Arrangements

A summary of contractual cash obligations and off-balance sheet arrangements as of May 31, 2025 is as follows:

		Payments Due by Period					
		Due in Fiscal 2026	Due in Fiscal 2027	Due in Fiscal 2028	Due in Fiscal 2029	Due in Fiscal 2030	After Fiscal 2030
	Total						
On Balance Sheet:							
Credit Agreement borrowings . . . . .	\$427.0	\$ —	\$ —	\$427.0	\$ —	\$ —	\$ —
Credit Agreement interest <sup>1</sup> . . . . .	69.6	27.4	27.4	14.8	—	—	—
6.75% Senior Notes . . . . .	550.0	—	—	—	550.0	—	—
6.75% Senior Notes interest . . . . .	140.7	37.1	37.1	37.1	29.4	—	—
Facilities and equipment operating leases . . .	150.1	15.3	11.9	10.6	9.8	6.7	95.8
Off Balance Sheet:							
Purchase obligations <sup>2</sup> . . . . .	845.7	657.1	156.9	26.7	2.4	2.6	—

### Notes:

<sup>1</sup> Interest was determined using the interest rates in effect on May 31, 2025.

<sup>2</sup> Purchase obligations arise in the ordinary course of business and represent a binding commitment to acquire inventory, including raw materials, parts, and components, as well as equipment to support the operations of our business.

We routinely issue letters of credit and performance bonds in the ordinary course of business. These instruments are typically issued in conjunction with insurance contracts or other business requirements. The total of these instruments outstanding at May 31, 2025 was \$7.9 million.

## Critical Accounting Policies and Significant Estimates

Our Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States. Management has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities to prepare the Consolidated Financial Statements. The most significant estimates made by management include those related to assumptions used in accounting for business combinations, assessing goodwill impairment, adjustments to reduce the value of inventories and certain rotatable assets, revenue recognition, and allowance for credit losses. Accordingly, actual results could differ materially from those estimates. The following is a summary of the accounting policies considered critical by management.

### *Business Combinations*

When we acquire a business, we allocate the purchase price by recognizing assets acquired and liabilities assumed based on their estimated fair values at acquisition date with any excess of the purchase consideration when compared to the fair value of the net tangible and intangible assets acquired recognized as goodwill. A preliminary fair value is determined once a business is acquired, with the final determination of fair value completed no later than one year from the date of acquisition.

The determination of the estimated fair value of assets acquired and liabilities assumed requires significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenues, costs and cash flows, discount rates, and selection of comparable companies. We engage the assistance of valuation specialists in concluding on fair value measurements in determining the fair value of assets acquired and liabilities assumed in business combinations.

The fair value of the intangible assets is estimated using several valuation methodologies, including the income-based or market-based approaches, which represent Level 3 fair value measurements. The value for

customer relationships is typically estimated based on a multi-period excess earnings approach. The more significant inputs used in the customer relationships intangible asset valuation include (i) future revenue growth rates, (ii) projected gross margins, (iii) the customer attrition rate, and (iv) the discount rate. The value for developed technology is estimated based on a relief from royalty approach. The more significant inputs used in the developed technology intangible asset valuation include (i) future revenue growth rates, (ii) profitability, (iii) technology obsolescence, (iv) market royalty rates, and (v) the discount rate. The useful lives are estimated based on the future economic benefit expected to be received from the assets.

Transaction costs are not included as components of consideration transferred but instead, expensed as incurred.

### *Goodwill*

Under accounting standards for goodwill and other intangible assets, goodwill and other intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment tests. We review and evaluate our goodwill and indefinite life intangible assets for potential impairment at a minimum annually, on May 31, or more frequently if circumstances indicate that impairment is possible.

The accounting standards for goodwill allow for either a qualitative or quantitative approach for the annual impairment test. Under the qualitative approach, factors such as macroeconomic conditions, industry and market conditions and company-specific events or circumstances are assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. When the quantitative approach is utilized, we compare the fair value of each reporting unit with the carrying value of the reporting unit, including goodwill. If the estimated fair value of the reporting unit is less than the carrying value of the reporting unit, we would be required to recognize an impairment loss for the excess carrying value of the reporting unit's assets.

In fiscal 2025, 2024, and 2023, we utilized the qualitative assessment approach for our annual review of goodwill impairment for each of our reporting units. Under this approach, we considered the overall industry and market conditions related to the aerospace and government/defense markets as well as conditions in the global capital markets. We also considered the long-term forecasts for each reporting unit, which incorporated specific opportunities and risks, working capital requirements, and capital expenditure needs. The fair value of our reporting units is also impacted by our overall market capitalization and may be impacted by volatility in our stock price and assumed control premium, among other items. We concluded it was more likely than not that the fair value of each reporting unit exceeded its carrying value at the respective measurement dates, and thus no impairment charges were recorded in those fiscal years.

### *Inventories*

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the specific identification, average cost or first-in, first-out methods. Write-downs are made for excess and obsolete inventories and inventories that have been impaired as a result of industry conditions. We have utilized certain assumptions when determining the market value of inventories, such as inventory quantities and aging, historical sales of inventory, current and expected future aviation usage trends, replacement values, expected future demand, and historical scrap recovery rates. Reductions in demand for certain of our inventories or declining market values, as well as differences between actual results and the assumptions utilized by us when determining the market value of our inventories, could result in the recognition of impairment charges in future periods.

### *Revenue Recognition*

Revenue is measured based on 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.

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.

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 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.

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. 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 include future labor costs and efficiencies, overhead costs, and ultimate timing of product delivery. Differences may occur between the judgments and estimates made by management and actual program results.

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 and/or repair services.

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.

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.

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 Consolidated Statements of Income, and are not considered a performance obligation to our customers. Our reported sales on our Consolidated Statements of Income include sales and related non-income taxes. We also utilize the “as invoiced” 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.

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. Contract assets consist of unbilled receivables or 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.

#### *Allowance for Credit Losses*

We maintain an allowance for credit losses to reflect the expected uncollectibility of accounts receivable based on past collection history and specific risks identified among uncollected accounts. In determining the required allowance, we consider factors such as general and industry-specific economic conditions, customer credit history, and our customers' current and expected future financial performance. The majority of our customers are recurring customers with an established payment history. Certain customers are required to undergo an extensive credit check prior to delivery of products or services.

We perform regular evaluations of customer payment experience, current financial condition, and risk analysis. We may require collateral in the form of security interests in assets, letters of credit, and/or obligation guarantees from financial institutions for transactions executed on other than normal trade terms. We also maintain trade credit insurance for certain customers to provide coverage, up to a certain limit, in the event of insolvency of some customers.

#### *Impairment of Long-Lived Assets*

We are required to test for impairment of long-lived assets whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from its undiscounted cash flows. When applying accounting standards addressing impairment of long-lived assets, we have utilized certain assumptions to estimate future undiscounted cash flows, including current and future sales volumes or lease rates, expected changes to cost structures, lease terms, residual values, market conditions, and trends impacting future demand. Differences between actual results and the assumptions utilized by us when determining undiscounted cash flows could result in future impairments of long-lived assets.

We maintain a significant inventory of rotatable parts and equipment to service customer aircraft and components. Portions of that inventory are used parts that are often exchanged with parts removed from aircraft or components, and are reworked to a useable condition. We may have to recognize an impairment of our rotatable parts and equipment if we discontinue using or servicing certain aircraft models or if an older aircraft model is phased-out in the industry.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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 for a discussion on accounts receivable exposure.

We are exposed to the risk that our earnings and cash flows could be adversely impacted by fluctuations in interest rates. We manage interest costs by using a mix of fixed- and floating-rate debt. A 10 percent increase to the average interest rate across our floating-rate debt obligations would have reduced our pre-tax income by \$3.5 million during fiscal 2025.

Revenues and expenses of our foreign operations are translated at average exchange rates during the year, and balance sheet accounts are translated at year-end exchange rates. Balance sheet translation adjustments are excluded from the results of operations and are recorded in stockholders' 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 results during fiscal 2025.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors  
AAR CORP.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of AAR CORP. and subsidiaries (the Company) as of May 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended May 31, 2025, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended May 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of May 31, 2025, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 21, 2025 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### *Assessment of the write-down of inventories*

As discussed in Note 1 to the consolidated financial statements, the inventory balance as of May 31, 2025 was \$809.2 million. The Company records inventory within certain components of the Parts Supply and Repair & Engineering segments at the lower of cost or net realizable value. The write-down of slow-moving inventory is recorded for excess or obsolete inventory based on certain inputs and assumptions used to determine the net realizable value. These assumptions include the number of days transpiring from the date the inventory was originally received and the historical sales of inventory to determine recovery rates. Other

inputs include current and expected future aviation usage trends, replacement values, expected future demand, and historical scrap recovery rates.

We identified the assessment of the write-down of inventories for a portion of the inventory within the Parts Supply and Repair & Engineering segments as a critical audit matter. The primary inputs and assumptions used in determining the write-down of slow-moving inventory include the historical recovery rates, which are based on the number of days transpiring from the date the inventory was originally received, the historical sales of inventory, and the identification of specific inventories associated with aircraft with declining usage trends. The assessment of these inputs required a higher degree of subjective auditor judgment in evaluating the future customer demand for slow-moving inventory.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's inventory process, including controls over the Company's evaluation of the impact on the estimate of net realizable value based on 1) the number of days transpiring from the date the inventory was originally received, 2) historical sales of inventory, and 3) specific inventories associated with aircraft with declining usage trends. We also tested relevant information technology application controls over the determination of the number of days transpiring from the date the inventory was originally received. We evaluated the write-down to determine that it was recorded using the Company's policy based on the number of days transpiring from the date the inventory was originally received and the recovery rates of existing inventory based on historical sales. We also assessed that the recovery rates applied to slow-moving inventory were consistent with historical sales of these inventory items. We assessed the identification of specific inventory with declining usage trends by evaluating external industry information.

/s/ KPMG LLP

We have served as the Company's auditor since 1985.

Chicago, Illinois  
July 21, 2025



**AAR CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	For the Year Ended May 31,		
	2025	2024	2023
	(In millions, except per share data)		
Sales:			
Sales from products . . . . .	\$1,712.3	\$1,387.1	\$1,238.7
Sales from services . . . . .	1,068.2	931.8	751.8
	<u>2,780.5</u>	<u>2,318.9</u>	<u>1,990.5</u>
Costs and operating expenses:			
Cost of products . . . . .	1,388.9	1,096.7	985.2
Cost of services . . . . .	863.9	779.9	635.2
	<u>2,252.8</u>	<u>1,876.6</u>	<u>1,620.4</u>
Gross profit . . . . .	527.7	442.3	370.1
Provision for credit losses . . . . .	0.2	0.7	2.6
Selling, general and administrative . . . . .	347.7	312.2	230.4
Earnings (Loss) from joint ventures . . . . .	5.4	(0.2)	(3.2)
Operating income . . . . .	<u>185.2</u>	<u>129.2</u>	<u>133.9</u>
Pension settlement charge . . . . .	—	(26.7)	—
Losses related to sale and exit of businesses . . . . .	(72.4)	(2.8)	(0.7)
Other expense, net . . . . .	(0.3)	(0.4)	(0.8)
Interest expense . . . . .	(75.4)	(43.2)	(12.2)
Interest income . . . . .	1.8	2.2	1.0
Income from continuing operations before provision for income taxes . . .	<u>38.9</u>	<u>58.3</u>	<u>121.2</u>
Income tax expense . . . . .	26.4	12.0	31.4
Income from continuing operations . . . . .	<u>12.5</u>	<u>46.3</u>	<u>89.8</u>
Income from discontinued operations, net of tax . . . . .	—	—	0.4
Net income . . . . .	<u>\$ 12.5</u>	<u>\$ 46.3</u>	<u>\$ 90.2</u>
Earnings per share – basic:			
Earnings from continuing operations . . . . .	\$ 0.35	\$ 1.30	\$ 2.55
Income from discontinued operations . . . . .	—	—	0.01
Earnings per share – basic . . . . .	<u>\$ 0.35</u>	<u>\$ 1.30</u>	<u>\$ 2.56</u>
Earnings per share – diluted:			
Earnings from continuing operations . . . . .	\$ 0.35	\$ 1.29	\$ 2.52
Income from discontinued operations . . . . .	—	—	0.01
Earnings per share – diluted . . . . .	<u>\$ 0.35</u>	<u>\$ 1.29</u>	<u>\$ 2.53</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**AAR CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>For the Year Ended May 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
	<b>(In millions)</b>		
Net income . . . . .	\$12.5	\$46.3	\$90.2
Other comprehensive income (loss), net of tax:			
Currency translation adjustments . . . . .	3.1	0.2	(2.9)
Pension and post retirement plans, net of tax . . . . .	<u>0.1</u>	<u>14.5</u>	<u>(1.0)</u>
Total other comprehensive income (loss), net of tax . . . . .	<u>3.2</u>	<u>14.7</u>	<u>(3.9)</u>
Comprehensive income . . . . .	<u>\$15.7</u>	<u>\$61.0</u>	<u>\$86.3</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**AAR CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	May 31,	
	2025	2024
	(In millions, except share data)	
Current assets:		
Cash and cash equivalents . . . . .	\$ 96.5	\$ 85.8
Restricted cash . . . . .	12.7	10.3
Accounts receivable, net . . . . .	354.8	287.2
Contract assets . . . . .	140.3	123.2
Inventories . . . . .	809.2	733.1
Rotable assets and equipment on or available for short-term lease . . . . .	38.3	81.5
Assets of discontinued operations . . . . .	6.2	9.9
Prepaid expenses and other current assets . . . . .	52.6	58.6
Total current assets . . . . .	<u>1,510.6</u>	<u>1,389.6</u>
Property, plant and equipment, at cost:		
Land . . . . .	9.2	9.5
Buildings and improvements . . . . .	118.3	118.1
Equipment and furniture and fixtures . . . . .	309.7	324.1
	<u>437.2</u>	<u>451.7</u>
Accumulated depreciation . . . . .	<u>(278.7)</u>	<u>(280.0)</u>
	<u>158.5</u>	<u>171.7</u>
Other assets:		
Goodwill . . . . .	530.8	554.8
Intangible assets, net . . . . .	219.6	235.4
Operating lease right-of-use assets, net . . . . .	93.3	96.6
Rotable assets supporting long-term programs . . . . .	172.4	166.3
Other non-current assets . . . . .	159.4	155.6
	<u>1,175.5</u>	<u>1,208.7</u>
	<u>\$2,844.6</u>	<u>\$2,770.0</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**AAR CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND EQUITY**

	May 31,	
	2025	2024
	(In millions, except share data)	
Current liabilities:		
Accounts payable . . . . .	\$ 303.1	\$ 238.0
Accrued liabilities . . . . .	245.8	219.3
Liabilities of discontinued operations . . . . .	5.8	9.6
Total current liabilities . . . . .	<u>554.7</u>	<u>466.9</u>
Long-term debt . . . . .	968.0	985.4
Operating lease liabilities . . . . .	79.6	80.3
Deferred tax liabilities . . . . .	18.4	23.9
Other liabilities . . . . .	12.3	23.7
	<u>1,078.3</u>	<u>1,113.3</u>
Equity:		
Preferred stock, \$1.00 par value, authorized 250,000 shares; none issued . . . . .	—	—
Common stock, \$1.00 par value, authorized 100,000,000 shares; issued 45,300,786 shares at cost . . . . .	45.3	45.3
Capital surplus . . . . .	505.2	493.9
Retained earnings . . . . .	969.4	956.9
Treasury stock, 9,470,781 and 9,606,820 shares at cost, respectively . . . . .	(302.7)	(297.5)
Accumulated other comprehensive loss . . . . .	(5.6)	(8.8)
Total equity . . . . .	<u>1,211.6</u>	<u>1,189.8</u>
	<u>\$2,844.6</u>	<u>\$2,770.0</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**AAR CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE YEARS ENDED MAY 31, 2025**

(In millions)	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, May 31, 2022 . . . . .	\$45.3	\$477.5	\$820.4	\$(289.1)	\$(19.6)	\$1,034.5
Net income . . . . .	—	—	90.2	—	—	90.2
Stock option activity . . . . .	—	0.3	—	19.2	—	19.5
Restricted stock activity . . . . .	—	6.7	—	2.2	—	8.9
Repurchase of shares . . . . .	—	—	—	(50.1)	—	(50.1)
Other comprehensive loss, net of tax . . . . .	—	—	—	—	(3.9)	(3.9)
Balance, May 31, 2023 . . . . .	\$45.3	\$484.5	\$910.6	\$(317.8)	\$(23.5)	\$1,099.1
Net income . . . . .	—	—	46.3	—	—	46.3
Stock option activity . . . . .	—	2.9	—	21.7	—	24.6
Restricted stock activity . . . . .	—	6.5	—	3.7	—	10.2
Repurchase of shares . . . . .	—	—	—	(5.1)	—	(5.1)
Other comprehensive income, net of tax . . . . .	—	—	—	—	14.7	14.7
Balance, May 31, 2024 . . . . .	\$45.3	\$493.9	\$956.9	\$(297.5)	\$ (8.8)	\$1,189.8
Net income . . . . .	—	—	12.5	—	—	12.5
Stock option activity . . . . .	—	3.2	—	6.6	—	9.8
Restricted stock activity . . . . .	—	8.1	—	(1.7)	—	6.4
Repurchase of shares . . . . .	—	—	—	(10.1)	—	(10.1)
Other comprehensive income, net of tax . . . . .	—	—	—	—	3.2	3.2
Balance, May 31, 2025 . . . . .	<u>\$45.3</u>	<u>\$505.2</u>	<u>\$969.4</u>	<u>\$(302.7)</u>	<u>\$ (5.6)</u>	<u>\$1,211.6</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.



**AAR CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)	For the Year Ended May 31,		
	2025	2024	2023
Cash flows provided by operating activities:			
Net income . . . . .	\$ 12.5	\$ 46.3	\$ 90.2
Less: Income from discontinued operations . . . . .	—	—	(0.4)
Income from continuing operations . . . . .	12.5	46.3	89.8
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation and amortization . . . . .	55.2	40.2	27.2
Amortization of financing costs . . . . .	2.6	1.0	0.7
Stock-based compensation expense . . . . .	19.9	15.3	13.5
Provision for credit losses . . . . .	0.2	0.7	2.6
Pension settlement charges . . . . .	—	26.7	—
Deferred tax benefit . . . . .	(5.5)	(20.5)	(2.2)
Loss (Earnings) from joint ventures . . . . .	(5.4)	0.2	3.2
Loss on sale of business . . . . .	68.9	—	—
Impairment charges . . . . .	—	—	1.0
Changes in certain assets and liabilities, net of acquisitions:			
Accounts receivable . . . . .	(82.8)	(5.3)	(18.1)
Contract assets . . . . .	(26.6)	(17.1)	(13.7)
Inventories . . . . .	(109.3)	(90.4)	(23.6)
Prepaid expenses and other current assets . . . . .	(10.5)	(20.5)	(8.6)
Rotable assets supporting long-term programs . . . . .	(23.9)	2.5	(19.3)
Accounts payable . . . . .	70.5	59.4	—
Accrued and other liabilities . . . . .	40.9	16.9	(6.4)
Other . . . . .	29.4	(11.6)	(22.3)
Net cash provided by operating activities – continuing operations . . . . .	36.1	43.8	23.8
Net cash used in operating activities – discontinued operations . . . . .	—	(0.2)	(0.5)
Net cash provided by operating activities . . . . .	36.1	43.6	23.3
Cash flows provided by (used in) investing activities:			
Property, plant and equipment expenditures . . . . .	(34.7)	(29.7)	(29.5)
Acquisitions, net of cash acquired . . . . .	(1.5)	(722.9)	(103.3)
Proceeds from sale of business . . . . .	48.0	—	—
Joint venture and other investment activity . . . . .	(1.1)	(5.9)	(5.2)
Net cash provided by (used in) investing activities . . . . .	10.7	(758.5)	(138.0)
Cash flows provided by (used in) financing activities:			
Short-term borrowings (repayments), net . . . . .	(20.0)	175.0	172.0
Purchase of treasury stock . . . . .	(10.1)	(5.1)	(50.1)
Stock compensation activity . . . . .	(3.5)	19.6	17.7
Financing costs . . . . .	(0.1)	(10.3)	(1.9)
Proceeds from long-term borrowings . . . . .	—	550.0	—
Net cash provided by (used in) financing activities . . . . .	(33.7)	729.2	137.7
Effect of exchange rate changes on cash . . . . .	—	—	(0.1)
Increase in cash and cash equivalents . . . . .	13.1	14.3	22.9
Cash, cash equivalents, and restricted cash at beginning of year . . . . .	96.1	81.8	58.9
Cash, cash equivalents, and restricted cash at end of year . . . . .	<u>\$ 109.2</u>	<u>\$ 96.1</u>	<u>\$ 81.8</u>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**AAR CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in millions, except per share amounts)**

**1. Summary of Significant Accounting Policies**

*Description of Business*

AAR CORP. (the “Company”) is a diversified provider of services and products to the worldwide commercial aviation and government and defense markets. We serve commercial, government and defense aircraft fleet operators, original equipment manufacturers, and independent service providers around the world, and various other domestic and foreign military customers.

Services and products include: aviation supply chain and parts support programs; customer fleet management and operations; maintenance, repair and overhaul (“MRO”) of airframes, and certain other airframe components; design and manufacture of specialized pallets, shelters, and containers; aircraft modifications and aircraft and engine sales and leasing.

*Principles of Consolidation*

The accompanying Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries after elimination of intercompany accounts and transactions.

Certain reclassifications have been made to the prior year presentation to conform to the 2025 presentation.

*Revenue Recognition*

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.

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.

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

**AAR CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in millions, except per share amounts)**

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.

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.

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.

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.

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.

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 is 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 is 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.

In the performance of our government contracts, we routinely request contract modifications that require additional funding from the customer. Most often, these requests are due to customer-directed changes in the scope of work. While we are entitled to recovery of these costs under our contracts, the administrative process with our customer may be protracted. Based on the circumstances, we periodically file requests for equitable

**AAR CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in millions, except per share amounts)**

adjustment (“REAs”) that are sometimes converted into claims. In some cases, these REAs are disputed by our customer. We believe our outstanding modifications, REAs and other similar claims will be resolved without material impact to our results of operations, financial condition or cash flows.

In the ordinary course of business, agencies of the U.S. and other governments audit our claimed 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 (“DCAA”), 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.

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, are capitalized when expenses are incurred prior to the start of satisfying a performance obligation. The capitalized costs are subsequently expensed over the contract’s period of performance.

We have elected to use certain practical expedients permitted under Accounting Standards Codification (“ASC”) 606. 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 Consolidated Statements of Income, and are not considered a performance obligation to our customers. Our reported Sales on our Consolidated Statements of Income include sales and related non-income taxes. We also utilize the “as invoiced” 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.

*Cumulative Catch-up Adjustments*

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.

Favorable and unfavorable cumulative catch-up adjustments were as follows:

	May 31,		
	2025	2024	2023
Favorable cumulative catch-up adjustments . . . . .	\$ 3.8	\$12.1	\$12.6
Unfavorable cumulative catch-up adjustments . . . . .	(6.6)	(9.1)	(4.3)
Net cumulative catch-up adjustments . . . . .	<u>\$ (2.8)</u>	<u>\$ 3.0</u>	<u>\$ 8.3</u>

*Contract Assets and Liabilities*

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

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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.

Net contract assets and liabilities are as follows:

	May 31,		
	2025	2024	Change
Contract assets – current . . . . .	\$140.3	\$123.2	\$ 17.1
Contract assets – non-current . . . . .	28.4	24.6	3.8
Contract liabilities:			
Deferred revenue – current . . . . .	(40.3)	(14.7)	(25.6)
Deferred revenue on long-term contracts . . . . .	(6.4)	(7.2)	0.8
Net contract assets . . . . .	<u>\$122.0</u>	<u>\$125.9</u>	<u>\$ (3.9)</u>

Contract assets — non-current is reported within Other non-current assets, deferred revenue — current is reported within Accrued liabilities, and deferred revenue on long-term contracts is reported within Other liabilities on our 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.

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 (“PBH”) 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 customer’s obligation to purchase the rotatable assets we utilized to perform the PBH services. In conjunction with the termination for default, the customer is obligated to purchase the rotatable assets and we sold the assets to the customer in the fourth quarter of fiscal 2025 for \$18.7 million.

We 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 Consolidated Balance Sheet as of May 31, 2025 included accounts receivable of \$29.4 million, including \$7.5 million past due, and contract assets of \$1.4 million related to this customer.

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.

During the third quarter of fiscal 2025, we submitted our termination settlement proposal to the customer and increased our contract asset to \$13.5 million based on the revised estimated recovery. In conjunction with the termination settlement proposal submission, we also expensed an additional \$1.0 million of equipment and other costs.

To support our PBH customer contracts, we previously entered into an agreement with a component repair facility to outsource a portion of the component repair and overhaul services. The agreement includes certain minimum repair volume guarantees, which, subject to the amendment noted below, we have historically not met. During fiscal 2023 and 2022, we recognized charges of \$1.9 million and \$1.7 million, respectively, to



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reflect our estimated obligation over the remainder of the agreement for not achieving the minimum volume guarantees. During the three-month period ended November 30, 2023, we amended the agreement to eliminate certain minimum repair volume guarantees, including all future guarantees, resulting in the de-recognition of \$2.0 million from our remaining loss reserves.

Changes in our deferred revenue were as follows:

	<u>Year ended May 31,</u>	
	<u>2025</u>	<u>2024</u>
Deferred revenue at beginning of period . . . . .	\$ (21.9)	\$ (32.4)
Revenue deferred . . . . .	(321.9)	(311.1)
Revenue recognized . . . . .	307.6	319.9
Other <sup>1</sup> . . . . .	(10.5)	1.7
Deferred revenue at end of period . . . . .	<u>\$ (46.7)</u>	<u>\$ (21.9)</u>

<sup>1</sup> Other includes cumulative catch-up adjustments, foreign currency translation, acquisitions, and other adjustments.

*Remaining Performance Obligations*

As of May 31, 2025, we had approximately \$537 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 75% of this backlog will be recognized as revenue in fiscal 2026, an additional 20% of the firm backlog in fiscal 2027, 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.

*Financial Instruments and Concentrations of Market or Credit Risk*

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:

	<u>May 31,</u>	
	<u>2025</u>	<u>2024</u>
U.S. Government contracts:		
Trade receivables . . . . .	\$ 26.6	\$ 34.4
Unbilled receivables . . . . .	13.4	9.4
	<u>40.0</u>	<u>43.8</u>
All other customers:		
Trade receivables . . . . .	283.4	216.1
Unbilled receivables . . . . .	31.4	27.3
	<u>314.8</u>	<u>243.4</u>
	<u>\$354.8</u>	<u>\$287.2</u>

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short-term maturity of these instruments. Fair value estimates are made

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at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

*Allowance for Credit Losses*

We maintain an allowance for credit losses to reflect the expected uncollectibility of accounts receivable based on past collection history and specific risks identified among uncollected accounts. In determining the required allowance, we consider factors such as general and industry-specific economic conditions, customer credit history, and our customers' current and expected future financial performance. The majority of our customers are recurring customers with an established payment history. Certain customers are required to undergo an extensive credit check prior to delivery of products or services.

Our allowance for credit losses also includes reserves for estimated product returns based on historical return rates. The reserve for estimated product returns is recognized as a reduction to sales with a corresponding reduction to cost of sales for the estimated cost of inventory that is expected to be returned.

We perform regular evaluations of customer payment experience, current financial condition, and risk analysis. We may require collateral in the form of security interests in assets, letters of credit, and/or obligation guarantees from financial institutions for transactions executed on other than normal trade terms. We also maintain trade credit insurance for certain customers to provide coverage, up to a certain limit, in the event of insolvency of some customers.

The change in our allowance for credit losses was as follows:

	May 31,		
	2025	2024	2023
Balance, beginning of year . . . . .	\$14.1	\$13.4	\$17.9
Provision charged to operations, net of recoveries . . . . .	0.2	0.7	2.6
Deductions for accounts written off and other reclassifications . . . . .	(3.6)	—	(7.1)
Balance, end of year . . . . .	<u>\$10.7</u>	<u>\$14.1</u>	<u>\$13.4</u>

*Goodwill and Other Intangible Assets*

Goodwill represents the excess of the fair value of consideration transferred over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. In accordance with ASC 350, Intangibles — Goodwill and Other, goodwill and other intangible assets deemed to have indefinite lives are not amortized but are subject to annual impairment tests and more frequently if events or circumstances indicate that the carrying value of a reporting unit may not be recoverable.

We review and evaluate our goodwill and indefinite life intangible assets for potential impairment at a minimum annually, on May 31, or more frequently if circumstances indicate that impairment is possible. Goodwill is evaluated for impairment either under a qualitative or a quantitative assessment approach, which depends on the facts and circumstances of a reporting unit, consideration of the estimated excess of a reporting unit's fair value over its carrying amount, and changes in the business environment.

When performing a qualitative assessment, we consider factors including, but not limited to, current macroeconomic conditions, industry and market conditions, cost factors, financial performance and other relevant events to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If we determine that it is more likely than not that a reporting unit's fair value is less than its carrying value, a quantitative goodwill impairment test is performed which relies upon significant judgments and assumptions about expected future cash flows, weighted-average cost of capital, discount rates, expected long-term growth rates, operating margins and on the selection of guideline public companies.

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When performing a quantitative goodwill impairment test, the reporting unit carrying value is compared to its fair value. Goodwill is deemed impaired if, and the impairment loss is recognized for the amount by which, the reporting unit carrying value exceeds its fair value.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives.

*Foreign Currency*

Our foreign subsidiaries generally utilize the local currency as their functional currency. All balance sheet accounts of foreign subsidiaries transacting business in currencies other than the U.S. dollar are translated at year-end exchange rates. Revenues and expenses are translated at average exchange rates during the year. Translation adjustments are excluded from the results of operations and are recorded in stockholders' equity as a component of accumulated other comprehensive loss until such subsidiaries are liquidated. Income and losses from foreign currency transactions re-measurements are included in Selling, general and administrative expenses.

*Business Combinations*

Transaction costs related to business combinations are expensed as incurred. Assets acquired and liabilities assumed are measured and recognized based on their estimated fair values at the acquisition date, any excess of the purchase consideration when compared to the fair value of the net tangible and intangible assets acquired is recorded as goodwill.

If the initial accounting for the business combination is incomplete by the end of the reporting period in which the acquisition occurs, the business combination is recorded and disclosed on a preliminary basis. Subsequent to the acquisition date, and not later than one year from the acquisition date, adjustments to the initial preliminary recognized amounts are recorded to the extent new information is obtained about the measurement of assets and liabilities that existed as of the date of the acquisition.

*Cash*

Cash and cash equivalents consist of highly liquid instruments which have original maturities of three months or less when purchased. Restricted cash represents cash on hand that is legally restricted as to withdrawal or usage. As of May 31, 2025, restricted cash includes \$5.3 million on deposit with an escrow agent related to our acquisition of Trax USA Corp. ("Trax") in March 2023 and \$7.4 million required to be set aside by a contractual agreement to provide servicing related to receivable securitization arrangements.

The restrictions related to our Trax acquisition lapse at the time of resolution of certain contingencies including tax contingencies. The restrictions related to the receivable securitization arrangements lapse at the time we remit the customer payments collected by us as servicer of previously sold customer receivables to the purchaser.

*Inventories*

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the specific identification, average cost, or first-in, first-out methods. From time-to-time, we purchase aircraft and engines for disassembly to individual parts and components. Costs are assigned to these individual parts and components utilizing list prices from original equipment manufacturers and recent sales history. Expenditures for the repair of parts and components are capitalized as inventory.

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The following is a summary of inventories:

	May 31,	
	2025	2024
Aircraft and engine parts, components and finished goods . . . . .	\$659.4	\$580.3
Raw materials and parts . . . . .	119.9	114.1
Work-in-process . . . . .	29.9	38.7
	<u>\$809.2</u>	<u>\$733.1</u>

*Rotable Assets and Equipment under Leases*

The cost of the asset under lease is the original purchase price plus overhaul costs. Depreciation is computed using the straight-line method over the estimated service life of the equipment. The balance sheet classification of equipment under lease is generally based on lease term, with fixed-term leases less than twelve months generally classified as short-term and all others generally classified as long-term.

Equipment on short-term lease includes aircraft engines and parts on or available for lease to satisfy customers' immediate short-term requirements. The leases are renewable with fixed terms, which generally vary from one to twelve months.

*Property, Plant and Equipment and Other Non-Current Assets*

We record property, plant and equipment at cost. Depreciation is computed on the straight-line method over useful lives of 10 – 40 years for buildings and improvements and 3-10 years for equipment, furniture and fixtures, and capitalized software. Leasehold improvements are amortized over the shorter of the estimated useful life or the term of the applicable lease.

Repair and maintenance expenditures are expensed as incurred. Upon sale or disposal, cost and accumulated depreciation are removed from the accounts, and related gains and losses are included in results of operations.

Rotable assets supporting long-term programs consist of rotatable component parts used to support long-term supply chain programs. The assets are being depreciated on a straight-line basis over their estimated useful lives.

In accordance with ASC 360, *Property, Plant and Equipment*, we are required to test for impairment of long-lived assets whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from its undiscounted cash flows. We utilize certain assumptions to estimate future undiscounted cash flows, including demand for our services, future market conditions and trends, business development pipeline of opportunities, current and future lease rates, lease terms, and residual values.

Future rent due to us under long-term leases during each of the next five fiscal years is \$12.4 million in 2026, \$9.5 million in 2027, \$5.6 million in 2028, \$0.7 million in 2029, and \$0.5 million in 2030.

*Investments*

Investments where we have the ability to exercise significant influence, but do not control the entity, are accounted for under the equity method of accounting. Significant influence generally exists if we have a 20% to 50% ownership interest in the investee. Our share of the net earnings or loss of our investees is included in Operating income on our Consolidated Statements of Income since the activities of the investees are closely aligned with our operations.

Equity investments in entities over which we do not have the ability to exercise significant influence and whose securities do not have a readily determinable fair value are carried at cost less impairment, if any,

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adjusted for changes resulting from qualifying observable price changes for the identical investment of the same issuer should they occur. During fiscal 2023, we recognized a gain of \$0.9 million related to an observable price increase for one of our investments.

We evaluate our investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an investment is determined to be other than temporary, a loss is recorded in earnings in the current period. During fiscal 2023, we recognized an impairment loss of \$1.0 million related to the recoverability for one of our investments over which we do not have the ability to exercise significant influence.

Our investments are classified in Other non-current assets on our Consolidated Balance Sheets. Distributions from joint ventures are classified as operating or investing activities in the Consolidated Statements of Cash Flows based upon an evaluation of the specific facts and circumstances of each distribution.

*Debt Issuance Costs*

Debt issuance costs are amortized and recognized as interest expense using the effective interest rate method, or, when the results are not materially different, on a straight-line basis over the expected term of the related debt. Debt issuance costs are presented in the Consolidated Balance Sheets as a direct reduction to the carrying amount of the related debt.

*Restructuring and Other Exit Costs*

We recognize charges for restructuring and other exit costs such as product line exits and facility closures at their fair value when incurred. In cases where employees are required to render service until they are terminated in order to receive the termination benefits and will be retained beyond the minimum retention period, we recognize the expense ratably over the future service period.

During fiscal 2024, we incurred severance costs of \$0.5 million at our former Landing Gear Overhaul (“LGO”) facility to align the workforce with the current production requirements impacting approximately 65 employees. Affected employees received lump-sum severance payments based on years of service with all payments completed in fiscal 2024.

*Income Taxes*

We are subject to income taxes in the U.S., state, and several foreign jurisdictions. In the ordinary course of business, there can be transactions and calculations where the ultimate tax determination is uncertain. We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns in accordance with applicable accounting guidance for accounting for income taxes, using currently enacted tax rates in effect for the year in which the differences are expected to reverse.

We record a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Both positive and negative evidence are considered in forming our judgment as to whether a valuation allowance is appropriate, and more weight is given to evidence that can be objectively verified. Valuation allowances are reassessed whenever there are changes in circumstances that may cause a change in judgment.

The accounting for uncertainty in income taxes requires a more-likely-than-not threshold for financial statement recognition of tax positions taken or expected to be taken in a tax return. Where necessary, we record a liability for the difference between the benefit recognized for financial statement purposes and the tax



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position taken or expected to be taken on our tax return. To the extent that our assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made.

*Supplemental Information on Cash Flows*

Supplemental information on cash flows is as follows:

	For the Year Ended May 31,		
	2025	2024	2023
Interest paid . . . . .	\$74.4	\$31.9	\$11.1
Income taxes paid . . . . .	24.2	42.4	35.7
Income tax refunds . . . . .	0.5	0.6	1.3

During fiscal 2025, treasury stock increased \$5.2 million reflecting the repurchase of 0.2 million common shares for \$10.1 million and restricted stock activity of \$1.7 million partially offset by re-issuance of shares upon exercise of stock options, net of shares withheld to satisfy statutory tax obligations, of \$6.6 million.

During fiscal 2024, treasury stock decreased \$20.3 million reflecting the re-issuance of shares upon exercise of stock options, net of shares withheld to satisfy statutory tax obligations, of \$21.7 million and restricted stock activity of \$3.7 million partially offset by the repurchase of 0.1 million common shares for \$5.1 million.

During fiscal 2023, treasury stock increased \$28.7 million reflecting the repurchase of 1.2 million common shares for \$50.1 million partially offset by restricted stock activity of \$2.2 million and the re-issuance of shares upon exercise of stock options, net of shares withheld to satisfy statutory tax obligations, of \$19.2 million.

*Use of Estimates*

We have made estimates and utilized certain assumptions relating to the reporting of assets and liabilities and the disclosures of contingent liabilities to prepare these Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

*New Accounting Pronouncements Adopted in Fiscal 2025*

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 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 (“CODM”), a description of other segment items by reportable segment, and any additional measures of a segment’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 was adopted in the fourth quarter of fiscal 2025 with retrospective application to all prior periods presented in the consolidated financial statements.

*New Accounting Pronouncements Not Yet Adopted*

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.

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In November 2024, the FASB issued ASU No. 2024-03, *Income Statement — Reporting Comprehensive Income — 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.

## 2. Acquisitions

### *Acquisition of Triumph Group's Product Support Business*

On March 1, 2024, we completed the acquisition of Triumph Group, Inc.'s Product Support business ("Product Support") 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 MRO 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.

Product Support'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.

In connection with the acquisition, we secured commitments for a bridge financing facility (the "Bridge Facility"). 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 for the fees associated with the Bridge Facility.

We accounted for the acquisition using the acquisition method and included the results of Product Support's operations in our consolidated financial statements from the effective date of the acquisition.

The final fair value of assets acquired and liabilities assumed is as follows:

Accounts receivable . . . . .	\$ 42.3
Contract assets . . . . .	18.7
Inventory . . . . .	62.8
Rotable assets . . . . .	21.9
Property & equipment . . . . .	44.6
Intangible assets . . . . .	179.4
Investment in joint venture . . . . .	17.9
Other assets . . . . .	4.1
Accounts payable . . . . .	(21.6)
Other liabilities . . . . .	(14.9)
Net assets acquired . . . . .	355.2
Goodwill . . . . .	364.8
Purchase price, net of cash acquired . . . . .	<u>\$720.0</u>

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Acquired amortizable intangible assets include customer relationships of \$96.1 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.

As part of our 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 facility's operations completed in fiscal 2026. Expenses recognized for integration activities, including facility closure costs, severance, retention, and other related costs were \$7.5 million and \$0.5 million in fiscal 2025 and 2024, respectively.

*Acquisition of Trax USA Corp.*

On March 20, 2023, we acquired the outstanding shares of Trax USA Corp. ("Trax") for a purchase price of \$120.0 million plus contingent consideration of up to \$20.0 million based on Trax'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.

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 second quarter of fiscal 2024, resulting in a purchase price reduction of \$1.8 million and the release of \$3.0 million from escrow. During the fourth quarter of fiscal 2025, an additional \$4.4 million was released from escrow. The remaining escrow balance is expected to be released in fiscal 2026.

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 owners' continued employment through December 31, 2024 and is treated as compensation expense within Selling, general and administrative expenses.

Compensation expense recognized in fiscal 2025, 2024, and 2023 were \$0.7 million, \$6.3 million, and \$1.1 million, respectively. As of May 31, 2025, we have a contingent consideration liability of \$8.1 million, which was classified as Accrued liabilities on our Consolidated Balance Sheet. We expect to finalize the contingent consideration in the first half of fiscal 2026.

We accounted for the acquisition using the acquisition method and included the results of Trax's operations in our consolidated financial statements from the effective date of the acquisition. Trax's results are reported within our Integrated Solutions segment. The acquisition was funded using a combination of proceeds from our Revolving Credit Facility and cash on hand. Transaction costs associated with the acquisition of \$5.1 million were expensed as incurred in fiscal 2023.

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The final fair value of assets acquired and liabilities assumed is as follows:

Accounts receivable . . . . .	\$ 8.8
Other assets . . . . .	3.0
Intangible assets . . . . .	61.7
Deferred revenue . . . . .	(4.1)
Deferred tax liabilities . . . . .	(15.1)
Other liabilities . . . . .	(4.6)
Net assets acquired . . . . .	49.7
Goodwill . . . . .	63.8
Purchase price, net of cash acquired . . . . .	<u>\$113.5</u>

Acquired amortizable intangible assets include customer relationships of \$33.6 million and developed technology of \$22.0 million which are being amortized over 12 years and 20 years, respectively. Intangible assets also include tradenames of \$6.1 million which are indefinite-lived. The goodwill associated with the Trax acquisition is not deductible for tax purposes and is primarily attributable to the benefits we expect to derive from expected synergies including complimentary products and services, cross-selling opportunities and intangible assets that do not qualify for separate recognition, such as their assembled workforce.

### 3. Discontinued Operations

During the third quarter of fiscal 2018, we decided to pursue the sale of our Contractor-Owned, Contractor-Operated (“COCO”) 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.

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 (“ROU”) assets and lease-related liabilities.

### 4. Goodwill and Other Intangible Assets, Net

During the first quarter of fiscal 2024, our CODM implemented changes in how he organizes the business, allocates resources, and assesses performance. Specifically, this new structure resulted in the separation of our former Aviation Services segment into three new operating segments: Parts Supply, Repair & Engineering, and Integrated Solutions.

As of May 31, 2023, we had three reporting units, which included two in our former Aviation Services segment (Aviation Supply Chain and MRO) and one comprised of our Expeditionary Services segment. Subsequent to the segment change, each of our operating segments was comprised of a single reporting unit as the former Aviation Supply Chain reporting unit was separated into Parts Supply and Integrated Solutions reporting units. Effective as of the beginning of fiscal 2024, the Aviation Supply Chain goodwill of \$115.6 million was re-assigned to the new reporting units based on their relative fair values with \$38.9 million assigned to Parts Supply and \$76.7 million assigned to Integrated Solutions. We performed qualitative impairment assessments for the impacted reporting units immediately before and after the reassignment and determined no impairment existed.

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Changes in the carrying amount of goodwill by segment for fiscal 2025 and 2024 are as follows:

	<u>Parts Supply</u>	<u>Repair &amp; Engineering</u>	<u>Integrated Solutions</u>	<u>Expeditionary Services</u>	<u>Total</u>
Balance as of May 31, 2023 . . . . .	\$38.9	\$ 41.4	\$76.7	\$18.8	\$175.8
Product Support acquisition . . . . .	—	375.2	—	—	375.2
Trax acquisition . . . . .	—	—	3.3	—	3.3
Foreign currency translation adjustments . . . . .	—	—	0.5	—	0.5
Balance as of May 31, 2024 . . . . .	<u>38.9</u>	<u>416.6</u>	<u>80.5</u>	<u>18.8</u>	<u>554.8</u>
Product Support acquisition . . . . .	—	(10.4)	—	—	(10.4)
Sale of Landing Gear Overhaul business . . . . .	—	(14.6)	—	—	(14.6)
Foreign currency translation adjustments . . . . .	—	0.1	0.9	—	1.0
Balance as of May 31, 2025 . . . . .	<u>\$38.9</u>	<u>\$391.7</u>	<u>\$81.4</u>	<u>\$18.8</u>	<u>\$530.8</u>

We utilized the qualitative assessment approach for all reporting units which considers general economic conditions, industry specific performance, changes in reporting unit carrying values, and assumptions used in the most recent fair value calculation. We concluded it was more likely than not that the fair value of each reporting unit exceeded its carrying value at May 31, 2025, and thus no impairment charges were recorded.

Intangible assets, other than goodwill, are comprised of the following:

	<u>May 31, 2025</u>		
	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortizable intangible assets:			
Customer relationships . . . . .	\$136.6	\$(21.9)	\$114.7
Developed technology . . . . .	<u>105.3</u>	<u>(7.6)</u>	<u>97.7</u>
	241.9	(29.5)	212.4
Unamortized intangible assets:			
Trademarks . . . . .	<u>7.2</u>	<u>—</u>	<u>7.2</u>
	<u>\$249.1</u>	<u>\$(29.5)</u>	<u>\$219.6</u>
	<u>May 31, 2024</u>		
	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Amortizable intangible assets:			
Customer relationships . . . . .	\$136.2	\$(11.0)	\$125.2
Developed technology . . . . .	<u>105.3</u>	<u>(2.3)</u>	<u>103.0</u>
	241.5	(13.3)	228.2
Unamortized intangible assets:			
Trademarks . . . . .	<u>7.2</u>	<u>—</u>	<u>7.2</u>
	<u>\$248.7</u>	<u>\$(13.3)</u>	<u>\$235.4</u>

Customer relationships are being amortized over 12-20 years and developed technology is being amortized over 20 years. Amortization expense recorded during fiscal 2025, 2024, and 2023 was \$16.2 million,



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\$7.3 million, and \$1.3 million, respectively. The estimated aggregate amount of amortization expense for intangible assets in each of the next three fiscal years is \$16.2 million per year and \$15.9 million in fiscal 2029 and fiscal 2030.

**5. Sale of Receivables**

On February 23, 2018, we entered into a Purchase Agreement with Citibank N.A. (“Purchaser”) for the sale, from time to time, of certain accounts receivable due from certain customers (the “Purchase Agreement”). 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 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.

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 Consolidated Balance Sheets.

Receivables sold under the Purchase Agreement during fiscal 2025, 2024, and 2023 were \$209.2 million, \$144.4 million, \$171.6 million, respectively. Amounts remitted to the Purchaser on its behalf during fiscal 2025, 2024, and 2023 were \$201.6 million, \$143.5 million, and \$173.8 million, respectively. As of May 31, 2025 and May 31, 2024, we had collected cash of \$7.4 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 Consolidated Balance Sheets.

We recognize discounts on the sale of our receivables and other fees related to the Purchase Agreement in Other expense, net on our Consolidated Statements of Income. During fiscal 2025, 2024, and 2023, we incurred discounts on the sale of our receivables and other fees of \$0.9 million, \$ 0.7 million, and \$0.6 million, respectively.

**6. Financing Arrangements**

*Debt Outstanding*

A summary of the carrying amount of our debt is as follows:

	May 31,	
	2025	2024
Revolving Credit Facility with interest payable monthly . . . . .	\$427.0	\$447.0
Senior Notes . . . . .	550.0	550.0
Debt issuance costs, net . . . . .	(9.0)	(11.6)
Long-term debt . . . . .	<u>\$968.0</u>	<u>\$985.4</u>

*Credit Agreement*

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 “Credit Agreement”) that included an unsecured revolving credit facility (the “Revolving Credit Facility”) that we can draw upon for working capital and general corporate purposes. In conjunction with the Credit Agreement, we terminated our revolving credit facility under the credit agreement dated April 12, 2011, as amended, (the “2011 Credit Agreement”) with the outstanding borrowings under the 2011 Credit Agreement at the date of its termination rolled over to the Credit Agreement.

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On March 1, 2024, we entered into an amendment (the “Revolver Amendment”) to our Credit Agreement, which governs the Company’s existing revolving credit facility (the revolving credit facility as amended by the Revolver Amendment, the “Amended Revolving Credit Facility”). Among other things, the Revolver Amendment (i) increased the aggregate commitments under the Amended Revolving Credit Facility to \$825.0 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 (“SOFR”)) and 150 basis points (in the case of Base Rate loans) if our adjusted total debt to EBITDA ratio exceeds 3.75:1.00.

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.

Borrowings outstanding under the Amended Revolving Credit Facility at May 31, 2025 were \$427.0 million and there were approximately \$7.9 million of outstanding letters of credit, which reduced the availability of this facility to \$390.1 million.

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.

*Senior Notes*

On March 1, 2024, we issued \$550.0 million aggregate principal amount of 6.75% Senior Notes due 2029 (the “Notes”) 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 “Base Indenture”), dated as of March 1, 2024, between us and Wilmington Trust, National Association (the “Trustee”), as trustee, and a First Supplemental Indenture, dated as of March 1, 2024 (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”), among us, the Note Guarantors (as defined below) and the Trustee.

Our domestic subsidiaries that guarantee the Amended Revolving Credit Facility (collectively, the “Note Guarantors”) guaranteed (the “Note Guarantees”) all of the Company’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 “Securities Act”).

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, which commenced on September 15, 2024. The Notes 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 “make-whole” 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:

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2026 .....	103.375%
2027 .....	101.688%
2028 and thereafter .....	100.000%

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 Guarantor's existing and future senior indebtedness, (ii) rank senior in right of payment to all of our or such Note Guarantor'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 Guarantor'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.

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.

At May 31, 2025, 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.

At May 31, 2025, we were in compliance with the financial and other covenants in our financing agreements.

Borrowing activity under the Credit Agreement during fiscal 2025, 2024, and 2023 is as follows:

	For the Year Ended May 31,		
	2025	2024	2023
Maximum amount borrowed .....	\$617.0	\$577.0	\$350.0
Average daily borrowings .....	527.5	386.3	210.2
Average interest rate during the year .....	6.54%	6.69%	5.11%

We also have \$ 9.8 million available under foreign lines of credit as of May 31, 2025.

## 7. Equity

### *Stock-Based Compensation*

We grant stock-based awards under the AAR CORP. 2013 Stock Plan, as Amended and Restated Effective July 13, 2020 (the "2013 Stock Plan") which has been approved by our stockholders. Under the 2013 Stock Plan, we are authorized to issue stock options to employees and non-employee directors that allow the grant recipients to purchase shares of common stock at a price not less than the fair market value of the common stock on the date of grant. Generally, stock options awarded expire ten years from the date of grant and are exercisable in three annual increments commencing one year after the date of grant. In addition to stock options, the 2013 Stock Plan also provides for the grant of time-based restricted stock awards and

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performance-based restricted stock awards. The 2013 Stock Plan also provides for the grant of stock appreciation units and restricted stock units; however, to date, no such awards have been granted.

Restricted stock grants (whether time-based or performance-based) are designed, among other things, to align employee interests with the interests of stockholders and to encourage the recipient to build a career with us. Restricted stock typically vests over periods of one to three years from the date of grant. Restricted stock grants may be performance-based with vesting to generally occur over a period of three years. All restricted stock that has been granted and, if performance-based, earned according to performance criteria carries full dividend and voting rights, regardless of whether it has vested.

Substantially all stock options and restricted stock are subject to forfeiture prior to vesting if the employee's employment terminates for any reason other than death, disability or retirement. Under the 2013 Stock Plan, we have granted a total of 6,735,595 shares, and there were 1,685,319 shares available for grant as of May 31, 2025.

*Stock Options*

During fiscal 2025, 2024, and 2023, we granted stock options with respect to 157,310 shares, 141,545 shares and 221,900 shares, respectively. The weighted average fair value per share of stock options granted during fiscal 2025, 2024 and 2023 was \$25.51, \$25.31 and \$17.61, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	Stock Options Granted In Fiscal Year		
	2025	2024	2023
Risk-free interest rate . . . . .	4.2%	4.1%	3.1%
Expected volatility of common stock . . . . .	36.0%	42.3%	42.2%
Dividend yield . . . . .	0.0%	0.0%	0.0%
Expected option term in years . . . . .	4.9	5.1	5.2

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility is based on historical volatility of our common stock, and the expected option term represents the period of time that the stock options granted are expected to be outstanding based on historical exercise trends. The dividend yield represents our anticipated cash dividends at the grant date over the expected option term.

A summary of stock option activity for the three years ended May 31, 2025 consisted of the following (shares in thousands):

	2025		2024		2023	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year . . . . .	1,004	\$38.49	1,573	\$33.24	2,045	\$29.86
Granted . . . . .	157	67.02	142	58.27	222	41.88
Exercised . . . . .	(212)	29.81	(706)	30.67	(631)	25.31
Cancelled . . . . .	(14)	60.59	(5)	48.40	(63)	33.25
Outstanding at end of year . . . . .	<u>935</u>	<u>\$44.94</u>	<u>1,004</u>	<u>\$38.49</u>	<u>1,573</u>	<u>\$33.24</u>
Options exercisable at end of year . . . . .	<u>635</u>	<u>\$38.13</u>	<u>696</u>	<u>\$33.95</u>	<u>1,018</u>	<u>\$35.09</u>

The weighted-average remaining term (in years) for options outstanding at the end of the year was 6.1 years, 6.4 years, and 6.2 years at May 31, 2025, 2024, and 2023, respectively. The weighted-average

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remaining term (in years) for options exercisable at the end of the year was 5.0 years, 5.5 years, and 5.2 years at May 31, 2025, 2024, and 2023, respectively.

The total grant date fair value of stock options that vested during fiscal 2025, 2024, and 2023 was \$2.9 million, \$3.3 million, and \$3.6 million, respectively. The total intrinsic value of stock options exercised during fiscal 2025, 2024, and 2023 was \$8.0 million, \$22.5 million, and \$15.5 million, respectively. The aggregate intrinsic value of options outstanding was \$16.3 million and \$32.7 million as of May 31, 2025 and 2024, respectively.

Expense recognized in Selling, general and administrative expenses for stock options during fiscal 2025, 2024, and 2023 was \$3.5 million, \$3.0 million, and \$3.5 million, respectively. As of May 31, 2025, we had \$3.9 million of unrecognized compensation expense related to stock options that will be expensed over an average period of 1.7 years.

*Restricted Stock*

We provide executives and other key employees an opportunity to be awarded performance-based and time-based restricted stock. The fair value of restricted shares is the market value of our common stock on the date of grant. The performance-based awards are contingent upon the achievement of certain objectives, which generally include cumulative income, average return on capital, and relative total shareholder return over a three-year performance period. Performance-based restricted shares of 124,200, 81,100, and 74,660 were granted to executives and key employees during fiscal 2025, 2024 and 2023, respectively. Time-based restricted shares of 78,541, 111,018, and 93,450 were granted to executives and key employees during fiscal 2025, 2024, and 2023, respectively. We also award time-based restricted stock to our non-employee directors as part of their annual compensation. Time-based restricted shares of 19,401, 23,888, and 28,851 were granted to members of the Board of Directors during fiscal 2025, 2024, and 2023, respectively.

Restricted share activity during fiscal 2025 was as follows (shares in thousands):

	Number of Shares	Weighted Average Fair Value on Grant Date
Nonvested at May 31, 2024 . . . . .	636	\$48.84
Granted . . . . .	287	60.68
Vested . . . . .	(366)	47.05
Forfeited . . . . .	(21)	58.51
Nonvested at May 31, 2025 . . . . .	<u>536</u>	<u>56.47</u>

Expense recognized in Selling, general and administrative expenses for all restricted share programs during fiscal 2025, 2024, and 2023 was \$16.4 million, \$12.3 million, and \$10.0 million, respectively. As of May 31, 2025 we had \$13.6 million of unearned compensation related to restricted shares that will be expensed over a weighted average period of 1.7 years.



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**8. Income Taxes**

The provision for income tax on income from continuing operations includes the following components:

	For the Year Ended May 31,		
	2025	2024	2023
Current:			
Federal . . . . .	\$20.7	\$ 21.0	\$25.9
State . . . . .	3.1	4.0	2.9
Foreign . . . . .	8.1	7.5	4.8
	<u>31.9</u>	<u>32.5</u>	<u>33.6</u>
Deferred . . . . .	(5.5)	(20.5)	(2.2)
	<u>\$26.4</u>	<u>\$ 12.0</u>	<u>\$31.4</u>

The reconciliation from the U.S. federal statutory income tax rate of 21.0% to our effective income tax rate is as follows:

	For the Year Ended May 31,		
	2025	2024	2023
Provision for income tax at the federal statutory rate . . . . .	21.0%	21.0%	21.0%
FCPA settlement . . . . .	26.7	—	—
State income taxes, net of federal benefit . . . . .	10.1	5.0	2.6
Non-deductible compensation . . . . .	7.1	4.4	2.8
Tax benefit from stock-based compensation . . . . .	(1.7)	(5.1)	(2.0)
Pension settlement . . . . .	—	(8.6)	—
Other . . . . .	4.7	3.9	1.5
Effective income tax rate . . . . .	<u>67.9%</u>	<u>20.6%</u>	<u>25.9%</u>

Income before provision for income taxes includes the following components:

	For the Year Ended May 31,		
	2025	2024	2023
Domestic . . . . .	\$(22.5)	\$14.6	\$ 87.7
Foreign . . . . .	61.4	43.7	33.5
	<u>\$ 38.9</u>	<u>\$58.3</u>	<u>\$121.2</u>

Our foreign earnings are comprised primarily of the results of our operations in Canada, Thailand, and Europe.

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Deferred tax assets and liabilities result primarily from the differences in the timing of the recognition of transactions for financial reporting and income tax purposes. Our deferred tax assets and liabilities consist of the following components:

	May 31,	
	2025	2024
Deferred tax assets:		
Operating lease liabilities . . . . .	\$ 25.4	\$ 25.6
Employee and retirement benefits . . . . .	8.9	9.0
State net operating losses . . . . .	6.4	6.2
Other . . . . .	8.2	6.9
Total deferred tax assets . . . . .	<u>48.9</u>	<u>47.7</u>
Deferred tax liabilities:		
Intangible assets . . . . .	(32.2)	(24.9)
ROU operating lease assets . . . . .	(25.8)	(26.5)
Tangible assets . . . . .	(5.0)	(15.2)
Other . . . . .	(4.3)	(5.0)
Total deferred tax liabilities . . . . .	<u>(67.3)</u>	<u>(71.6)</u>
Net deferred tax liabilities . . . . .	<u><u>\$(18.4)</u></u>	<u><u>\$(23.9)</u></u>

As of May 31, 2025, we have determined that the realization of our deferred tax assets is more likely than not and that a valuation allowance is not required. Our net operating losses have carry forward periods that range from 5 to 20 years. Our history of operating earnings, our expectations for continued future earnings, the nature of certain of our deferred tax assets and the scheduled reversal of deferred tax liabilities, primarily related to depreciation, support the recoverability of the majority of the deferred tax assets.

Income tax receivable was \$5.6 million and \$13.2 million at May 31, 2025 and 2024, respectively, and was included in Prepaid expenses and other current assets on the Consolidated Balance Sheet.

Our federal income tax returns for fiscal years 2022 and subsequent are open for examination. Various states and foreign jurisdictions also remain open subject to their applicable statute of limitations.

## 9. Earnings Per Share

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 as shown below:

	For the Year Ended May 31,		
	2025	2024	2023
Weighted average common shares outstanding – basic . . . . .	35.6	35.1	34.7
Additional shares from assumed exercise of stock options . . . . .	0.2	0.3	0.4
Weighted average common shares outstanding – diluted . . . . .	<u><u>35.8</u></u>	<u><u>35.4</u></u>	<u><u>35.1</u></u>

At May 31, 2025 and 2023, respectively, outstanding options to purchase 151,000 and 197,300 shares of common stock were not included in the computation of diluted earnings per share, because the exercise price

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of these options was greater than the average market price of the common shares for the year then ended. At May 31, 2024, no stock options were determined to be anti-dilutive.

**10. Employee Benefit Plans**

*Defined Benefit Plans*

Prior to January 1, 2000, the pension plan for substantially all domestic salaried and non-union hourly employees (“U.S. Retirement Plan”) had a benefit formula based primarily on years of service and compensation. Effective January 1, 2000, we converted the U.S. Retirement Plan to a cash balance pension plan with the retirement benefit expressed as a dollar amount in an account that grew with annual pay-based credits and interest on the account balance. Effective June 1, 2005, the U.S. Retirement Plan was frozen and the annual pay-based credits were discontinued.

Prior to May 31, 2022, our domestic plans also include a defined benefit pension plan for certain union hourly employees in which benefits are based primarily on a fixed amount per year of service (“Union Plan”). The Union Plan was frozen in fiscal 2018. Effective May 31, 2022, our Union and U.S. Retirement Plans were merged (collectively, the “Merged U.S. Plan”).

During the three-month period ended August 31, 2023, we settled all future obligations under the Merged U.S. 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 group annuity contracts. The purchase of the group annuity contracts was funded directly by assets of the Merged U.S. 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.

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 May 31, 2025, our Consolidated Balance Sheet included \$1.6 million of remaining surplus plan assets which we expect to fully utilize in fiscal 2026 to fund our non-elective, discretionary contributions to the 401(k) plan. This amount is presented within Prepaid expenses and other current assets on our Consolidated Balance Sheet.

We also have a defined benefit pension plan covering certain employees in the Netherlands (“Netherlands Plan”). Benefit formulas are generally based on years of service and compensation. Effective January 1, 2022, the Netherlands Plan was frozen and any benefits subsequent to that date are earned by participants in a multi-employer defined contribution plan with the premiums charged to us determined by the third-party pension fund who administers the multi-employer plan. Pension expense in fiscal 2025, 2024, and 2023 for this defined contribution plan was \$1.4 million, \$1.3 million, and \$1.2 million, respectively.

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The change to our projected benefit obligation and the fair value of our plan assets for our Netherlands plan for the two years ended May 31, 2025 was as follows:

	<b>For the Year Ended May 31,</b>	
	<b>2025</b>	<b>2024</b>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year . . . . .	\$52.7	\$51.3
Service cost . . . . .	0.2	0.2
Interest cost . . . . .	1.9	1.9
Net actuarial loss (gain) . . . . .	(1.1)	0.4
Benefits and administrative payments . . . . .	(2.2)	(2.0)
Foreign currency translation adjustment . . . . .	2.3	0.9
Projected benefit obligation at end of year . . . . .	<u>\$53.8</u>	<u>\$52.7</u>
Change in the fair value of plan assets:		
Fair value of plan assets at beginning of year . . . . .	\$51.4	\$50.2
Actual return on plan assets . . . . .	1.7	2.2
Benefits and administrative payments . . . . .	(2.2)	(2.0)
Employer contributions . . . . .	0.4	—
Foreign currency translation adjustment . . . . .	2.3	1.0
Fair value of plan assets at end of year . . . . .	<u>\$53.6</u>	<u>\$51.4</u>
Funded status at end of year . . . . .	<u>\$ (0.2)</u>	<u>\$ (1.3)</u>
Accumulated other comprehensive loss . . . . .	\$ 6.8	\$ 6.8
Accumulated benefit obligation . . . . .	51.8	50.6

The funded status of our Netherlands plan is recognized in Other liabilities on our Consolidated Balance Sheets.

*Net Periodic Benefit Cost*

Pension benefit charged to the Consolidated Statements of Income for our Netherlands plan includes the following components:

	<b>For the Year Ended May 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Service cost . . . . .	\$ 0.2	\$ 0.2	\$ 0.2
Interest cost . . . . .	1.9	1.9	1.5
Expected return on plan assets . . . . .	(2.5)	(2.4)	(2.1)
Recognized net actuarial loss . . . . .	0.1	—	—
	<u>\$(0.3)</u>	<u>\$(0.3)</u>	<u>\$(0.4)</u>

The non-service cost components above are classified in Other income (expense), net on the Consolidated Statements of Income.

*Assumptions*

The assumptions used in accounting for the Netherlands Plan are estimates of factors including, among other things, the amount and timing of future benefit payments. The discount rate was determined by

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discounting the expected future benefit payments and settlements for the projected benefit obligation, discounting those expected payments using a theoretical zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date and solving for the single equivalent discount rate that resulted in the same projected benefit obligation.

The discount rate assumptions used in the measurement of the Netherlands projected benefit obligations were 3.70% and 3.60% at May 31, 2025 and 2024, respectively. The discount rate assumptions used to determine the Netherlands Plan net periodic pension expense were 3.60%, 3.70%, and 2.80% for fiscal 2025, 2024, and 2023, respectively. The expected long-term rate of return on Netherlands Plan assets were 4.80%, 4.80%, and 3.90% for fiscal 2025, 2024, and 2023, respectively.

*Plan Assets*

The assets of the Netherlands Plan are primarily invested in funds-of-funds where each fund holds a portfolio of equity and fixed income mutual funds. To develop our expected rate of return assumption, we use long-term historical return information for our targeted asset mix and current market conditions as of the measurement date. The expected return for each asset class is weighted based on the target asset allocation to develop the expected long-term rate of return on plan assets assumption.

The following table sets forth by level, within the fair value hierarchy, the Netherlands Plan assets at their fair value as of May 31, 2025:

	Level 2 <sup>1</sup>	Level 3 <sup>2</sup>	Total
Funds-of-funds . . . . .	\$42.2	\$ —	\$42.2
Insurance annuities . . . . .	—	11.4	11.4
	<u>\$42.2</u>	<u>\$11.4</u>	<u>\$53.6</u>

The following table sets forth by level, within the fair value hierarchy, the Netherlands Plan assets at their fair value as of May 31, 2024:

	Level 2 <sup>1</sup>	Level 3 <sup>2</sup>	Total
Funds-of-funds . . . . .	\$40.7	\$ —	\$40.7
Insurance annuities . . . . .	—	10.7	10.7
	<u>\$40.7</u>	<u>\$10.7</u>	<u>\$51.4</u>

<sup>1</sup> Inputs other than quoted prices in active markets for identical assets that are directly observable for the asset or indirectly observable through corroboration with observable market data.

<sup>2</sup> Unobservable inputs, such as internally developed pricing models or third party valuations for the asset due to little or no market activity for the asset.

The entirety of the change in Level 3 pension assets is attributable to the return on the assets.

*Valuation Techniques Used to Determine Fair Value*

Equity and fixed income mutual funds are maintained by investment companies that hold certain investments in accordance with a stated set of fund objectives, which are consistent with our overall investment strategy. The values of some of these funds are publicly quoted. As certain of our funds-of-funds investments are also derived from quoted prices in active markets, we have categorized certain funds-of-funds investments as Level 2.

Insurance annuities require the utilization of unobservable inputs, including undiscounted cash flow techniques which results in Level 3 treatment in the fair value hierarchy.



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*Future Benefit Payments and Funding*

The following table summarizes our estimated future pension payments by fiscal year:

	Fiscal Year					2031 to 2035
	2026	2027	2028	2029	2030	
Estimated future pension payments . . . . .	\$2.4	\$2.3	\$2.4	\$2.4	\$2.5	\$13.0

For our Netherlands Plan, our policy is to fund at least the minimum amount required by the local laws and regulations. We anticipate contributing approximately \$0.2 million to our pension plans during fiscal 2026.

*U.S. Defined Contribution Plans*

Our U.S. defined contribution plans are intended to qualify as 401(k) plans under the Internal Revenue Code. Employees may contribute up to 75% of their pretax compensation, subject to applicable regulatory limits and we may make matching contributions up to 6% of employee compensation. For participants hired prior to January 1, 2020, retirement contributions (based upon a participant's age plus service) ranging from 0.5% to 4.0%, may also be contributed to a participant's account at our discretion. Our contributions vest on a pro-rata basis during the first three years of employment.

Expense recognized in the Consolidated Statements of Income for our matching contributions during fiscal 2025, 2024, and 2023 was \$9.4 million, \$8.2 million, and \$7.2 million, respectively. Expense recognized in the Consolidated Statements of Income for our non-elective, discretionary contributions during fiscal 2025, 2024, and 2023 was \$3.9 million, \$3.7 million, and \$3.8 million, respectively.

We also maintain a non-qualified retirement plan that makes up 401(k) benefits that would otherwise be lost as a result of Internal Revenue Code limits and provides additional employer contributions for certain executives and key employees to supplement the benefits provided by the defined contribution plans. Expense recognized in the Consolidated Statements of Income for the non-qualified contributions during fiscal 2025, 2024, and 2023 was \$1.7 million, \$1.2 million, and \$0.6 million, respectively.

**11. Accumulated Other Comprehensive Loss**

Changes in our accumulated other comprehensive loss ("AOCL") by component for each of the years in the three-year period ended May 31, 2025 were as follows (all amounts are net of tax):

	Currency Translation Adjustments	Pension Plans	Total
Balance as of June 1, 2022 . . . . .	\$(2.8)	\$(16.8)	\$(19.6)
Other comprehensive loss before reclassifications . . . . .	(2.9)	0.7	(2.2)
Amounts reclassified from AOCL . . . . .	—	(1.7)	(1.7)
Total other comprehensive loss . . . . .	(2.9)	(1.0)	(3.9)
Balance as of May 31, 2023 . . . . .	(5.7)	(17.8)	(23.5)
Other comprehensive income (loss) before reclassifications . . .	0.2	(0.3)	(0.1)
Amounts reclassified from AOCL . . . . .	—	14.8	14.8
Total other comprehensive income . . . . .	0.2	14.5	14.7
Balance as of May 31, 2024 . . . . .	(5.5)	(3.3)	(8.8)
Other comprehensive income before reclassifications . . . . .	3.1	0.3	3.4
Amounts reclassified from AOCL . . . . .	—	(0.2)	(0.2)
Total other comprehensive income . . . . .	3.1	0.1	3.2
Balance as of May 31, 2025 . . . . .	<u>\$(2.4)</u>	<u>\$ (3.2)</u>	<u>\$ (5.6)</u>

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**12. Other Non-current Assets**

At May 31, 2025 and 2024, other non-current assets consisted of the following:

	May 31,	
	2025	2024
License fees, net . . . . .	\$ 46.0	\$ 51.8
Investments in joint ventures . . . . .	32.3	35.8
Contract assets . . . . .	28.4	24.6
Assets under deferred compensation plan . . . . .	23.4	18.9
Debt and equity investments . . . . .	14.5	14.4
Other . . . . .	14.8	10.1
	<u>\$159.4</u>	<u>\$155.6</u>

*Investment in Indian Joint Venture*

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 venture'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 venture'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 during fiscal 2025. As part of our transition services arrangements, we have a receivable of \$0.7 million from our former Indian joint venture partners.

*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 ASAS'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.

Our sales to the ASAS joint venture, including service fees earned by us on providing support to the ASAS joint venture, were \$7.4 million, \$4.9 million, and \$1.5 million for fiscal 2025, 2024, and 2023, respectively.

*Investments in Aircraft Joint Ventures*

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 fiscal 2025, 2024, and 2023, we were paid \$2.1 million, \$1.6 million, and \$1.0 million, respectively, for such services.

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*Investment in xCelle Americas, LLC (“xCelle”)*

Our investments in joint ventures include a 49.9% ownership interest in a joint venture to provide component repair services including overhaul of nacelles on next generation aircraft. In March 2025, we provided a loan to xCelle for \$3.3 million with semi-annual principal payments over the five-year term of the loan. Interest is payable semi-annually at SOFR plus 2.7%.

*License Fees*

In June 2011, we entered into a ten-year agreement with Unison Industries (“Unison”) to be the exclusive worldwide aftermarket distributor for Unison’s electrical components, sensors, switches and other systems for aircraft and industrial uses. In June 2020, we entered into an extension and expansion of our agreement with Unison including a new termination date of December 31, 2031, an initial \$25.0 million license fee paid in June 2020 to Unison, and annual license fees at a fixed percentage of our net sales of Unison products. The June 2020 payment of \$25.0 million was capitalized and is being amortized on a straight-line basis over the term of the new agreement.

In September 2022, we entered into another amendment of our agreement with Unison to include a one-year extension of the termination date to December 31, 2032, an \$18.0 million license fee paid in September 2022, and an increase to the fixed percentage of annual license fees for our net sales of Unison products. The September 2022 payment of \$18.0 million relates to specific product lines and is being amortized on a straight-line basis over the non-cancellable license period applicable to these product lines. As of May 31, 2025, the unamortized balance of the license is \$29.4 million.

**13. Leases**

We lease land, facilities, offices, vehicles, and equipment. We determine at inception whether an arrangement that provides us control over the use of an asset is a lease. ROU assets and lease liabilities are recognized on the Consolidated Balance Sheets at lease commencement date based on the present value of the future minimum lease payments over the lease term. Our lease agreements do not provide a readily determinable implicit rate nor is it available to us from our lessors. We estimate our incremental borrowing rate based on information available at lease commencement in order to discount lease payments to present value.

Our lease costs are allocated over the remaining lease term on a straight-line basis unless another systematic or rational basis is more representative of the pattern in which the underlying asset is expected to be used. Variable lease costs are expensed in the period in which the obligation for those payments are incurred. ROU assets are evaluated for impairment in a manner consistent with the treatment of other long-lived assets. We elected the practical expedients to not separate lease and non-lease components for both lessee and lessor relationships and to not apply the recognition requirements to leases with terms of twelve months or less.

Certain leases include options to renew or extend the terms of the lease, which are included in the determination of the ROU assets and lease liabilities when it is reasonably certain that the option will be exercised. Our leases may also include variable lease payments such as escalation clauses based on consumer price index rates, maintenance costs and utilities. Variable lease payments that depend on an index or a rate are included in the determination of ROU assets and lease liabilities using the index or rate at the lease commencement date, whereas variable lease payments that do not depend on an index or rate are recorded as lease expense in the period incurred. Our lease agreements do not contain any significant residual value guarantees or restrictive covenants.

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The summary of our operating lease cost is as follows:

	For the Year Ended May 31,		
	2025	2024	2023
Operating lease cost . . . . .	\$28.0	\$23.9	\$20.3
Short-term lease cost . . . . .	6.0	6.6	5.9
Variable lease cost . . . . .	5.9	5.4	3.2
	<u>\$39.9</u>	<u>\$35.9</u>	<u>\$29.4</u>

With the exception of a land lease for one of our airframe maintenance facilities that expires in 2108, our operating leases expire at various dates through 2045. Excluding leases related to our discontinued operations, maturities of our operating lease payments as of May 31, 2025 are as follows:

2026 . . . . .	\$ 15.3
2027 . . . . .	11.9
2028 . . . . .	10.6
2029 . . . . .	9.8
2030 . . . . .	6.7
Thereafter . . . . .	<u>95.8</u>
Total undiscounted payments . . . . .	150.1
Less: Imputed interest . . . . .	<u>(58.2)</u>
Present value of minimum lease payments . . . . .	91.9
Less: Operating lease liabilities – current . . . . .	<u>(12.3)</u>
Operating lease liabilities – non-current . . . . .	<u>\$ 79.6</u>

The current portion of operating lease liabilities are presented within Accrued liabilities on our Consolidated Balance Sheets.

Excluding leases related to our discontinued operations, our weighted-average remaining lease term and weighted-average discount rate are as follows:

	May 31,	
	2025	2024
Remaining lease term . . . . .	11.9 years	12.0 years
Discount rate . . . . .	6.9%	5.9%

Supplemental cash flow information related to leases was as follows:

	For the Year Ended May 31,		
	2025	2024	2023
Cash paid for amounts included in the measurement of lease liabilities . .	\$15.9	\$16.4	\$14.5
Operating lease liabilities arising from obtaining ROU assets . . . . .	21.7	42.0	4.5

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**14. Commitments**

We enter into purchase obligations, which arise in the ordinary course of business and represent a binding commitment to acquire inventory, including raw materials, parts and components, as well as equipment to support the operations of our business. The aggregate amount of purchase obligations due in each of the next five fiscal years is \$657.1 million in 2026, \$156.9 million in 2027, \$26.7 million in 2028, \$2.4 million in 2029 and \$2.6 million in 2030.

We routinely issue letters of credit and performance bonds in the ordinary course of our business. These instruments are typically issued in conjunction with insurance contracts or other business requirements. The total of these instruments outstanding at May 31, 2025 was approximately \$7.9 million.

**15. Government Subsidies**

We receive grants from certain governments in exchange for compliance with certain conditions relating to our activities in a specific jurisdiction. Grants can be structured to encourage investment, job creation, job retention, employee training, and other related activities. We recognize government grants when there is reasonable assurance that we will comply with the conditions of the grant and the grant is received or is probable of receipt and the amount is determinable. Government grants are recorded as a reduction to the related expense to which the grant relates in our Consolidated Statement of Income.

We have multiple government grants that are used to support job training and workforce development costs primarily at our Airframe MRO facilities. For these grants, we recognized contra-expense within Cost of sales and Selling, general and administrative expenses of \$1.9 million and \$0.6 million, respectively, in fiscal 2025. In fiscal 2024, we recognized contra-expense within Cost of sales and Selling, general and administrative expenses of \$1.5 million and \$0.2 million, respectively. In fiscal 2023, we recognized contra-expense within Cost of sales and Selling, general and administrative expenses of \$2.4 million and \$0.3 million, respectively.

**16. Divestitures**

*Sale of Landing Gear Overhaul Business*

On December 19, 2024, we entered into an agreement to divest our LGO business to GA Telesis for \$51 million subject to post-closing adjustments for working capital, cash, and debt. In the third quarter of fiscal 2025, the LGO assets and liabilities were reclassified to assets and liabilities held for sale and we recognized a non-cash, pre-tax impairment charge of \$63.0 million to adjust the carrying value of the LGO assets to their estimated fair value. Goodwill of \$14.6 million was also reclassified to assets held for sale and was included in the determination of the impairment charge.

The LGO business was reported within our Repair & Engineering segment. The divestiture did not represent a strategic shift that will have a major effect on our operations and financial results and, therefore, did not qualify for presentation as discontinued operations.

The sale closed in the fourth quarter of fiscal 2025 with net proceeds received of \$48.0 million. We recognized \$6.6 million of additional loss on the sale resulting from purchase price adjustments in the fourth quarter of fiscal 2025.

*Sale of Composites Business*

On August 31, 2020, we completed the sale of our aerostructures and aerospace products operations located in Clearwater, Florida and Sacramento, California ("Composites"). The Composites business was formerly included in our Expeditionary Services segment.

We recognized a loss on the sale of the Composites business of \$19.5 million in the first quarter of fiscal 2021. In the fourth quarter of fiscal 2021, the post-closing working capital adjustment was finalized resulting



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in an additional loss of \$0.7 million. The sale also included contingent consideration of up to \$6.5 million based on the achievement of sales targets over a three-year period subsequent to the sale. We recognized a charge of \$1.3 million in the three-month period ended November 30, 2021 to reflect the fair value of the contingent consideration at zero as it was unlikely the sales targets would be achieved.

#### 17. Business Segment Information

Our operating segments are comprised of:

- Parts Supply, primarily consisting of our sales of used serviceable material (“USM”), including aircraft, engine and airframe parts and components and distribution of new parts (“Distribution”);
- Repair & Engineering, primarily consisting of our MRO services across airframes (“Airframe MRO”) and components (“Component Services”);
- 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 (“DoD”) and foreign governments, flight hour component inventory and repair programs for commercial airlines, and integrated software solutions, including Trax; and
- 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.

Our CODM 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 and is consistent with how our CODM allocates resources, assesses performance, and makes decisions.

We have 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.

Significant expenses for each segment are as follows:

	For the Year Ended May 31, 2025			
	Parts Supply	Repair & Engineering	Integrated Solutions	Expeditionary Services
Sales . . . . .	\$1,099.6	\$884.9	\$695.3	\$100.7
Cost of sales . . . . .	868.8	705.8	592.0	83.7
Selling, general and administrative . . . . .	76.2	101.0	66.4	6.9
Other segment items . . . . .	(2.2)	(3.1)	0.5	—
Operating income . . . . .	<u>\$ 156.8</u>	<u>\$ 81.2</u>	<u>\$ 36.4</u>	<u>\$ 10.1</u>
	For the Year Ended May 31, 2024			
	Parts Supply	Repair & Engineering	Integrated Solutions	Expeditionary Services
Sales . . . . .	\$967.0	\$640.1	\$641.9	\$69.9
Cost of sales . . . . .	758.4	520.1	540.2	57.9
Selling, general and administrative . . . . .	98.3	68.2	77.8	8.5
Other segment items . . . . .	0.5	(0.7)	—	—
Operating income . . . . .	<u>\$109.8</u>	<u>\$ 52.5</u>	<u>\$ 23.9</u>	<u>\$ 3.5</u>

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	For the Year Ended May 31, 2023			
	Parts Supply	Repair & Engineering	Integrated Solutions	Expeditionary Services
Sales . . . . .	\$818.4	\$533.4	\$546.9	\$91.8
Cost of sales . . . . .	644.3	438.1	461.2	76.8
Selling, general and administrative . . . . .	79.9	58.8	55.2	7.3
Other segment items . . . . .	0.5	1.2	—	—
Operating income . . . . .	<u>\$ 93.7</u>	<u>\$ 35.3</u>	<u>\$ 30.5</u>	<u>\$ 7.7</u>

Selected financial information for each segment is as follows:

	For the Year Ended May 31, 2025		
	Third-Party Sales	Inter-segment Sales	Total Sales
Parts Supply . . . . .	\$1,099.6	\$ 19.8	\$1,119.4
Repair & Engineering . . . . .	884.9	90.3	975.2
Integrated Solutions . . . . .	695.3	2.1	697.4
Expeditionary Services . . . . .	100.7	—	100.7
	<u>\$2,780.5</u>	<u>\$112.2</u>	<u>\$2,892.7</u>

	For the Year Ended May 31, 2024		
	Third-Party Sales	Inter-segment Sales	Total Sales
Parts Supply . . . . .	\$ 967.0	\$ 8.6	\$ 975.6
Repair & Engineering . . . . .	640.1	87.8	727.9
Integrated Solutions . . . . .	641.9	0.9	642.8
Expeditionary Services . . . . .	69.9	—	69.9
	<u>\$2,318.9</u>	<u>\$97.3</u>	<u>\$2,416.2</u>

	For the Year Ended May 31, 2023		
	Third-Party Sales	Inter-segment Sales	Total Sales
Parts Supply . . . . .	\$ 818.4	\$19.3	\$ 837.7
Repair & Engineering . . . . .	533.4	79.8	613.2
Integrated Solutions . . . . .	546.9	0.2	547.1
Expeditionary Services . . . . .	91.8	—	91.8
	<u>\$1,990.5</u>	<u>\$99.3</u>	<u>\$2,089.8</u>

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	<b>For the Year Ended May 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Segment operating income:			
Parts Supply . . . . .	\$156.8	\$109.8	\$ 93.7
Repair & Engineering . . . . .	81.2	52.5	35.3
Integrated Solutions . . . . .	36.4	23.9	30.5
Expeditionary Services . . . . .	10.1	3.5	7.7
	<u>284.5</u>	<u>189.7</u>	<u>167.2</u>
Corporate and other . . . . .	(99.3)	(60.5)	(33.3)
Operating income . . . . .	<u>185.2</u>	<u>129.2</u>	<u>133.9</u>
Pension settlement charge . . . . .	—	(26.7)	—
Losses related to sale and exit of business . . . . .	(72.4)	(2.8)	(0.7)
Other expense, net . . . . .	(0.3)	(0.4)	(0.8)
Interest expense . . . . .	(75.4)	(43.2)	(12.2)
Interest income . . . . .	1.8	2.2	1.0
Income from continuing operations before income taxes . . . . .	<u>\$ 38.9</u>	<u>\$ 58.3</u>	<u>\$121.2</u>

	<b>May 31,</b>	
	<b>2025</b>	<b>2024</b>
Total assets:		
Parts Supply . . . . .	\$ 818.8	\$ 732.8
Repair & Engineering . . . . .	1,155.2	1,235.4
Integrated Solutions . . . . .	620.8	542.1
Expeditionary Services . . . . .	79.0	79.1
Corporate and discontinued operations . . . . .	170.8	180.6
	<u>\$2,844.6</u>	<u>\$2,770.0</u>

	<b>For the Year Ended May 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Capital expenditures:			
Parts Supply . . . . .	\$ 0.2	\$ 0.8	\$ 2.2
Repair & Engineering . . . . .	20.9	11.9	15.1
Integrated Solutions . . . . .	5.7	5.2	5.7
Expeditionary Services . . . . .	6.1	8.5	6.1
Corporate and other . . . . .	1.8	3.3	0.4
	<u>\$34.7</u>	<u>\$29.7</u>	<u>\$29.5</u>

**AAR CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in millions, except per share amounts)

	<b>For the Year Ended May 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Depreciation and amortization: <sup>1</sup>			
Parts Supply . . . . .	\$ 9.7	\$ 8.4	\$ 6.2
Repair & Engineering . . . . .	26.4	12.2	7.6
Integrated Solutions . . . . .	18.3	17.4	11.9
Expeditionary Services . . . . .	1.6	1.5	1.5
Corporate . . . . .	19.1	17.0	13.5
	<u>\$75.1</u>	<u>\$55.5</u>	<u>\$40.7</u>

<sup>1</sup> Includes amortization of stock-based compensation.

The U.S. Department of Defense, U.S. Department of State, other U.S. government agencies and their contractors are our only customers representing 10% or more of total sales in any of the last three fiscal years. Sales by segment for these customers are as follows:

	<b>For the Year Ended May 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Parts Supply . . . . .	\$143.3	\$ 99.3	\$111.0
Repair & Engineering . . . . .	81.6	61.0	48.5
Integrated Solutions . . . . .	372.1	356.6	340.2
Expeditionary Services . . . . .	90.6	59.2	77.3
	<u>\$687.6</u>	<u>\$576.1</u>	<u>\$577.0</u>
Percentage of total sales . . . . .	<u>24.7%</u>	<u>24.8%</u>	<u>29.0%</u>

Sales across the major customer markets for each of our operating segments were as follows:

	<b>For the Year Ended May 31,</b>		
	<b>2025</b>	<b>2024</b>	<b>2023</b>
Parts Supply:			
Commercial . . . . .	\$ 879.2	\$800.6	\$645.0
Government and defense . . . . .	220.4	166.4	173.4
	<u>\$1,099.6</u>	<u>\$967.0</u>	<u>\$818.4</u>
Repair & Engineering:			
Commercial . . . . .	\$ 795.4	\$574.1	\$478.5
Government and defense . . . . .	89.5	66.0	54.9
	<u>\$ 884.9</u>	<u>\$640.1</u>	<u>\$533.4</u>
Integrated Solutions:			
Commercial . . . . .	\$ 297.5	\$257.1	\$197.0
Government and defense . . . . .	397.8	384.8	349.9
	<u>\$ 695.3</u>	<u>\$641.9</u>	<u>\$546.9</u>
Expeditionary Services:			
Commercial . . . . .	\$ 4.0	\$ 6.1	\$ 8.3
Government and defense . . . . .	96.7	63.8	83.5
	<u>\$ 100.7</u>	<u>\$ 69.9</u>	<u>\$ 91.8</u>

**AAR CORP. AND SUBSIDIARIES**  
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*Geographic Data*

Sales by geographic region for the fiscal years ended May 31, 2025, 2024, and 2023 were as follows:

	For the Year Ended May 31,		
	2025	2024	2023
Parts Supply:			
North America . . . . .	\$ 631.6	\$532.1	\$493.3
Europe/Africa . . . . .	263.2	252.9	190.8
Asia . . . . .	166.1	146.4	108.9
Other . . . . .	38.7	35.6	25.4
	<u>\$1,099.6</u>	<u>\$967.0</u>	<u>\$818.4</u>
Repair & Engineering:			
North America . . . . .	\$ 715.8	\$572.1	\$488.6
Europe/Africa . . . . .	89.6	40.6	25.2
Asia . . . . .	75.8	24.6	12.0
Other . . . . .	3.7	2.8	7.6
	<u>\$ 884.9</u>	<u>\$640.1</u>	<u>\$533.4</u>
Integrated Solutions:			
North America . . . . .	\$ 581.3	\$536.0	\$461.7
Europe/Africa . . . . .	78.0	78.0	51.4
Other . . . . .	36.0	27.9	33.8
	<u>\$ 695.3</u>	<u>\$641.9</u>	<u>\$546.9</u>
Expeditionary Services:			
North America . . . . .	\$ 99.4	\$ 68.6	\$ 89.6
Other . . . . .	1.3	1.3	2.2
	<u>\$ 100.7</u>	<u>\$ 69.9</u>	<u>\$ 91.8</u>
		May 31,	
	2025	2024	
Long-lived assets:			
United States . . . . .	\$1,110.8	\$1,174.6	
Europe . . . . .	93.8	90.9	
Other . . . . .	129.4	114.9	
	<u>\$1,334.0</u>	<u>\$1,380.4</u>	

Sales to unaffiliated customers in foreign countries (including sales through foreign sales offices of domestic subsidiaries) were \$951.7 million (34.2% of sales), \$770.0 million (33.2% of sales), and \$588.6 million (29.6% of sales) in fiscal 2025, 2024, and 2023, respectively.



**AAR CORP. AND SUBSIDIARIES**  
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**18. Legal Proceedings and Other Matters**

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:

*Russian Bankruptcy Litigation*

During calendar years 2016 and 2017, certain subsidiaries of the Company purchased four engines from VIM-AVIA Airlines, LLC (“VIM-AVIA”), 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 (“Receiver”) and one of the major creditors of VIM-AVIA filed a clawback action in the Arbitration Court of the Russian Republic of Tartarstan (the “Russian Trial Court”) 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.

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. Further court proceedings and multiple appeals ensued in 2024 and 2025.

On September 26, 2023, the Russian Eleventh Arbitration Court of Appeal (the “Russian Appellate Court”) issued an order (i) affirming the Russian Trial Court’s adverse judgment against the Company relating to one of the four engines; (ii) reversing the Russian Trial Court’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.

Ultimately, on October 11, 2024, the Russian Court of Cassation issued a ruling that effectively affirmed (i) the \$1.8 million judgment against the Company relating to one of the four engines, and (ii) the dismissal of the Receiver’s clawback claims relating to the remaining three engines. On February 10, 2025, the Russian Supreme Court denied both the Company’s request and the Receiver’s request for review of the October 11, 2024 ruling. The \$1.8 million judgment against the Company is now final and not subject to further review in the Russian courts. The Receiver’s claims against the Company in the VIM / AVIA bankruptcy litigation have therefore been concluded and \$11.2 million liability was reversed in the third quarter of fiscal 2025.

The Company believes that the claims brought against it by the Receiver, and the resulting \$1.8 million judgment against it, were 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.

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 the judgment outside of Russia. The Company’s ability to satisfy the judgment, in whole or in part, may be restricted by the Company’s obligation to comply with U.S. trade restrictions likely applicable to undisclosed creditors of the VIM-AVIA bankruptcy estate. As of May 31, 2025, our Consolidated Balance Sheet included a liability for the matter, including accrued interest, of \$1.9 million classified as long-term in Other liabilities.

*Performance Guarantee*

In conjunction with the fiscal 2021 sale of our Composites business, we retained a performance guarantee to a customer of the Composites business (the “Customer”) under an existing contract providing flap track

**AAR CORP. AND SUBSIDIARIES**  
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fairings on the A220 aircraft (“A220 Contract”). 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.

In March 2022, the buyer of the Composites business (the “Buyer”) 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 Customer’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 Customer’s corresponding claim under the performance guarantee, we strongly disagree with the premise of the Customer’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 Customer’s claim under the performance guarantee will not have a material adverse effect on our operations, financial position and cash flows.

*Self-Reporting of Potential Foreign Corrupt Practices Act Violations*

As previously disclosed, in 2019, the Company retained outside counsel to investigate possible violations of the U.S. Foreign Corrupt Practices Act (the “FCPA”) relating to certain transactions in Nepal and South Africa and self-reported these matters to the U.S. Department of Justice (the “DoJ”), the SEC, and the U.K. Serious Fraud Office.

On December 19, 2024, after cooperating with the DoJ’s and SEC’s investigations, the Company resolved with the DoJ pursuant to a Non-Prosecution Agreement (“NPA”) and with the SEC pursuant to a Cease-and-Desist Order (the “SEC Order”), both dated December 19, 2024. Pursuant to the NPA, 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 NPA’s 18-month term.

In the second quarter of fiscal 2025, we recognized a charge for the \$55.6 million under the NPA and SEC Order.

*Enforcement Proceeding in Nepal*

As previously disclosed, the Company became aware via news reports that Nepal’s Commission for Investigation of Abuse of Authority (“CIAA”) 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 that the Company previously self-reported, 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.

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 lack appropriate due process protections.

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

**AAR CORP. AND SUBSIDIARIES**  
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against AAR International, Inc. purportedly carries a fine of approximately \$0.9 million as well as a prison sentence of 1.5 years. AAR understands that Mr. Holmes was not personally convicted, but because under Nepalese law it is the responsibility of the company's principal business executive to accept the sentence of the company, Mr. Holmes has been assigned the company'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 Company's operations, financial position, or cash flows. We recognized a liability for the \$0.9 million fine in the second quarter of fiscal 2025.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not Applicable.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Act”), as of May 31, 2025. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and 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 are effective as of May 31, 2025, ensuring that information required to be disclosed in the reports that are filed under the Act is recorded, processed, summarized and reported in a timely manner.

### **Management Report on Internal Control Over Financial Reporting**

Management of AAR CORP. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Act. The Company’s internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems which are determined to be effective provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer and oversight of the Board of Directors, assessed the effectiveness of our internal control over financial reporting as of May 31, 2025 based on the criteria for effective internal control over financial reporting described in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our assessment, management concluded that the Company maintained effective internal control over financial reporting as of May 31, 2025.

KPMG LLP, our independent registered public accounting firm, has issued a report on the effectiveness of our internal control over financial reporting. That report appears below.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in the Company’s internal control over financial reporting during the quarter ended May 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## **Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors  
AAR CORP.:

### *Opinion on Internal Control Over Financial Reporting*

We have audited AAR CORP. and subsidiaries (the Company) internal control over financial reporting as of May 31, 2025, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2025, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of May 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended May 31, 2025, and the related (collectively, the consolidated financial statements), and our report dated July 21, 2025 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chicago, Illinois  
July 21, 2025



## **ITEM 9B. OTHER INFORMATION**

During the three months ended May 31, 2025, none of our directors or “officers” (as defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” as such terms are defined under Item 408 of Regulation S-K.

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## **PART III**

## **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item regarding the Directors of the Company and nominees for election of the Board is incorporated by reference to the information contained under the caption “Information about Our Director Nominees and Our Continuing Directors” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

The information required by this item regarding the Executive Officers of the Company appears under the caption “Information about our Executive Officers” in Part I, Item 1 above.

The information required by this item regarding the identification of the Audit Committee as a separately-designated standing committee of the Board and the status of one or more members of the Audit Committee being an “audit committee financial expert” is incorporated by reference to the information contained under the caption “The Board’s Role and Responsibilities — Role and Responsibilities of the Board Committees” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

The information required by this item regarding our Code of Conduct applicable to our directors, officers and employees is incorporated by reference to the information contained under the caption “Board Practices and Policies — Code of Conduct” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

The information required by this item regarding our insider trading policy and procedures is incorporated by reference to the information contained under the caption “Insider Trading, Anti-Hedging and Anti-Pledging Policies” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

There have been no material changes to the procedures by which stockholders may recommend nominees to the Company’s board of directors. The information regarding these procedures is incorporated by reference to the information contained under the caption “Director Nominations and Qualifications” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference to the information contained under the captions “Executive Compensation” and “Director Compensation” of our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item regarding security ownership of certain beneficial owners and management is incorporated by reference to the information contained under the caption “Stock Ownership Information” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

The information required by this item regarding equity compensation plan information is incorporated by reference to the information contained under the caption “Equity Compensation Plan Information” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the information contained under the captions “Director Independence” and “Board Practices and Policies — Related Person Transaction Policy” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the information contained under the caption “Independent Registered Public Accounting Firm Fees and Services” in our definitive proxy statement for the 2025 Annual Meeting of Stockholders.

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

### (a) (1) Financial Statements

Our consolidated financial statements are as set forth under Item 8 of this report on Form 10-K.

### (a) (2) Financial Statement Schedules

All schedules are omitted because they are not applicable, not required, or the information is included in the consolidated financial statements.

### (a) (3) Exhibits

	Index		Exhibits
2.	Plan of Acquisition	2.1+	Securities and Asset Purchase Agreement by and among AAR CORP., Triumph Group, Inc., Triumph Aftermarket Services Group, LLC, Triumph Group Acquisition Corp., Triumph Group Acquisition Holdings, Inc., and Trident Group Operations, Inc., dated December 21, 2023 (incorporated by reference to Exhibit 2.1 to the Registrant’s Current Report on Form 8-K filed December 21, 2023)
3.	Articles of Incorporation and By-Laws	3.1	Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended May 31, 2004)
		3.2	By-Laws, as amended and restated through January 22, 2025 (incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K dated January 23, 2025)
4.	Instruments defining the rights of security holders	4.1	Restated Certificate of Incorporation (see Exhibit 3.1).
		4.2	By-Laws, as amended and restated through January 22, 2025 (See Exhibit 3.2).
		4.3	Description of Capital Stock (incorporated by reference to Exhibit 4.3 to the Registrant’s Annual Report on Form 10-K for the year ended May 31, 2022)
		4.4	Indenture providing for Issuance of Debt Securities between AAR CORP. as Issuer and U.S. Bank National Association, as Trustee dated as of December 1, 2010 (incorporated by reference to Exhibit 4.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended November 30, 2010)

	4.5	Indenture providing for Issuance of Subordinated Debt Securities between AAR CORP. as Issuer and U.S. Bank National Association, as Trustee dated as of December 1, 2010 (incorporated by reference to Exhibit 4.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 2010)
	4.6	Base Indenture, dated as of March 1, 2024, by and between the Escrow Issuer and the Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed March 1, 2024)
	4.7	Form of 6.750% Senior Note due 2029 (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed March 1, 2024)
	4.8	First Supplemental Indenture, dated as of March 1, 2024, by and among the Company, the Note Guarantors and the Trustee (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed March 1, 2024)
	4.9	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 (incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2024)
10. Material Contracts	10.1*	AAR CORP. Directors' Retirement Plan, dated April 14, 1992 (incorporated by reference to Exhibits to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 1992), amended May 26, 2000 (incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2000) and April 10, 2001 (incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001)
	10.2*	AAR CORP. Supplemental Key Employee Retirement Plan, as Amended and Restated effective July 13, 2020 (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2020)
	10.3*	First Amendment dated December 5, 2023 to AAR CORP. Supplemental Key Employee Retirement Plan, as Amended and Restated effective July 13, 2020 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 29, 2024)
	10.4*	AAR CORP. Nonemployee Directors' Deferred Compensation Plan, as Amended and Restated effective July 10, 2017 (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2019)
	10.5*	Form of Fiscal 2024 Director Restricted Stock Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2023)

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- |        |   |
|--------|---|
| 10.6*  | Form of Split Dollar Insurance Agreement (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2006)   |
| 10.7*  | Form of Directors' and Officers' Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 31, 2008)  |
| 10.8*  | AAR CORP. 2013 Stock Plan as amended and restated effective July 13, 2020 (reflecting amendments since July 13, 2020) (incorporated by reference to Appendix C to the Registrant's Proxy Statement filed on August 8, 2023)   |
| 10.9*  | Third Amendment to the AAR CORP. 2013 Stock Plan (as amended and restated effective July 13, 2020) dated March 19, 2024 (incorporated by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2024)   |
| 10.10* | Form of Severance and Change in Control Agreement (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2020)  |
| 10.11* | First Amendment to Form of Severance and Change in Control Agreement dated March 19, 2024 (incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2024)  |
| 10.12  | Credit Agreement dated December 14, 2022 among AAR CORP., Wells Fargo, N.A., as administrative agent, and the various financial institutions party thereto (incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2023)   |
| 10.13  | Revolver Amendment, dated as of March 1, 2024, by and among the Company, as borrower, the lenders from time to time party thereto and Wells Fargo Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 1, 2024)                                  |
| 10.14  | Amendment No. 2 to Credit Agreement, dated as of February 27, 2025, by and among AAR CORP., as borrower, the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2025) |
| 10.15  | Purchase Agreement dated February 23, 2018 by and among AAR CORP., as seller representative and servicer, the sellers time to time party thereto, and Citibank, N.A., as buyer (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 28, 2018)                                     |
| 10.16  | First Amendment to Purchase Agreement dated as of May 22, 2018 by and among AAR CORP., as seller representative and servicer, the sellers time to time party thereto, and Citibank, N.A., as buyer (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 25, 2018)                      |

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| 10.17  | Second Amendment to Purchase Agreement dated as of October 25, 2018 by and among AAR CORP., as seller representative and servicer, the sellers time to time party thereto, and Citibank, N.A., as buyer (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2020)   |
| 10.18  | Third Amendment to Purchase Agreement dated as of October 7, 2020 by and among AAR CORP., as seller representative and servicer, the sellers time to time party thereto, and Citibank, N.A., as buyer (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2020)   |
| 10.19  | Amendment dated December 23, 2021 to Purchase Agreement dated as of February 23, 2018 by and among AAR CORP., as seller representative and servicer, the sellers time to time party thereto, and Citibank, N.A., as buyer (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2022)   |
| 10.20  | 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 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2024)  |
| 10.21* | Post-Retirement Agreement dated May 24, 2018 between AAR CORP. and David P. Storch (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated May 25, 2018), as amended May 31, 2019 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated June 4, 2019), as amended July 11, 2019 (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2019), and as amended July 13, 2021 (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2021)) |
| 10.22* | Consulting Agreement between the Company and David P. Storch, dated September 20, 2022 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 31, 2022)   |
| 10.23* | Amended and Restated Employment Agreement dated as of May 24, 2018 between AAR CORP. and John M. Holmes (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated May 25, 2018)  |
| 10.24* | First Amendment to the Amended and Restated Employment Agreement dated as of July 30, 2020 between AAR CORP. and John M. Holmes (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2020)   |

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| 10.25* | Form of AAR CORP. Fiscal 2023 Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2022)  |
| 10.26* | Form of AAR CORP. Fiscal 2023 Restricted Stock Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2022)  |
| 10.27* | Form of AAR CORP. Fiscal 2023 Performance Restricted Stock Agreement (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2022)  |
| 10.28  | Payroll Support Agreement dated July 30, 2020 by and between AAR Aircraft Services, Inc., Aviation Maintenance Staffing, Inc., AAR Landing Gear LLC, and the United States Treasury (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated July 31, 2020) |
| 10.29* | Form of AAR CORP. Fiscal 2022 Special Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated March 25, 2022)   |
| 10.30* | Form of AAR CORP. Fiscal 2022 Special Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated March 25, 2022)   |
| 10.31* | Form of AAR CORP. Fiscal 2022 Special Restricted Stock Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated March 25, 2022)   |
| 10.32* | Form of AAR CORP. Fiscal 2024 Short-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2023)   |
| 10.33* | Form of AAR CORP. Fiscal 2024 Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2023)  |
| 10.34* | Form of AAR CORP. Fiscal 2024 Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2023)  |
| 10.35* | Form of AAR CORP. Fiscal 2024 Performance Restricted Stock Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2023)  |
| 10.36* | Form of Fiscal 2025 Director Restricted Stock Agreement (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2024)   |



Index	Exhibits
	<p>10.37* Form of AAR CORP. Fiscal 2025 Short-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2024)</p> <p>10.38* Form of AAR CORP. Fiscal 2025 Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2024)</p> <p>10.39* Form of AAR CORP. Fiscal 2025 Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2024)</p> <p>10.40* Form of AAR CORP. Fiscal 2025 Performance Restricted Stock Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2024)</p> <p>10.41* 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 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2024)</p> <p>10.42* Separation Agreement and Release by and between AAR CORP. and Tracey Patterson dated January 6, 2025 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2025)</p> <p>10.43* Form of Fiscal 2026 Director Restricted Stock Agreement (filed herewith)</p>
	<p>19. Insider Trading Policies and Procedures 19.1 AAR CORP. Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2024)</p>
	<p>21. Subsidiaries of the Registrant 21.1 Subsidiaries of AAR CORP. (filed herewith)</p>
	<p>23. Consents of experts and counsel 23.1 Consent of Independent Registered Public Accounting Firm (filed herewith)</p>
	<p>31. Rule 13a-14(a)/15d-14(a) Certifications 31.1 Section 302 Certification dated July 21, 2025 of John M. Holmes, Chairman, President and Chief Executive Officer of Registrant (filed herewith)</p> <p>31.2 Section 302 Certification dated July 21, 2025 of Sean M. Gillen, Senior Vice President and Chief Financial Officer of Registrant (filed herewith)</p>
	<p>32. Section 1350 Certifications 32.1 Section 906 Certification dated July 21, 2025 of John M. Holmes, Chairman, President and Chief Executive Officer of Registrant (furnished herewith)</p> <p>32.2 Section 906 Certification dated July 21, 2025 of Sean M. Gillen, Senior Vice President and Chief Financial Officer of Registrant (furnished herewith)</p>

<u>Index</u>		<u>Exhibits</u>
97.	Policy Relating to Recovery of Erroneously Awarded Compensation	97.1 AAR CORP. Compensation Recoupment Policy effective October 2, 2023 (incorporated by reference to Exhibit 97.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2024)
101.	Interactive Data File	101 The following materials from the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2025, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at May 31, 2025 and 2024, (ii) Consolidated Statements of Income for the fiscal years ended May 31, 2025, 2024, and 2023, (iii) Consolidated Statements of Comprehensive Income for fiscal years ended May 31, 2025, 2024, and 2023, (iv) Consolidated Statements of Cash Flows for the fiscal years ended May 31, 2025, 2024, and 2023, (v) Consolidated Statement of Changes in Equity for the three years ended May 31, 2025 and (vi) Notes to Consolidated Financial Statements.**
104.	Cover Page Interactive Data File	104 Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

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+ Excludes certain portions of the exhibit pursuant to Item 601(b)(10)(iv) of Regulation S-K. A copy of the omitted portions will be furnished to the Securities and Exchange Commission upon request.

++ Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant is not filing certain documents. The Registrant agrees to furnish a copy of each such document upon the request of the Commission.

\* Management contracts and compensatory arrangements.

\*\* 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 and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## **ITEM 16. FORM 10-K SUMMARY**

Not applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

**AAR CORP.**  
(Registrant)

Date: July 21, 2025

BY: /s/ JOHN M. HOLMES

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John M. Holmes

*Chairman, President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN M. HOLMES John M. Holmes	<i>Chairman, President and Chief Executive Officer (Principal Executive Officer)</i>	July 21, 2025
/s/ SEAN M. GILLEN Sean M. Gillen	<i>Senior Vice President and Chief Financial Officer (Principal Financial Officer)</i>	
/s/ ERIC S. PACHAPA Eric S. Pachapa	<i>Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)</i>	
/s/ MICHAEL R. BOYCE Michael R. Boyce	<i>Director</i>	
/s/ JOHN W. DIETRICH John W. Dietrich	<i>Director</i>	
/s/ JEFFREY N. EDWARDS Jeffrey N. Edwards	<i>Director</i>	
/s/ ROBERT F. LEDUC Robert F. Leduc	<i>Director</i>	
/s/ ELLEN M. LORD Ellen M. Lord	<i>Director</i>	
/s/ DUNCAN J. MCNABB Duncan J. McNabb	<i>Director</i>	
/s/ BILLY NOLEN Billy Nolen	<i>Director</i>	
/s/ PETER PACE Peter Pace	<i>Director</i>	
/s/ JENNIFER L. VOGEL Jennifer L. Vogel	<i>Director</i>	
/s/ HEMA WIDHANI Hema Widhani	<i>Director</i>	
/s/ MARC J. WALFISH Marc J. Walfish	<i>Director</i>	

**Americas**

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T: +44-0-118-932-8880  
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## Stockholder information

### Corporate headquarters

AAR CORP.  
1100 N. Wood Dale Rd.  
Wood Dale, IL 60191 USA  
T: +1-630-227-2000  
F: +1-630-227-2058  
aarcorp.com

### Transfer agent and registrar

Computershare Trust Company, N.A.  
Providence, RI

### Independent registered public accounting firm

KPMG LLP  
Chicago, IL

### Annual meeting of stockholders

The annual meeting of stockholders will be held at 9 a.m. (Chicago time) on Tuesday, September 16, 2025.

### Investor service program

AAR CORP. provides its stockholders the opportunity to purchase additional shares of common stock of the Company by automatic reinvestment of dividends and optional additional investments. Stockholders may obtain information regarding this plan by contacting the Corporate Secretary, AAR CORP., 1100 N. Wood Dale Rd., Wood Dale, IL 60191 USA.

### Ticker symbol

AAR CORP. stock is traded on the New York Stock Exchange and NYSE Texas under the ticker symbol AIR.

### Forward-looking statements

This Annual Report contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 related to management's expectations about future conditions. Actual business, market, or other conditions may differ materially from management's expectations and, accordingly, may affect our sales and profitability or other results and liquidity. Any forward-looking statements represent our views only as of July 25, 2025, and should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update any forward-looking statement. Actual results may differ materially due to various other factors, including those found in the "Risk Factors" section in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.





**60+** locations around the world

**40** countries with AAR team members

**6** continents served

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