

AAR Corp. (AIR)

\$86.18 (Stock Price as of 12/22/2025)

Price Target (6-12 Months): **\$87.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/29/25)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM: C

Value: C

Growth: F

Momentum: A

Summary

AAR Corp. continues to witness strong performance in its parts supply business, backed by growing commercial air travel and intensifying geopolitical tensions. Rising demand for aircraft maintenance, with MRO spending at record highs, has been boosting the company's Repair & Engineering business segment. It is currently involved in the airframe MRO facility expansions at its Oklahoma City and Miami MRO hangars. These expansions are projected to add 15% capacity to AAR's MRO network and approximately \$60 million to the company's annual sales. The company boasts a solid liquidity position. Its shares have outperformed the industry year-to-date. However, supply-chain issues can lead to production delays and a slowdown in AAR's deliveries of finished products. This may hurt the stock's operational performance.

Data Overview

52 Week High-Low	\$89.69 - \$46.51
20 Day Average Volume (sh)	385,562
Market Cap	\$3.2 B
YTD Price Change	35.0%
Beta	1.29
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Aerospace - Defense Equipment
Zacks Industry Rank	Top 34% (81 out of 243)

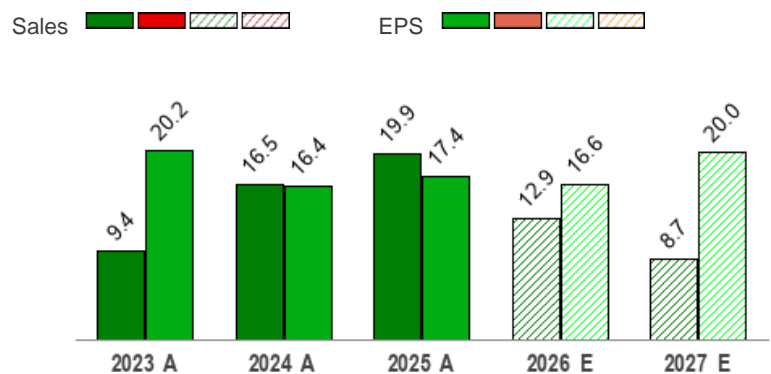
Last EPS Surprise	10.2%
Last Sales Surprise	7.9%
EPS F1 Est- 4 week change	3.5%
Expected Report Date	01/06/2026
Earnings ESP	0.0%

P/E TTM	20.9
P/E F1	18.3
PEG F1	1.0
P/S TTM	1.2

Price, Consensus & Surprise⁽¹⁾



Sales and EPS Growth Rates (Y/Y %)⁽¹⁾



Sales Estimates (millions of \$)⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2027					3,412 E
2026	740 A	767 E	803 E	864 E	3,139 E
2025	662 A	686 A	678 A	755 A	2,781 A

EPS Estimates⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2027					5.48 E
2026	1.08 A	1.02 E	1.09 E	1.26 E	4.72 E
2025	0.85 A	0.90 A	0.99 A	1.16 A	3.91 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/22/2025.

(2) The report's text and the price target are as of 11/26/2025.

Overview

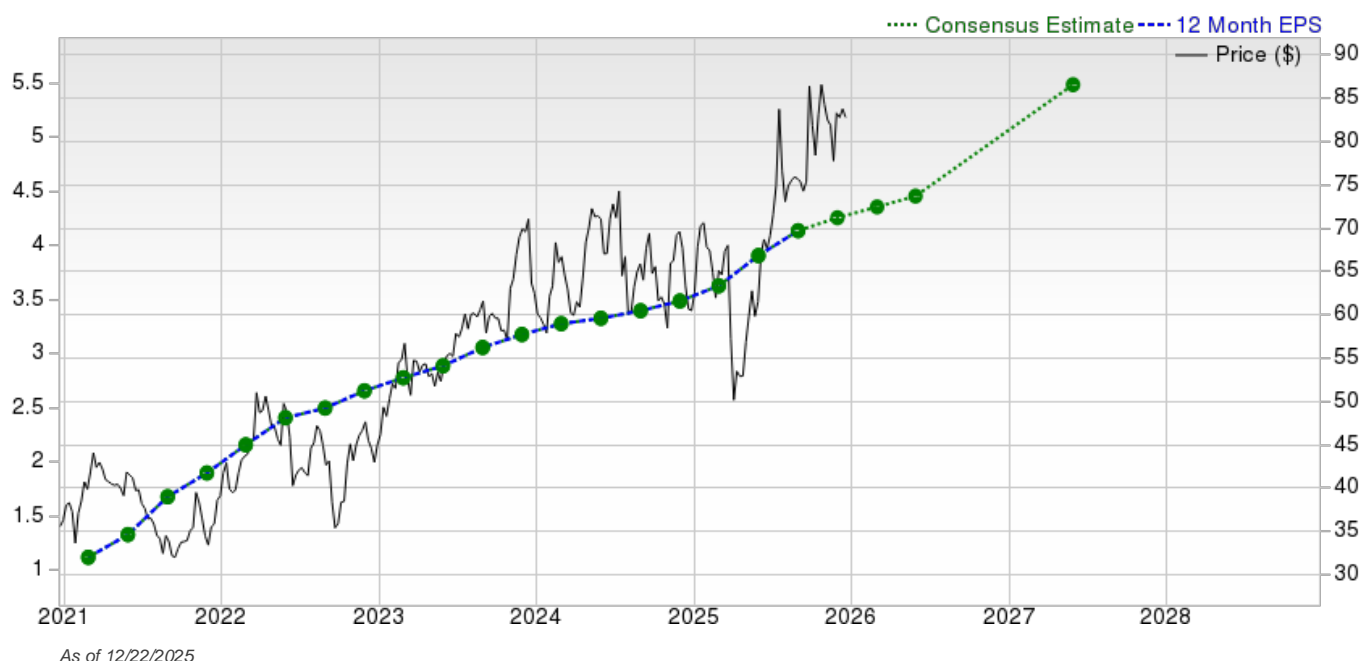
Wood Dale, IL-based AAR Corp., incorporated in the year 1951, provides various products and services to the aviation and defense industries worldwide. Its principal customers include The Boeing Company and Airbus. Currently, the company operates globally in more than 20 nations and reports through four operating segments – Parts Supply, Repair & Engineering, Integrated Solutions and Expeditionary Services.

The Parts Supply segment primarily consists of AAR Corp.'s sales of used serviceable engine and airframe parts and components and distribution of new parts. Segment sales in fiscal 2025 accounted for 39.5% of the company's total sales.

Its Repair & Engineering segment provides airframe maintenance, component repair, and landing gear overhaul services. This segment accounted for approximately 31.8% of AAR Corp.'s total sales in fiscal 2025.

The Integrated Solutions segment primarily consists of AAR Corp.'s 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. This segment accounted for approximately 25% of the company's total sales in fiscal 2025.

The Expeditionary Services segment is involved in the design, manufacture, and repair of transportation pallets and a wide variety of containers and shelters used in support of military and humanitarian tactical deployment activities. Sales during fiscal 2025 contributed 3.6% to the company's total sales.



Reasons To Buy:

▲ Thanks to rapidly growing air travel demand in recent times, AAR continues to witness strong performance in its Parts Supply business, which includes sales of both used serviceable material (USM) and distribution of new parts. Increasing procurement of defense technologies amid growing global geopolitical tension has also been driving growth for this business. Evidently, during the fiscal first quarter, the company witnessed a solid increase of 20.9% in sales to commercial customers and 61.1% in sales to government and defense customers for its Parts Supply business. The company has recently further expanded its new parts distribution capabilities through a multiyear exclusive distribution agreement with AmSafe Bridport, a TransDigm company, and has become the exclusive KC-46 and C-40 platform distributor to the global defense and military aftermarket.

Solid performance from its parts supply program to boost AAR Corp's top line. Recent contract wins should also bode well for the stock.

Looking ahead, air passenger traffic will grow 5.8% year over year in 2025, as predicted by the International Air Transport Association ("IATA") in its June 2025 outlook. On the other hand, growth prospects of the global defense spending trend also remain robust, with NATO members recently having heightened their spending threshold in defense to 5% of GDP. Such projections should bolster growth opportunities for AAR's Parts Supply business in the near future.

▲ The commercial aerospace industry has been lately witnessing a solid increase in the utilization of existing aircraft, which, in turn, has been driving the demand for aircraft maintenance, with MRO spending reaching record levels. This, in turn, has been benefiting AAR Corp., particularly its Repair & Engineering segment, which offers MRO services for aircraft airframes and components. Notably, during the fiscal first quarter, its Repair & Engineering segment registered an organic sales improvement of 8% backed by strong demand for its airframe MRO activities and the company's steady efforts to drive efficiency to increase throughput.

To further enhance its MRO capabilities, the company is currently involved in the airframe MRO facility expansions at its Oklahoma City and Miami MRO hangars. On being operational next year, these expansions are projected to add 15% capacity to AAR's MRO network and approximately \$60 million to the company's annual sales.

▲ To further enhance its growth, AAR Corp. also follows a disciplined acquisition strategy. In the fiscal first quarter, the company completed the acquisition of Aerostrat, which should strengthen its software portfolio and the enterprise resource planning system (ERP) capabilities of AAR Corp.'s Trax subsidiary. In November 2025, the company acquired HAECO Americas from HAECO Group for \$78 million, immediately expanding its maintenance footprint and advancing its strategy to grow the Repair & Engineering segment. Additionally, in June 2025, Delta TechOps selected its aviation maintenance software subsidiary, Trax, to replace its legacy maintenance and engineering systems with Trax's eMRO and eMobility solutions. Earlier, in April, Amerijet International Airlines, selected Trax to enhance its maintenance operations and support its digital transformation journey. In the same month, it was also announced that Trax will fully digitalize the MRO platform of SIA Engineering Company's state-of-the-art heavy maintenance facility in Malaysia. These announcements are indicative of the solid demand that AAR Corp.'s MRO business enjoys in the global MRO service market.

▲ As of Aug. 31, 2025, AAR's cash and cash equivalents amounted to \$80 million. Its long-term debt totaled \$1.02 billion at the end of first-quarter fiscal 2026. Its cash and cash equivalents were considerably lower than its long-term debt level. However, its current debt is nil. Hence, we can safely conclude that the stock holds a strong liquidity position.

Moreover, the company's current ratio as of Aug. 31, 2025, was 2.91, which being more than 1 indicates that this utility has sufficient capital in hand to meet its short-term obligations. Moreover, its interest coverage ratio improved sequentially to 1.8. Such favorable financial ratios make one further optimistic about AAR's financial position. This might have led the company to outperform its industry lately. Shares of AAR have gained 34.6% year-to-date compared with the industry's 19.4% growth.

Reasons To Sell:

▼ AAR Corp. sells certain of its products and services to commercial, government and defense customers under firm contracts providing for fixed unit prices, regardless of costs incurred by the company. 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. Especially following the implementation of heightened tariffs by the U.S. administration on import of goods from all its trading partners might put additional pressure on cost of raw materials used to manufacture aerospace-defense products. Increased costs may result in cost overruns and losses from such contracts, which could adversely affect its results of operations and financial condition.

Supply chain issues plaguing the aerospace sector and the shortage of labor remain concern for AAR Corp.'s investors

▼ Although the commercial aerospace market has been benefiting from steady growth in air travel in recent times, supply-chain issues remain a major headwind for the global aerospace sector. With severe supply-chain issues expected to remain a major challenge for commercial aviation industry in 2025 as well, disruptions arising from that can lead to significant delays in obtaining raw materials to build aircraft parts like those made by AAR Corp. This, in turn, may cause production delays and thereby a slowdown in deliveries of finished products, leading to slow cash flow for parts suppliers like AAR Corp.

To this end, it is imperative to mention that the company's used serviceable aircraft engine and airframe material (USM) business has been witnessing a modest growth over the past few quarters, owing to constraints in asset availability. Supply-chain disruptions have likely contributed to the limited availability of critical assets and raw materials essential for USM parts.

▼ The shortage of labor continues to pose a threat for industry players like AAR Corp. Notably, as per the 2025 Workforce Study report released by the Aerospace Industries Association ("AIA"), in collaboration with McKinsey, the aging talent base, where nearly a quarter of the workforce is over 55, poses a retirement wave risk and a sudden deficit in critical institutional knowledge for the aerospace-defense industry. High early-career attrition has been exacerbating this issue, as the employees in younger age demographics who comprise the bulk of the manufacturing and engineering workforce are the most likely to leave the aerospace and defense sector for higher-paying jobs with greater workplace flexibility in other industries.

Last Earnings Report

AAR Q1 Earnings Beat Estimates, Sales Increase Year Over Year

AAR Corp. reported first-quarter fiscal 2026 adjusted earnings of \$1.08 per share, which topped the Zacks Consensus Estimate of 98 cents by 10.2%. The bottom line also improved 27.1% from the year-ago quarter's level of 85 cents.

The company reported GAAP earnings of 95 cents per share compared with 50 cents in the prior-year quarter.

The year-over-year improvement in the bottom line can be attributed to strong sales growth and lower selling, general and administrative expenses.

AIR's Total Sales

In the quarter under review, AAR generated net sales of \$739.6 million. The reported figure beat the Zacks Consensus Estimate of \$686 million by 7.9%. The figure also increased 11.8% from \$661.7 million recorded in the year-ago quarter.

The year-over-year improvement can be attributed to the double-digit growth across both aftermarket parts trading and new parts distribution within the company's Parts Supply segment.

AAR: Segment Details

In the fiscal first quarter, sales in the Parts Supply segment totaled \$317.8 million, up 27.3% year over year.

Repair & engineering reported sales of \$214.6 million, down 1.4% from the prior-year period's level.

Integrated solutions sales amounted to \$185 million, up 9.5% from the year-ago quarter's reported number.

Expeditionary Services recorded sales of \$22.2 million, down 12.9% year over year.

AIR's Operational Update

AIR's adjusted operating margin increased from 9.1% to 9.7%, driven by higher volume and profitability in new parts distribution activities.

Selling, general and administrative expenses amounted to \$71.2 million compared with \$75.9 million a year ago.

Net interest expenses for the quarter totaled \$18.5 million compared with \$18.3 million in the year-ago period.

Financial Details of AAR

As of Aug. 31, 2025, AAR's cash and cash equivalents amounted to \$80 million compared with \$96.5 million as of May 31, 2025.

The company's long-term debt totaled \$1.02 billion as of Aug. 31, 2025, up from \$0.97 billion as of May 31, 2025.

In the first three months of fiscal 2026, net cash used from operating activities was \$44.9 million compared with net cash used of \$18.6 million in the year-ago period.

FY Quarter Ending 5/31/2025

Earnings Reporting Date	Sep 23, 2025
Sales Surprise	7.86%
EPS Surprise	10.20%
Quarterly EPS	1.08
Annual EPS (TTM)	4.13

Valuation

AAR Corp.'s shares are up 34.6% in the year-to-date period and 19.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 19.4%, whereas the Zacks Aerospace sector is up 23.5% in the year-to-date period. Over the past year, the Zacks sub-industry is up 12% and the sector is up 16.1%.

The S&P 500 index is up 16.5% in the year-to-date period and 14.8% in the past year.

The stock is currently trading at 16.5X forward 12-earnings, which compares with 42.68X for the Zacks sub-industry, 31.53X for the Zacks sector and 23.15X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.8X and as low as 10.95X, with a 5-year median of 15.75X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$87 price target reflects 17.4X forward 12-earnings.

The table below shows summary valuation data for AIR.

Valuation Multiples - AIR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.5	42.68	31.53	23.15
	5-Year High	32.8	51.15	34.5	23.81
	5-Year Low	10.95	24.78	18.42	15.73
	5-Year Median	15.75	35.31	24.32	21.21
P/S F12M	Current	0.99	9.23	2.61	5.23
	5-Year High	1.08	10.1	2.76	5.5
	5-Year Low	0.55	3.81	1.23	3.83
	5-Year Median	0.84	6.02	1.67	5.04
EV/EBITDA TTM	Current	10.18	64.81	28.01	18.25
	5-Year High	15.29	72.97	31.29	22.4
	5-Year Low	7.75	26.09	12.78	13.87
	5-Year Median	11.67	42.98	21.16	17.95

As of 11/25/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 36% (87 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Curtiss-Wright Corpo...(CW)	Neutral	2
Leonardo DRS, Inc. (DRS)	Neutral	4
Heico Corporation (HEI)	Neutral	3
Hexcel Corporation (HXL)	Neutral	3
Moog Inc. (MOG.A)	Neutral	2
Teledyne Technologie...(TDY)	Neutral	3
Woodward, Inc. (WWD)	Neutral	2
FTAI Aviation Ltd. (FTAI)	Underperform	5

Industry Comparison⁽¹⁾ Industry: Aerospace - Defense Equipment

	AIR	X Industry	S&P 500	DRS	HEI	HXL
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	4	2	3
VGM Score	C	-	-	B	C	D
Market Cap	3.23 B	7.80 B	38.78 B	8.95 B	45.47 B	5.93 B
# of Analysts	2	3	22	5	8	8
Dividend Yield	0.00%	0.00%	1.39%	1.07%	0.07%	0.91%
Value Score	C	-	-	D	D	D
Cash/Price	0.03	0.03	0.04	0.03	0.01	0.02
EV/EBITDA	24.20	25.38	14.61	23.85	47.55	21.26
PEG Ratio	0.99	2.35	2.19	1.93	3.21	2.56
Price/Book (P/B)	2.39	4.36	3.32	3.38	10.80	3.79
Price/Cash Flow (P/CF)	15.13	29.36	15.20	26.16	65.77	20.61
P/E (F1)	18.01	37.28	19.70	30.75	60.73	42.40
Price/Sales (P/S)	1.13	3.42	3.10	2.51	10.14	3.16
Earnings Yield	5.71%	2.40%	5.07%	3.24%	1.65%	2.36%
Debt/Equity	0.82	0.27	0.56	0.12	0.58	0.48
Cash Flow (\$/share)	5.47	1.87	8.99	1.29	4.97	3.62
Growth Score	F	-	-	B	B	C
Hist. EPS Growth (3-5 yrs)	27.44%	19.52%	8.16%	46.32%	21.32%	53.00%
Proj. EPS Growth (F1/F0)	20.72%	19.68%	8.50%	17.20%	9.80%	-13.30%
Curr. Cash Flow Growth	23.68%	17.55%	6.86%	21.86%	24.19%	4.53%
Hist. Cash Flow Growth (3-5 yrs)	10.67%	8.00%	7.43%	245.64%	11.53%	-8.07%
Current Ratio	2.91	2.86	1.19	2.00	3.35	2.75
Debt/Capital	45.00%	22.70%	38.01%	10.96%	40.62%	32.60%
Net Margin	1.01%	6.97%	12.78%	7.43%	15.39%	3.67%
Return on Equity	12.29%	11.11%	17.00%	11.37%	17.18%	9.25%
Sales/Assets	1.00	0.66	0.53	0.86	0.55	0.68
Proj. Sales Growth (F1/F0)	12.90%	7.79%	5.81%	10.80%	8.80%	-1.10%
Momentum Score	A	-	-	A	C	D
Daily Price Chg	1.01%	1.61%	0.88%	1.42%	5.81%	1.59%
1 Week Price Chg	-1.16%	0.60%	0.10%	-2.38%	5.21%	2.03%
4 Week Price Chg	6.46%	7.64%	3.51%	1.20%	7.73%	2.74%
12 Week Price Chg	-4.20%	0.00%	2.87%	-23.44%	1.99%	17.61%
52 Week Price Chg	36.55%	48.15%	15.24%	2.00%	36.72%	19.19%
20 Day Average Volume	385,562	322,304	3,013,825	831,716	421,678	1,186,344
(F1) EPS Est 1 week change	3.51%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	3.51%	0.00%	0.00%	0.14%	0.05%	0.00%
(F1) EPS Est 12 week change	6.51%	0.67%	0.69%	-1.44%	2.11%	-8.43%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.54%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	F
Momentum Score	A
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless otherwise indicated in the report's first-page footnote. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts' personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts' compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.