

Research Note

Investors should consider this report as only a single factor in making their investment decision.

Air Industries Group

Speculative Buy

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April 21, 2025

AIRI \$3.15 — (NYSE MKT)

	<u>2023A</u>	<u>2024A</u>	<u>2025E</u>	<u>2026E</u>
Sales (millions)	\$51.5	\$55.1	\$57.1	\$59.9
Earnings (loss) per share	(\$0.65)	(\$0.39)	(\$0.23)	\$0.09

52-Week range	\$9.44 – \$3.00	Fiscal year ends:	December
Common shares out as/of 4/9/25	3.7 million	Revenue per share (TTM)	\$15.63
Approximate float	2.8 million	Price/Sales (TTM)	0.2X
Market capitalization	\$11.7 million	Price/Sales (2026)E	0.2X
Tangible book value/share	\$4.30	Price/Earnings (TTM)	NMF
Price/tangible book value	0.7X	Price/Earnings (2026)E	35.0X

All per share amount reflect the 1 for 10 reverse stock split effective October 17, 2022

Air Industries Group, headquartered in Bay Shore, New York, operates primarily in the aerospace and defense industry. The company designs and manufactures structural parts and assemblies, including landing gear, arresting gear, engine mounts, flight controls, throttle quadrants, components for jet engines, and other aerospace components. (www.airindustriessgroup.com)

Key investment considerations:

Maintaining our Speculative Buy rating but reducing our twelve-month price target to \$6.50 per share from \$7.75 per share due primarily to an increased risk profile, partly offset by a higher sector valuation.

Air Industries is posed to experience customer and program growth as it deepens longstanding customer relationships and gain new domestic and international customer. Entering 2025, the funded backlog increased to approximately \$118 million from \$85.7 million entering 2024.

In 3Q24, AIRI announced it received a \$110 million, 7-year contract for the production of Thrust Struts used in the Geared Turbo-Fan. From December 2024 to March 11, 2025, 6 major new long-term agreements were signed for approximately \$60 million of new business spread over 4 aircraft platforms and 4 customers. These agreements support our anticipated EBITDA growth forecast through our forecast period.

The company has positioned itself to leverage customer orders since it has made significant investments over the past few years in new equipment, refined its delivery processes, and elevated customer service.

AIRI reported (on 4-15-25) a 4Q24 loss of (\$0.15) per share on sales of \$14.9 million. In 4Q23, sales were \$13.5 million and EPS of \$0.06 per share. We projected EPS of \$0.02 on sales of \$14 million.

For 2025, we project a loss of (\$0.23) on 3.5% sales growth to \$57.1 million. We previously forecast a loss of (\$0.07) per share on sales of \$55 million. Our revised forecast reflects improved sales growth along with higher than anticipated operating expenses in order to support sales and backlog growth.

For 2026, we project EPS \$0.09 on 5% sales growth to \$59.9 million. Our forecast reflects sustained sales growth driven by a growing backlog, gross margin improvement to 18.9% from an estimated 17.4% in 2025, as well as operating expense margin improving to 15.3% from an estimated 15.6% in 2024.

****Please view our disclosures on pages 11 - 13.***

Recommendation and Valuation

Maintaining our Speculative Buy rating but reducing our twelve-month price target to \$6.50 per share from \$7.75 per share due primarily to an increased risk profile, partly offset by a higher sector valuation.

Our rating reflects Air Industries positioning itself to leverage customer order flow since it has made significant investments over the past few years in new equipment, refined delivery processes, and elevated customer service. We anticipate the company should begin to experience customer and program growth as it continues to deepen longstanding customer relationships and gain new domestic and international customer. Entering 2025, the funded backlog increased to approximately \$118 million compared to \$85.7 million entering 2024.

In August 2024, AIRI announced it received a \$110 million, 7-year contract for the production of Thrust Struts used in the Geared Turbo-Fan. This brings the company's funded and unfunded backlog (combined) to over \$220 million. **From December 2024 to March 11, 2025**, 6 major new long-term agreements were signed for approximately \$60 million of new business spread over 4 aircraft platforms and 4 customers.

Our 12-month price target of \$6.50 per share implies shares could more than double over the next twelve months. Shares of AIRI trade at a twelve-month trailing price-to-EBITDA multiple of 3.9X (prior was 3.4X) while the aerospace and defense industry peers with market capitalizations under \$75 million are trading at a twelve-month trailing multiple of 9.2X EBITDA (prior was 8.8X). We anticipate investors are likely to apply a multiple approaching that of the industry. We applied a multiple of 8.1X (prior was 7.9X) to our 2026 EBITDA per share projection of \$1.26, discounted for execution and financial risks and potential dilution, to obtain a year ahead value of approximately \$6.50 per share.

AIRI valuation improvement is contingent upon sales growth and growing operating income, as well as increasing cash earnings and EBITDA. For 2026, we forecast sales growth of 5% and operating income of \$2.2 million compared to estimated operating income of \$1 million in 2025. In 2024, operating income was \$459,000 in 2024. In 2026, we anticipate cash earnings of \$4.4 million compared to an estimated \$3.2 million in 2025. In 2024, cash earnings were \$2.4 million. In 2026, EBITDA should reach \$54.7 million, up from an estimated \$3.6 million in 2025. In 2024, EBITDA was \$2.8 million.

We believe Air Industries Group is most suitable for high risk tolerant investors seeking exposure to an emerging growth company in the aerospace industry.

Business Overview

Air Industries Group, headquartered in Bay Shore, New York, designs and manufactures structural parts and assemblies that focus on flight safety, including landing gear, arresting gear, engine mounts, flight controls, throttle quadrants, components for jet engines and other components.

The company conducts its operations through the following wholly-owned subsidiaries: Air Industries Machining (AIM); Nassau Tool Works (NTW); and The Sterling Engineering Corporation (Sterling). AIM and NTW comprise the company's Complex Machining segment and Sterling represents Turbine Engine Components.

AIRI's products are deployed on a wide range of military and commercial aircraft including Sikorsky's UH-60 Black Hawk, Lockheed Martin's F-35 Joint Strike Fighter, Northrop Grumman's E2 Hawkeye, Boeing's 777, Airbus' 380 commercial airliners, the US Navy F-18 and USAF F-16 fighter aircraft. The Turbine Engine sector makes components for jet engines that are used on the USAF F-15, the Airbus A-330 and A-380, and the Boeing 777, in addition to a number of ground turbine applications.

Many of the company's products influence critical aspects of aircraft performance. Air Industries is required to have advanced certifications for these products as a condition to being a supplier. Many of these products are subject to wear and tear or fatigue and are routinely replaced on aircraft at a time of service or flight cycle basis. Replacement demand should continue so long as an aircraft remains in service.

Projections

AIRI faced significant supply chain disruptions affecting the availability of raw materials in 2023 and by August 2024, the company announced supply chain disruptions were gone so the expectation is to see continued gross margin improvement during our forecast period, as global tariff issued that began in 2025 are unlikely to have a major impact on operations.

Entering 2025, the funded backlog was approximately \$118 million with total backlog (includes unfunded project) of approximately \$250 million. In August 2024, AIRI announced it received a \$110 million, 7-year contract for the production of Thrust Struts used in the Geared Turbo-Fan. AIRI has made significant capital investments in the past two years in an effort to improve its manufacturing efficiency and shorten production times. Supporting our forecasts should be the addition of a new \$1.2 million high-tech machine tool installed at its Sterling subsidiary and other machine investments to modernize them, which should expand internal capabilities, improve operating efficiencies, as well as product throughput. The company has previously acknowledged that when new customer programs begin gross margins are likely to be negatively impacted until significant throughput of the products for those programs occur. Since we expect only some new programs to begin periodically during our forecast period, gross margins are likely to vary quarter-to-quarter, but trending better than previously anticipated. We forecast gross margin of 17.4% and 18.9%, in 2025 and 2026, respectively, up from 16.2% in 2024.

As of December 31, 2024, AIRI had a federal net operating loss carry forward of approximately \$21.8 million and operating loss carryforwards from various states of approximately \$4.7 million. Therefore, we are not anticipated the company paying or recording any taxes on its income statement.

2025 Forecast

We project a 3.5% increase in sales to \$57.1 million (prior was \$55 million) and a net loss of \$850,000 or (\$0.23) per share (prior was a net loss of \$261,000 or (\$0.07) per share). Our net sales forecast reflects guidance issued in April 2025 that operations should show improvement compared to 2024 results. The overall revenue level should be supported by purchase orders from long-standing and new customers, as well as a growing funded backlog that includes the new 7-year \$110 million Thrust Struts contract received in August 2024, and virtually no constraints with regard to the procurement of raw materials needed to complete the manufacturing process. We project gross margins improving to 17.4% from 16.2% in 2024. Gross margin improvement should reflect increased manufacturing efficiencies and ability to pass along the cost of tariffs if they were to impact the procurement of raw materials.

We forecast operating (SG&A) expenses increasing to \$8.9 million from nearly \$8.5 million in 2024 to support sales growth. We anticipate operating income increasing to \$1 million from \$459,000 in 2024. The increase in our operating income forecast reflects sales growth and gross margin expansion, partly offset by operating expense margin increasing to 15.6% from 15.4% in 2024. Interest and financing costs should be flat at \$1.9 million.

We project \$4.7 million cash from operations on cash earnings of \$3.2 million and a decrease in working capital of \$1.6 million. Cash from operations is unlikely to cover capital expenditures and debt repayments. Cash could decrease by \$111,000 to \$642,000 by the end of 2025.

2026 Forecast

We project a 5% increase in sales to \$59.9 million and net income of \$355,000 or \$0.09 per share. Our net sales forecast reflects a normalized growth pattern driven by purchase orders from long-standing and new customers, as well as a growing funded backlog that includes the new 7-year \$110 million Thrust Struts contract, and virtually no constraints with regard to the procurement of raw materials needed to complete the manufacturing process. We project gross margins improving to 18.9% from an estimated 17.4% in 2025. Gross margin improvement should reflect increased manufacturing efficiencies and higher throughput.

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We forecast operating (SG&A) expenses increasing to \$9.2 million from an estimated \$8.9 million in 2025 to support sales growth. We anticipate operating income increasing to \$2.2 million from an estimated \$1 million for 2025. The increase in our operating income forecast reflects sales growth, gross margin expansion, and operating expense margin improving to 15.3% from an estimated 15.6% in 2025. Interest and financing costs should decrease to \$1.8 million from an estimated \$1.9 million.

We project \$4.8 million cash from operations on cash earnings of \$4.4 million and a decrease in working capital of \$368,000. Cash from operations is unlikely to cover capital expenditures and debt repayments. Cash could decrease by \$296,000 to \$346,000 by the end of 2026.

2024 Results

2024

Total net sales increased 7% to \$55.1 million from \$51.5 million in 2023. AIRI reported a net loss of \$1.4 million or (\$0.39) per share versus a net loss of \$2.1 million or (\$0.65) per share in the year-ago period. We projected a net loss of \$727,000 or (\$0.21) per share on sales of \$54.2 million.

The increase in revenue was due primarily to the company's enhanced sales and marketing initiatives that help drive higher shipment volumes from an expanded backlog. Additionally, there have been changes in customer mix and production requirements for other key platforms and programs.

Gross profit increased by 20.2% to \$8.9 million from \$7.4 million last year. The improvement reflects sales growth and gross margin increasing to 16.2% from 14.4% 2023. Gross margin improvement reflects changes in sales across major platforms, shifts in product mix, and overall operating efficiencies.

Operating (SG&A) expenses increased 9.7% to nearly \$8.5 million from \$7.7 million in 2023. The increase in operating expenses reflects higher professional fees and costs associated with the improvement of the company's information technology system and hardening cyber-security protection, as well as a \$315,000 increase in non-cash stock-based compensation expense.

Interest and financing expense decreased \$27,000 to \$1.9 million reflecting a lower average debt balance, nearly offset by a higher average interest rate of 7.66% compared to 7.55% in 2023.

4Q24

Total net sales increased 10.8% to \$14.9 million from \$13.5 million in 4Q23. AIRI reported a net loss of \$554,000 or (\$0.15) per share versus net income of \$181,000 or \$0.06 per share in the year-ago period.

The increase in revenue was primarily due to changes in the mix of products requested by customers. The variability in product mix and related platforms and programs are attributable to customer requirements, availability of parts, production capacity, and timing.

Gross profit increased by 13.5% to \$2.4 million from nearly \$2.2 million due to sales growth and gross margin improving to 16.4% from 16% in the year-ago period.

Operating expenses increased by \$979,000 to \$2.5 million in 4Q23. The increase in operating expenses reflects costs associated with the continued improvement of information technology systems and hardening cyber-security defenses, as well as higher non-cash stock-based compensation expense.

Interest and financing expense increased to \$475,000 from \$448,000 last year stemming from higher average debt balances and higher interest rates.

Liquidity – As of December 31, 2024, AIRI had \$753,000 in cash. Total debt was approximately \$26.3million (of which \$18.4 million is classified as current) for a debt/equity ratio (total liabilities/total equity) of 2.4X.

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In 2024, cash from operations was \$324,000 consisting of \$2.4 million in cash earnings and a \$2.1 million increase in working capital. Cash used in investing was \$2.3 million consisting primarily of capital expenditures. Cash provided by financing was \$2.4 million. Cash increased by \$407,000 to \$753,000 at December 31, 2024.

On December 31, 2019, AIRI entered into a loan facility with Webster Bank that expires on December 30, 2025. The loan facility currently provides for a \$20 million revolving loan and a \$5.7 million term loan.

As of December 31, 2024, total debt outstanding to Webster Bank was \$18.1 million consisting of a \$12.9 million revolving credit loan and a term loan in the amount of \$5.2 million. Other debt obligations include \$1 million finance lease obligations, and \$970,000 solar credit facility. All advances under the Webster Bank facility bear interest at a rate that is more than 3.5% annually, or the Prime Rate less 65 basis points (was 7.66% in 2024). At December 31, 2024, the company was in compliance with the terms of its current credit facility which matures December 30, 2025.

As of December 31, 2024, a loan payable related to financed assets totaled \$14,000, and related party notes payable (to Michael Taglich, President of Taglich Brothers, Inc. and Director of AIRI, and Robert Taglich, Managing Director of Taglich Brothers, Inc. and a Director of AIRI) totaled \$6.2 million.

The related party notes payable remain subordinate to the Webster facility and are due on July 1, 2026. Approximately \$2.7 million of the related party notes can be converted at the option of the holder into common stock of the company at \$15.00 per share, while the remaining \$2.1 million can be converted at the option of the holder into common stock of the company at \$9.30 per share.

Under the eighth amendment to the current credit facility, AIRI is allowed to make principal payments of up to \$4.8 million. In 1Q25, the company paid nearly \$1.3 million of principal payments, of which nearly \$1.1 million was paid to Michael Taglich of Taglich Brothers, Inc.

Risks

In our view, these are the principal risks underlying the stock.

Going concern – While the company was in compliance with its credit facility covenants as of December 31, 2024, there is no assurance that it will be able to meet its financial covenants in one of the upcoming fiscal quarters over the next twelve months, therefore, the entire term loan has been classified as short term. However, since the company regained compliance after the sixth amendment as of December 31, 2023 obtained a seventh amendment in May 2024, navigating the business landscape poses significant challenges and ensuring covenant compliance is likely to be extremely difficult. The business landscape includes dealing with supply chain timing, implementation of tariffs, and cuts in federal government spending that could diminish growth opportunities.

It is important to note that the company has failed to meet its covenants, as amended, during four out of the last seven quarters. Air Industries is required to maintain a collection account with Webster Bank into which substantially all its cash receipts are remitted. If Webster Bank were to cease lending and keep the funds remitted to the collection account, AIRI would lack the funds to continue its operations as a going concern.

Dilution - Sales or issuances of the company's common stock, including stock issued upon conversion of outstanding convertible notes, and/or upon exercise of outstanding warrants and options, or as part of future financings or acquisitions, would be substantially dilutive to the outstanding shares of common stock. Any of these action would dilute existing shareholders exiting ownership interest in the company and/or could cause the share price to decrease.

Supply chain – Tariffs – Political instability globally, as well as prior economic disruptions have adversely affected how AIRI's customers and suppliers operate their businesses and disrupted supply chains in various industries. This also includes the 2025 implementation tariffs by the US and between its trade partners, which cause prices of raw materials used in AIRI's manufacturing processes. The duration and extent to which this will

impact the company's future results of operations and overall financial performance remains uncertain. Supply chain issues, which have eased in 2024, could reemerge anytime. While the impact of tariffs are unknown. The reemergence of supply chain issues and negative impact of tariffs would most likely constrain the company's ability to produce and ship products to customers on a regular basis, thus negatively impacting future results.

International conflicts - The invasion of Ukraine by the Russian Federation had an immediate impact on the global economy resulting in higher prices for oil and other commodities. The US, United Kingdom, European Union and other countries responded to Russia's invasion of Ukraine by imposing various economic sanctions and bans. Russia has responded with its own retaliatory measures which has impacted the availability and price of certain raw materials. The invasion and retaliatory measures also disrupted economic markets. There can be no assurance that Russia's invasion of Ukraine and conflicts in the Middle East and future responses or escalations will not further disrupt the global economy and supply chain.

Reliance on government spending - AIRI's sales are primarily derived from products for US military aviation. Reductions in US Government spending on defense or future changes in the mix of defense products required by US Government agencies could limit demand for the company's products, and could adversely impact AIRI's financial results.

Reliance on a small number of customers – Air Industries derives most of its revenues from a small number of customers. In 2024, three customers accounted for 72.7% of net sales compared to four customers accounting for 69.8% in 2023. The loss of one or more of the company's largest customers will likely have a materially adverse impact on AIRI's financial results.

Reliance on a few aircraft platforms – AIRI derives most of its revenues from components for a few aircraft platforms, specifically the Sikorsky BlackHawk helicopter, the Northrop Grumman E-2 Hawkeye naval aircraft, the F-18 Hornet and the Pratt & Whitney Geared TurboFan Jet engine. A reduction in the production of new aircraft or a reduction in the use of existing aircraft in the fleet (reducing after-market demand) would have a material adverse effect on AIRI's financial results.

Competition - The defense and aerospace component manufacturing market is highly competitive. Many of the company's competitors are well-established subcontractors engaged in the supply of aircraft parts and components to prime military contractors and commercial aviation manufacturers. Air Industries' prime competitors include Monitor Aerospace, a division of Stellex Aerospace, Hydromil, a division of Triumph Aerospace Group, Heroux Aerospace, and Ellanef Manufacturing, a division of Magellan Corporation.

Competitive bidding – The company obtains many contracts through a competitive bidding process. There can be no assurance that the prices bid will be sufficient to allow Air Industries to generate a profit.

Regulations – Air Industries may be subject to US government inquiries and investigations because of its participation in government procurement. Any inquiry or investigation can result in fines or limitations on the company's ability to continue to bid for government contracts and fulfill existing contracts.

Legal proceedings – In October 2018, Contract Pharmacal commenced an action relating to a sublease entered into between AIRI and Contract Pharmacal in May 2018. In the action, Contract Pharmacal sought damages in excess of \$1 million for AIRI's failure to make the entire premises available by the sublease commencement date. In July 2021, the court denied Contract Pharmacal's motion for summary judgement and ordered them to drop its claim for specific performance and to reduce its claim for damages to \$700,000. On March 10, 2022, Contract Pharmacal filed an appeal to the court's decision of which AIRI will oppose. The appeal was heard and the Appellate Division upheld the denial of Contract Pharmacal's motion for summary judgement and upheld the denial of its motion to amend its complaint. Subsequently, Contract Pharmacal submitted a motion to the Appellate Division requesting leave to reargue the court's denial of its original appeal. The company will oppose that motion to reargue. AIRI disputes the validity of the claims asserted by Contract Pharmacal and intends to contest them vigorously. The company anticipates that due to this newest action nothing of consequence is likely to occur over the next twelve-months

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Internal Controls

As of December 31, 2024, a material weaknesses in the company's internal controls were identified regarding appropriate segregation of duties with respect to and validation of data produced by certain financial information technology modules. While new controls were implemented in 2023, they were put in place late in the year which did not allow sufficient time for testing of their effectiveness. AIRI continues to evaluate effectiveness testing. If the new controls are not effective the company may have to incur additional costs to adopt new controls and could decrease the reliability of financial reporting, and cause a failure to report financials in a timely manner, all of which could adversely affect operation.

Shareholder Control

Officers and directors collectively own approximately 35.6% of the outstanding voting stock and three large shareholders own approximately 23.3% of the company's outstanding voting stock (August 2024 SEC Filing). Officers, directors, and large shareholders could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

Liquidity risk - Emerging growth companies face liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 2.5 million shares in the float and the average daily volume was approximately 27,800 shares for the three month period ending April 17, 2025.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including need for additional capital to purchase additional property or equipment, competition, government defense spending, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets (in thousands \$)

	<u>2023A</u>	<u>2024A</u>	<u>2025E</u>	<u>2026E</u>
Cash and cash equivalents	346	753	637	341
Accounts receivable	7,892	8,900	8,250	8,500
Inventory	29,851	28,811	30,500	31,000
Prepaid expenses and other current assets	297	371	350	325
Contract costs receivable	296	296	296	296
Prepaid taxes	37	56	55	55
Total current assets	<u>38,719</u>	<u>39,187</u>	<u>40,088</u>	<u>40,517</u>
Property and equipment, net	8,048	8,809	8,600	8,400
Finance lease right-of-use assets	970	1,113	1,113	1,113
Operating lease right-of-use-asset	1,866	1,190	1,190	1,190
Deferred financing costs	1,112	712	647	587
Total assets	<u>50,715</u>	<u>51,011</u>	<u>51,638</u>	<u>51,807</u>
Notes payable and finance lease obligations	16,036	18,362	16,862	14,862
Operating lease liabilities	880	881	880	875
Accounts payable and accrued expenses	6,091	7,015	6,800	6,475
Deferred gain on sale	38	38	29	-
Deferred revenue (customer deposits)	3,557	1,115	3,500	4,500
Total current liabilities	<u>26,602</u>	<u>27,411</u>	<u>28,071</u>	<u>26,712</u>
Long-term liabilities	1,112	1,759	1,800	1,700
Long-term debt	6,162	6,162	4,871	3,571
Deferred gain on sale	67	29	-	-
Operating lease liabilities	1,582	702	600	500
Total liabilities	<u>35,525</u>	<u>36,063</u>	<u>35,342</u>	<u>32,483</u>
Total stockholders' equity	<u>15,190</u>	<u>14,948</u>	<u>16,296</u>	<u>19,324</u>
Total liabilities & stockholders' equity	<u>50,715</u>	<u>51,011</u>	<u>51,638</u>	<u>51,807</u>

Source: Company filings and Taglich Brothers estimates

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Income Statements for the Fiscal Years Ended
(in thousands \$)

	<u>2023A</u>	<u>2024A</u>	<u>2025E</u>	<u>2026E</u>
Net sales	51,516	55,108	57,050	59,900
Cost of sales	<u>44,088</u>	<u>46,176</u>	<u>47,105</u>	<u>48,565</u>
Gross profit	7,428	8,932	9,945	11,335
Operating expenses	<u>7,723</u>	<u>8,473</u>	<u>8,905</u>	<u>9,150</u>
Operating income (loss)	(295)	459	1,040	2,185
Interest and financing costs includes related party interes	(1,920)	(1,893)	(1,890)	(1,830)
Other (expense) income	<u>84</u>	<u>68</u>	<u>-</u>	<u>-</u>
Income (loss) before taxes	(2,131)	(1,366)	(850)	355
Income tax (benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income / (loss)	<u>(2,131)</u>	<u>(1,366)</u>	<u>(850)</u>	<u>355</u>
EPS	<u>(0.65)</u>	<u>(0.39)</u>	<u>(0.23)</u>	<u>0.09</u>
Shares Outstanding	3,274	3,526	3,738	3,758
EBITDA	2,167	2,844	3,600	4,725
Adjusted EBITDA	2,657	3,641	4,300	5,085
<u>Margin Analysis</u>				
Gross margin	14.4%	16.2%	17.4%	18.9%
Operating margin	(0.6)%	0.8%	1.8%	3.6%
Net margin	(4.1)%	(2.5)%	(1.5)%	0.6%
<u>Year / Year Growth</u>				
Total Revenues	(3.2)%	7.0%	3.5%	5.0%

Source: Company filings and Taglich Brothers estimates

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Quarterly Income Statements (in thousands \$)

	<u>3/24A</u>	<u>6/24A</u>	<u>9/24A</u>	<u>12/24A</u>	<u>2024A</u>	<u>3/25E</u>	<u>6/25E</u>	<u>9/25E</u>	<u>12/25E</u>	<u>2025E</u>	<u>3/26E</u>	<u>6/26E</u>	<u>9/26E</u>	<u>12/26E</u>	<u>2026E</u>
Net sales	14,061	13,572	12,555	14,920	55,108	14,000	14,800	13,750	14,500	57,050	14,700	15,100	15,500	14,600	59,900
Cost of sales	<u>12,155</u>	<u>10,928</u>	<u>10,614</u>	<u>12,479</u>	<u>46,176</u>	<u>11,675</u>	<u>11,990</u>	<u>11,440</u>	<u>12,000</u>	<u>47,105</u>	<u>12,050</u>	<u>12,150</u>	<u>12,415</u>	<u>11,950</u>	<u>48,565</u>
Gross profit	1,906	2,644	1,941	2,441	8,932	2,325	2,810	2,310	2,500	9,945	2,650	2,950	3,085	2,650	11,335
Operating expenses	<u>2,165</u>	<u>1,892</u>	<u>1,874</u>	<u>2,542</u>	<u>8,473</u>	<u>2,000</u>	<u>2,355</u>	<u>2,100</u>	<u>2,450</u>	<u>8,905</u>	<u>2,100</u>	<u>2,400</u>	<u>2,300</u>	<u>2,350</u>	<u>9,150</u>
Operating income (loss)	(259)	752	67	(101)	459	325	455	210	50	1,040	550	550	785	300	2,185
Interest and financing costs includes related party interes	(462)	(474)	(482)	(475)	(1,893)	(480)	(475)	(470)	(465)	(1,890)	(465)	(460)	(455)	(450)	(1,830)
Other (expense) income	<u>15</u>	<u>20</u>	<u>11</u>	<u>22</u>	<u>68</u>	-	-	-	-	-	-	-	-	-	-
Income (loss) before taxes	(706)	298	(404)	(554)	(1,366)	(155)	(20)	(260)	(415)	(850)	85	90	330	(150)	355
Income tax (benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income / (loss)	<u>(706)</u>	<u>298</u>	<u>(404)</u>	<u>(554)</u>	<u>(1,366)</u>	<u>(155)</u>	<u>(20)</u>	<u>(260)</u>	<u>(415)</u>	<u>(850)</u>	<u>85</u>	<u>90</u>	<u>330</u>	<u>(150)</u>	<u>355</u>
EPS	<u>(0.21)</u>	<u>0.08</u>	<u>(0.12)</u>	<u>(0.15)</u>	<u>(0.39)</u>	<u>(0.04)</u>	<u>(0.01)</u>	<u>(0.07)</u>	<u>(0.11)</u>	<u>(0.23)</u>	<u>0.02</u>	<u>0.02</u>	<u>0.09</u>	<u>(0.04)</u>	<u>0.09</u>
Shares Outstanding	3,314	3,724	3,339	3,725	3,526	3,730	3,735	3,740	3,745	3,738	3,750	3,755	3,760	3,765	3,758
EBITDA	300	1,363	655	526	2,844	965	1,095	850	690	3,600	1,185	1,185	1,420	935	4,725
Adjusted EBITDA	362	1,413	845	1,021	3,641	1,065	1,345	950	940	4,300	1,275	1,275	1,510	1,025	5,085
<u>Margin Analysis</u>															
Gross margin	13.6%	19.5%	15.5%	16.4%	16.2%	16.6%	19.0%	16.8%	17.2%	17.4%	18.0%	19.5%	19.9%	18.2%	18.9%
Operating margin	(1.8)%	5.5%	0.5%	(0.7)%	0.8%	2.3%	3.1%	1.5%	0.3%	1.8%	3.7%	3.6%	5.1%	2.1%	3.6%
Net margin	(5.0)%	2.2%	(3.2)%	(3.7)%	(2.5)%	(1.1)%	(0.1)%	(1.9)%	(2.9)%	(1.5)%	0.6%	0.6%	2.1%	(1.0)%	0.6%
<u>Year / Year Growth</u>															
Total Revenues	12.0%	2.8%	2.1%	10.8%	7.0%	(0.4)%	9.0%	9.5%	(2.8)%	3.5%	5.0%	2.0%	12.7%	0.7%	5.0%

Source: Company filings and Taglich Brothers estimates

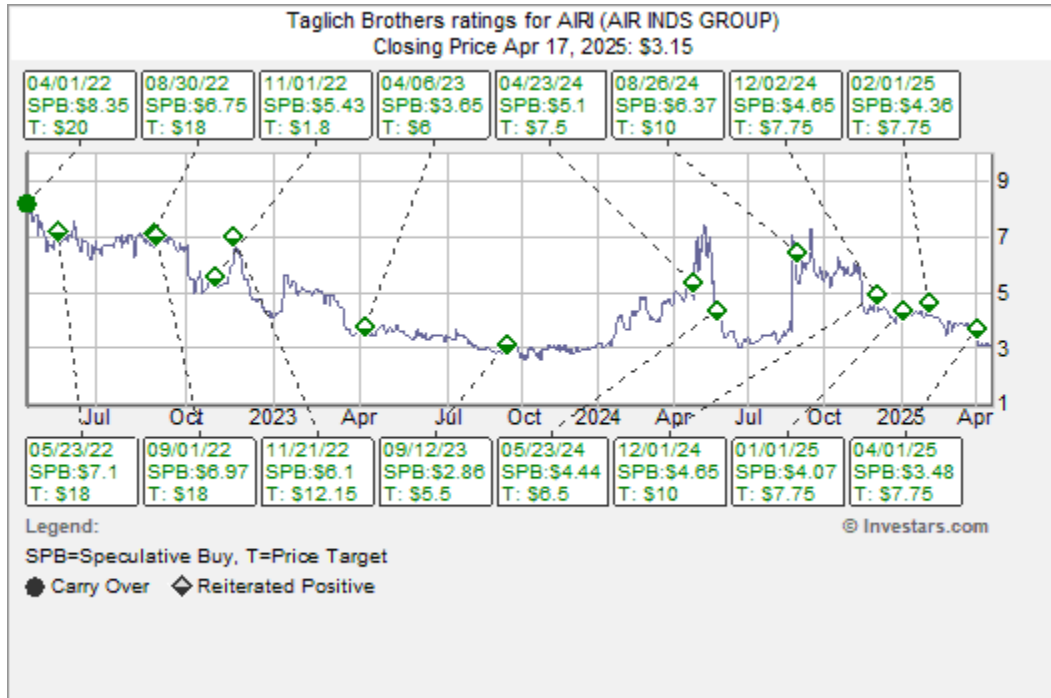
Air Industries Group

Statement of Cash Flows for the Periods Ended
(in thousands \$)

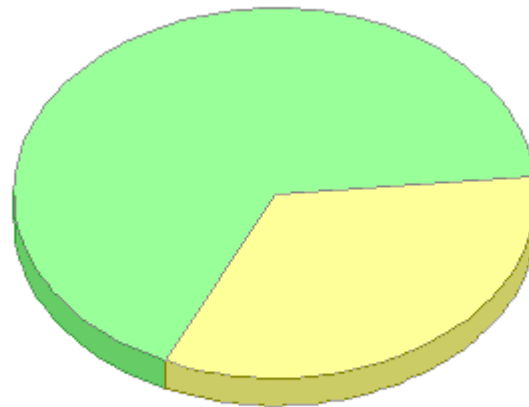
	<u>2023A</u>	<u>2024A</u>	<u>2025E</u>	<u>2026E</u>
Net income (loss)	(2,131)	(1,366)	(850)	355
Depreciation	2,268	2,072	2,500	2,400
Stock compensation expense	482	797	700	900
Amortization of finance lease right-of use assets	84	176	125	125
Amortization of right-to-use asset	607	676	650	600
Deferred gain on sale of real estate	(38)	(38)	(38)	(29)
Deferred gain on sale-leaseback	14	(15)	-	-
Bad debt expense (recovery)	63	52	-	-
Amortization of deferred financing costs	<u>68</u>	<u>68</u>	<u>65</u>	<u>60</u>
Cash earnings (loss)	1,417	2,422	3,152	4,411
<i>Changes in assets and liabilities</i>				
Accounts receivable	1,528	(1,060)	650	(250)
Inventory	1,970	1,040	(1,689)	(500)
Prepaid expenses and other current assets	10	(74)	21	25
Prepaid taxes	(9)	(19)	1	-
Deposits and other assets	(600)	375	523	523
Accounts payable and accrued expenses	(1,451)	961	(215)	(325)
Operating lease liabilities	(779)	(879)	(103)	(105)
Deferred revenue (customer deposits)	<u>2,776</u>	<u>(2,442)</u>	<u>2,385</u>	<u>1,000</u>
(Increase) decrease in working capital	<u>3,445</u>	<u>(2,098)</u>	<u>1,573</u>	<u>368</u>
Net cash provided by (used in) operations	4,862	324	4,725	4,779
Purchase of property and equipment	(2,119)	(2,301)	(1,750)	(1,500)
Proceeds from sale of equipment	<u>7</u>	<u>16</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) investing	(2,112)	(2,285)	(1,750)	(1,500)
Note payable-revolver-Webster Bank	(2,548)	2,101	-	-
Proceeds from notes payable-term loan-Webster	740	1,006	-	-
Payments of notes payable-term loan-Webster	(1,113)	(869)	(1,500)	(2,000)
Proceeds from term loan - CT Green Bank	393	8	-	-
Transaction costs	(25)	-	-	-
Payment of finance lease obligations	(123)	(196)	(291)	(266)
Payments of loan payable - financed assets	(9)	(9)	(9)	(9)
Proceeds from common stock issued for cash	-	327	-	-
Payments of notes payable - third party	<u>-</u>	<u>-</u>	<u>(1,291)</u>	<u>(1,300)</u>
Net cash provided by (used in) financing	(2,685)	2,368	(3,091)	(3,575)
Net change in cash	65	407	(116)	(296)
Cash - beginning of period	<u>908</u>	<u>973</u>	<u>1,380</u>	<u>1,264</u>
Cash - end of period	<u><u>973</u></u>	<u><u>1,380</u></u>	<u><u>1,264</u></u>	<u><u>968</u></u>

Source: Company filings and Taglich Brothers estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



66.67 % Buy | 33.33 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	2	25
Hold		
Sell		
Not Rated		

Important Disclosures

As of April 17, 2025, Taglich Brothers, Inc. and/or its affiliates, own more than 1% of AIRI common stock. Michael Taglich, President of Taglich Brothers, Inc. and Director of Air Industries Group, owns or has a controlling interest in 211,133 shares of AIRI common and restricted common stock, and at least 236,907 shares that may be acquired upon the conversion of convertible notes, and 8,370 shares that may be acquired upon the exercise of options and warrants. In September 2015, April, May, and August 2016, March and May 2017, June and October 2019, Michael Taglich loaned the company monies. Robert Taglich, Managing Director of Taglich Brothers, Inc. and a Director of Air Industries Group, owns or has a controlling interest in 229,984 shares of AIRI common and restricted common stock, and at least 186,135 shares that may be acquired upon the conversion of convertible notes, and 8,370 shares that may be acquired upon the exercise of options and warrants. In April and May 2016, February, March, and May 2017, and in June 2019, Robert Taglich loaned the company monies. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 5,605 shares of AIRI common stock. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 200 shares of common stock. Taglich Brothers, Inc. owns 23,996 shares of AIRI common stock. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In April and May of 2007, Taglich Brothers Inc. served as the placement agent in the sale of convertible preferred stock for the company. In June 2008, Taglich Brothers, Inc. served as the placement agent in the sale of junior subordinated notes for the company. In September and October of 2008, Taglich Brothers, Inc. served as the placement agent in the sale of junior subordinated notes and convertible preferred stock for the company. In October 2013 and May 2014, Taglich Brothers, Inc. served as the placement agent in the sale of common stock for the company. In May and June 2016, Taglich Brothers, Inc. served as the placement agent in the sale of convertible preferred stock for the company. In August, November and December 2016, and in February and March 2017, Taglich Brothers, Inc. served as the placement agent in the sale of convertible notes for the company. In May 2017, Taglich Brothers, Inc. served as a placement agent in the sale of convertible notes and warrants for the company. In January 2018, Taglich Brothers, Inc. served as a placement agent in the sale of common stock and warrants for the company.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid a monetary fee of \$1,500 (USD) in October 2013 for the creation and dissemination of research reports. After the initial publication, the company pays a monthly monetary fee of \$1,500 (USD) to Taglich Brothers, Inc., for a minimum of six months for the creation and dissemination of research reports. The company currently does not pay Taglich Brothers, Inc., for the creation and dissemination of reports.

General Disclosures

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Axos Clearing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such

relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

Analyst Certification

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Boeing (NYSE: BA)

Lockheed Martin (NYSE: LMT)

Northrop Grumman (NYSE: NOC)

Triumph Group, Inc. (NYSE: TGI)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.