

**Air Industries Group  
Conference Call  
August 14, 2025**

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**Presenters**

**Lou Melluzzo, President and CEO  
Scott Glassman, CFO**

**Q&A Participants**

**Igor Novogorodtsev - Lares Capital  
Ethan Berenbaum [sp] - Private Investor  
Lawrence Case [sp] - Private Investor**

**Operator**

Hello and welcome to the Air Industries Group second quarter of 2025 earnings conference call. At this time, all participants are in listen only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance, please press star zero on your telephone keypad. As a reminder, this conference is being recorded.

This call may contain forward-looking statements as defined in Section 27A of the Securities Act of 1933 as amended, including statements regarding, among other things, the company's business strategy and growth strategy. Expressions, which identify forward-looking statements, speak only as of the date the statement is made. These forward-looking statements are based largely on our company's expectations and are subject to a number of risks and uncertainties, some of which are beyond our control and cannot be predicted or quantified. These future developments and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will prove to be accurate. This call does not constitute an offer to purchase any securities nor a solicitation of a proxy, consent, authorization, or agent designation with respect to a meeting of the company's shareholders.

At this time, I would now like to turn the call over to Lou Melluzzo, President and CEO. Please go ahead, sir.

**Lou Melluzzo**

Thank you, Joe, and thank you all for joining us today. There is no avoiding the fact that our results for the second quarter and six months of 2025 were disappointing. In the second quarter, we faced some headwinds. Delays in customer approvals, extended lead times from subcontractors definitely impacted our results. Combined with a higher noncash stock compensation, we had a net loss for the quarter. Despite this, adjusted EBITDA for the first half remained positive. This resulted from the ability to manage cost. To further increase

profitability, we have implemented cost-cutting initiatives including a workforce reduction that will reduce annual payroll by some 1 million. The savings may be a little bit more.

Looking to the second half reflecting the impact of these issues, we have adjusted our outlook. We now expect overall second quarter -- second half results in 2025 to be lower than the first half. We do not believe that the -- we do believe that the fourth quarter will be the strongest quarter of the year. In spite of recent headwinds, I remain confident of our long-term business outlook. In early July of 2025, we successfully completed an at-the-market ATM offering raising nearly \$4 million in gross proceeds from the sale of 1,003,653 common shares, further strengthening our balance sheet. Our backlog reflecting sustained demand for our products grew to record levels in the first half of 2025. The long lead times for raw materials, the long time necessary to manufacture our highly complex, sophisticated products, means the sales from our expanded backlog will begin to be realized in fiscal 2026 and in future years.

An example highlights this. We recently announced a contract worth over 5 million for land and gear components for the B-52 aircraft. We have ordered the required raw material and expect it will arrive in mid-2026. We anticipate making the first deliveries late in the fourth quarter of 2026, but the overwhelming percentage of sales and deliveries will be in 2027. That means a July 2025 order yield deliveries in 2027, a 1.5 year or up to 2 years later. Since returning from the Paris Air Show in late June, our business development team has been extremely busy following up on new opportunities. We conducted several dozen meetings during the show encompassing both customers, prospects, and suppliers. The meetings were fruitful in terms of assessing the current business climate, future opportunities, and engaging with our supply chain. With that said, I'd like to turn the call over to Scott who will discuss the financial results in more detail and then come back for some closing comments. Scott?

### **Scott Glassman**

Thank you, Lou, and good afternoon, everyone. As Lou mentioned, our results for the second quarter and the first six months of 2025 fell short. Let me discuss the results in some more detail. Consolidated net sales for the second quarter ended June 30, 2025, were \$12.7 million. This represents a decrease of about 800,000 or 6.7% for the same quarter in 2024. Gross profit was \$2 million, which represents 16% of sales for Q2. Though inflation has moderated, prices are still increasing. We have been very successful in controlling our operating expenses. Adjusting for noncash stock compensation expense, our consolidated operating costs were slightly lower this year as compared to 2024. Operating income of \$8,000 in the second quarter of 2025 as compared to operating income of 752,000 in 2024. We had a net loss of \$422,000 or \$0.11 per share during Q2 of 2025 as compared to net income of 298,000 or \$0.09 per share in Q2 of 2024. For the six months ended June 30, 2025, our adjusted EBITDA was 1,469,000 million, a decrease of 306,000 or 17% from the prior year six-month period.

Let me quickly highlight some items on our balance sheet. Our total debt has declined by a little more than \$1 million. Inventory has increased by about \$1.3 million. Accounts receivable has decreased by close to 2 million, and accounts payable and accrued expenses have increased by

approximately 1.2 million. As Lou mentioned earlier, we completed our at-the-market offering in early July, raising nearly \$4 million, selling over 1 million shares at an average price of about \$3.95 per share. This enhances our balance sheet, increasing our liquidity and reducing our net debt as of July by nearly \$4 million. And with that, I will return the call over to Lou.

### **Lou Melluzzo**

Thanks, Scott. 2025 has been an interesting year for aerospace. The administration has unveiled plans to fund the F-47, which is a sixth-generation rider awarded to Boeing. There's talk of the E-2D crossing lines and being adopted by the Air Force. There's a proposal on the table for a new F-A-XX, which is a sixth-generation fighter for the Navy, which would replace the F-18 and would be in support of the F-35C. As support provider to these big OEMs and government direct, we are in exciting times in this business.

I would like to highlight some of the recent accomplishments that Air Industries has had. We've been on a mission to recover from a decreased revenue stream with certain legacy customers by reinforcing relationships with our other existing customers. We have made a big push to add new clients, new aircraft platforms, and expand into new markets. There are strong and tangible evidence that we've succeeded at doing some of that. We received the largest long-term agreement in our history from an established customer. Northrop Grumman, a longtime client, honored us with their prestigious Supplier Excellence Award. We have greatly increased our content on the CH-53K helicopter, which is a new and fast-growing and important platform, and we have just received -- we have received more than \$10 million in new orders from new and existing clients for aftermarket product. This is a strong validation of our success in further penetrating into aftermarket. Despite the challenges of the past several quarters, I remain fully convinced that we will continuously improve and will monetize our large backlog. Joe, with that, I'd like to open up the call for the Q&A portion. See if we have any questions.

### **Operator**

Ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad, and the confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we pull for questions. Our first question comes from the line of Igor Novogorodtsev with Lares Capital. Please proceed.

### **Igor Novogorodstev**

Hello and thank you for taking my question. I'm a new investor in your company so [inaudible]. Forgive me if I'm asking the questions, which may be a little bit basic, but I have quite a few, so maybe I'll ask a couple and if nobody else, and I'll ask a few more. My first one is about your -- about your credit facility. So, your credit facility is maturing in December. And right now, you, I think, violated some of the covenants, which don't seem to be all that critical because your EBITDA is still possible. Could you talk a little bit how you guys -- because you're probably not going to have a very good year this year, a lot of orders deferred to the next year. So, for a little

bit of -- you kind of need to survive with your liquidity. How is your conversation with the current lender? Do you think that will be extended? Or you're talking to some other lenders? Could you just talk a little bit about that?

**Scott Glassman**

So, thank you for your question, Igor. We are in conversations with our current lender as we speak. They have been very supportive of us over the past several years, and I am confident that we will come to some sort of extension with them. I couldn't possibly say on what terms that would be, but I do not believe we will have an issue. Further, as I indicated before, we did recently successfully raise about \$4 million. So, that only enhances and adds to our liquidity for the remainder of the year.

**Igor Novogorodstev**

Okay. Once you touched upon the raise, was it an opportunistic raise? Because if my math serves me correctly, in July, it was on a day when your [inaudible] stock jumped for a short period of time above \$4 and then just because of, I guess, a new order. Or this is something you were planning to do? Or that was just a good opportunity to raise knowing that your quarter is not going to be particularly strong?

**Scott Glassman**

So, back in December of '24, we started this process of -- we filed an S-3 that was effective in December of 2024. And we started raising money then. We raised some money at the end of the year, as I said. And then in the first quarter, through March, we had raised some additional funds, and then we had restarted this process I want to say in late June prior to the market doing that in early July. So, it was something that was already out there in the world. And at the time if the stock went -- took off that way, it just happened to work out.

**Igor Novogorodstev**

I know it's a little bit early to talk about this, but giving you -- assuming everything is going to be okay past December this year lender [sp], do you think as things look out through the end of the year you would need another capital raise? Or do you think you're okay for now?

**Scott Glassman**

I would say that we are probably okay for now. I don't have anything currently in the works for that. But we'll see what time brings.

**Igor Novogorodstev**

Okay. So, let's -- if you don't mind, just a couple of more questions, and I'll get to the back of the queue. European sales. You don't really have any significant European customers. But now the situation has changed, especially with the new tariff yield between where Europe is almost obligated to buy more from the U.S. and also very increased European defense spending. I think this is where the biggest increase is happening. Do you anticipate getting some of the European sales? Or this is not something you're actively working on?

**Lou Melluzzo**

Well, Igor, I think some of the -- we sell not directly. Well, in some cases, we do, but it's not a big portion of our business, but a lot of the spares and other things like that, that we sell directly through the OEMs make their way over to globally. So, it's not just U.S.-based. If our OEMs will have greater content for spares, certainly. If the government -- otherwise, we're selling to the U.S. government predominantly. So, it might have an impact, but I think it's a little bit too early to say. As far as tariffs, although it does not affect us directly, I mean, all in all, we have one product in our entire company that we buy material from overseas that are -- that is tariff prone, and that's direct pass-through to our client as per our contract. Other than that, the tariffs will probably affect the OEM, the big -- the Pratts and the Sikorskys and so forth and that, but we've got some protection in that game. So, we're hoping that our sales will increase because of what's happening, but it's too early to tell.

**Igor Novogorodstev**

Okay. So, you anticipated my last question. I -- was specifically about the input of materials, especially now with steel tariffs and other raw material tariffs and things like that. Is -- do you have a lot of contract protection? In other words, is it built -- is a price margin already built in at the cost of the components available?

**Scott Glassman**

So, as Lou was saying, there is only one product that we manufacture that has -- it has material that comes from a foreign source, and that contract specifically has a price protection clause in it that, if the cost of the material increases by more than 5%, contractually, they are bound to pay the difference. So, we have complete price protection basically built into that contract. That is the only contract that has foreign material in it.

**Igor Novogorodstev**

Oh, I understand that. But I'm -- if I just may clarify. Obviously, you buy the rest from U.S. manufacturers, but U.S. manufacturers eventually are going to have to raise the price of that component. So, I'm asking if they raise the price of their components, would you be forced to swallow the extra cost? Or that's something which you protected?

**Lou Melluzzo**

In some cases, probably half the cases, the product is supplied to us by the OEM. So, if they raise the prices, it's on them. In other cases, our clients have been very willing to work with us if it's outside of the scope of the contract. And anything that we can put price protection at the early stage, we do.

**Igor Novogorodstev**

Okay. So, I think that's a good answer. Thank you very much for being patient with my questions, and I'll get back in queue [inaudible].

**Lou Melluzzo**

Of course. Thank you, Igor.

**Scott Glassman**

Thank you.

**Operator**

Thank you. The next question comes from the line of from Ethan Berenbaum [sp], Private Investor.

**Ethan Berenbaum [sp]**

Good afternoon. Thank you for taking my question. Just to clarify why sales are going down. I'm not clear. Is it -- if you can just clarify some more, and hopefully, sales will start increasing. Thank you.

**Lou Melluzzo**

Thank you for the question. Sales going down right now is a timing issue. We've had -- we've got some customer approvals that just did not materialize timely enough to make the quarter and a few other things of nature. We got some first articles that have not come back on time. Our backlog is still very healthy. It's the largest backlog we've ever had. Materials that we thought would take six months, nine months are taking a year, 1.5 year. So, there's a lag in there in what's going on in the industry.

**Ethan Berenbaum**

Thank you very much.

**Operator**

Thank you. As a reminder, to ask a question, please press star one on your telephone keypad. The next question comes from the line of Lawrence Case [sp], Private Investor. Please proceed.

**Lawrence Case [sp]**

Yes. I just wondered, given that the sales have been essentially flat or even going down for years now, I wonder if you considered selling the company to maybe a larger -- to a larger firm and maybe they could make things move better.

**Lou Melluzzo**

That's a great question, Lawrence. Sales have -- in our Connecticut operations, we have grown three years in a row to the tune of about 60%, 50%, and 40% year on after year. In our New York operations, we had -- a few years back, we had a big client move some work offshore to Poland to be exact, and we've made that work back up. So, although it looks like sales have remained stagnant, we kind of built up from C [sp] level and that we've got -- and we're moving up. But -- so, we have seen some growth. It certainly has not come at the rate that I think you're happy with. I can -- judging by the question. But we have seen some growth. And then to

answer the second portion of your question as to why we haven't sold, we're a public company. So, if an opportunity should arise, we're always either going to buy or sell. That's what a public company does, and it needs to do what's right for their shareholders. So that -- I hope that answered your question, Lawrence.

**Lawrence Case**

Well, yes, I guess. I've been a shareholder for a very long time, and it just seems to me like it's always a matter of the check is in the mail but never gets here. We're now at 12 million, and I don't think we've been lower than that I can remember in quarters for a very long time. We have all -- we're always told about the great backlog and all, but it never seems to result in better numbers for the quarter. So, I just wondered if maybe somebody else could take the apparent, the ostensible expertise that's there and make things work better. So, that was all I wondered.

**Lou Melluzzo**

I can't answer that question. But as I said before, if an opportunity arises, I'm sure that our shareholders and our board would approve it.

[Crosstalk]

**Scott Glassman**

Or consider it. Would consider it. Right.

**Operator**

And the next question comes again from the line of Igor Novogorodtsev with Lares Capital. Please proceed.

**Igor Novogorodtsev**

Okay. Thank you. So, I'll ask more questions. Thank you for giving me an opportunity to do so. So, my next question is about your backlog. Obviously, you have a record backlog, and I think that's what a lot of investors are potentially excited by the future of the company. Could you just tell me historically how much of the backlog is actually historically converted into the actual orders? My understanding is orders are, in theory at least, all cancelable, right, because that's mostly like the government orders. But like what is your historical sort of conversion percentage of backlog to the order?

**Scott Glassman**

So, we -- the backlog that we put out there is two parts. It is our firm backlog and our full backlog. Our firm backlog of -- indicates an amount that cannot really be canceled. It means that we have a firm order against it. And if it were to be canceled, there would be termination liability. Typically, once an order is placed and it gets into the full backlog, meaning that it's just an order, right, as time progresses, we get releases against it, which then turn into sales.

Obviously, these orders are long-term agreements, long-term orders. So, there is time over the course of several years where there would be releases against it.

**Lou Melluzzo**

So, our firm fully funded backlog right now, I think, Scott, correct me if I'm wrong, sits at about \$120-plus million. Those are orders that have -- that are fully funded and release on it over the next 18 months.

**Scott Glassman**

That is correct. 18 to 24, yes.

**Lou Melluzzo**

18 to 24, I'm sorry. And then -- so, that's kind of what we are guiding like. That's kind of what we go by. But order awards that shed out -- go out six, seven years -- which nobody knows what's going to happen in seven years, but this is what we quoted, and this is what they've committed to but not against a full funded are in excess of 270.

**Igor Novogorodtsev**

Okay. And my final question is about the overall defense spending on the U.S. side. So, there was -- several months ago, there was a lot of concern, especially with Elon Musk and the government who said that all the planes and helicopters obsolete [sp] and everything is going to be drones. I guess now that he's no longer there, what's the overall mood of using the aviation and traditional planes and helicopters? Or how is it looking over the years from a sort of [inaudible] point of view and direction point of view of the defense department?

**Lou Melluzzo**

Although I'm not a mind leader, I can tell you that drones will only aid manned aircraft -- will only be in accordance with. I don't see a manned aircraft going anywhere, at least in my lifetime. They are a great product, and they're inexpensive to build, and they're expandable, and they have a lot of pluses to them. But they don't have a human brain, and that's not going to go away anytime soon. So, they would not be spending the money on the F-47, the new aircraft that was just awarded to Boeing. They would not be putting that kind of dollars into the budget if they thought that drones were going to solve the problems in the next three years. So, I remain confident that the human aircraft will be around for a long time.

**Igor Novogorodtsev**

All right. Thank you. I don't have any more questions.

**Scott Glassman**

Thank you for your questions. We appreciate it.

**Operator**

And there are no further questions at this time, so I'd like to turn the call back to Lou Melluzzo for closing remarks.

**Lou Melluzzo**

Thank you, Joe. Thank you all for taking the time to be on the call today and for your question and your interest in the Air Industries Group, and we look forward to talking to you on the next call. Thanks, Joe. I think you can disconnect.

**Operator**

Thank you. This concludes today's conference. You may disconnect your lines at this time and thank you for your participation.