CPI AEROSTRUCTURES INC
Form 424B5
October 17, 2018

Filed pursuant to Rule 424(b)(5)

Registration No. 333-220090

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 22, 2017)

2,400,000 Shares

CPI Aerostructures, Inc.

Common Stock

We are offering 2,400,000 shares of our common stock in this offering. Our common stock is traded on the NYSE American exchange under the symbol "CVU." On October 12, 2018, the last reported sale price of our common stock was $8.53 per share.

Investing in our securities involves a high degree of risk. See the section entitled "Risk Factors" beginning on page S-10 of this prospectus supplement and elsewhere in this prospectus supplement and the accompanying base prospectus for a discussion of information that should be considered in connection with an investment in our securities.

	Per Share	Total
Public offering price	$6.25	$15,000,000
Underwriting discounts and commissions (1)	$0.34	$825,000
Proceeds to us, before expenses	$5.91	$14,175,000

(1) We have also agreed to reimburse the underwriters for certain expenses. See "Underwriting" on page S-15 of this prospectus supplement for additional information.

We have granted the underwriters a 30-day option to buy up to an additional 360,000 shares of common stock from us to cover over-allotments, if any. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about October 19, 2018.

Sole Bookrunning Manager

Canaccord Genuity

Co-Manager

B. Riley FBR

The date of this prospectus supplement is October 16, 2018.

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ACCOMPANYING BASE PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted.

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying base prospectus are part of a registration statement on Form S-3 (Registration No. 333-220090) that we filed with the Securities and Exchange Commission (“SEC”) using a “shelf” registration process. Under this “shelf” registration process, we may, from time to time, sell or issue any of the combination of securities described in the accompanying base prospectus in one or more offerings with a maximum aggregate offering price of up to $40.0 million. The accompanying base prospectus provides you with a general description of us and the securities we may offer, some of which do not apply to this offering. Each time we sell securities, we provide a prospectus supplement that contains specific information about the terms of that offering. A prospectus supplement may also add, update, or change information contained in the accompanying base prospectus.

This prospectus supplement provides specific details regarding this offering of shares of common stock by us, including the purchase price per share. To the extent there is a conflict between the information contained in this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement, the accompanying base prospectus, and the documents we incorporate by reference herein and therein include important information about us and our common stock and other information you should know before investing. You should read both this prospectus supplement and the accompanying base prospectus, together with the additional information described below under the heading “Where You Can Find More Information.”

You should not assume that the information appearing in this prospectus supplement or the accompanying base prospectus is accurate as of any date other than the date on the front cover of the respective documents. You should not assume that the information contained in the documents incorporated by reference in this prospectus supplement or the accompanying base prospectus is accurate as of any date other than the respective dates of those documents. Our business, financial condition, results of operations, and prospects may have changed since the date set forth on the respective documents.

References in this prospectus supplement to “CPI Aero®”, “we,” “us” and “our” refer to CPI Aerostructures, Inc., a New York corporation.

PROSPECTUS SUPPLEMENT SUMMARY

This summary contains basic information about us and our business but does not contain all of the information that is important to your investment decision. You should carefully read this summary together with the more detailed information contained elsewhere in this prospectus supplement and the accompanying base prospectus and the documents incorporated herein and therein by reference before making an investment decision. Investors should carefully consider the information set forth under the caption "Risk Factors" appearing elsewhere in this prospectus supplement, including those described in documents incorporated by reference herein.

Our Company

General

We are engaged in the contract production of structural aircraft parts principally for the United States ("U.S.") armed forces, either as a prime contractor or as a subcontractor to other defense prime contractors. We also act as a subcontractor to prime aircraft manufacturers in the production of commercial aircraft parts. Our strategy for growth has been focused primarily on operating as a subcontractor for defense prime contractors.

We were incorporated under the laws of the State of New York in January 1980 under the name Composite Products International, Inc. We changed our name to Consortium of Precision Industries, Inc. in April 1989 and to CPI Aerostructures, Inc. in July 1992. In January 2005, we began doing business under the name CPI Aero®, a registered trademark of the Company. Our principal office is located at 91 Heartland Boulevard, Edgewood, New York 11717 and our telephone number is (631) 586-5200.

We maintain a website at www.cpiaero.com. Information contained on our website or accessed through our website does not constitute a part of this prospectus supplement.

Industry

While we are a global supplier of aircraft parts in both the commercial and defense markets, our business development focus has been weighted towards defense to benefit from what we believe to be favorable growth opportunities in the market. As of August 1, 2018, defense opportunities accounted for 89% of our total bid pipeline. Our defense market strategy is driven by our belief that the U.S. Department of Defense ("DoD") and international allied military budgets will increase, thus providing opportunities for contractors such as CPI Aero. On September 28, 2018, the White House signed into law Bill H.R. 6157 Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019, providing $674 billion for the U.S. DoD for FY 2019. This is in-line with the recently enacted John S. McCain National Defense Authorization Act ("NDAA") for FY 2019, which authorized $716 billion for national defense, including $686 billion for the U.S. DoD. The FY 2019 DoD appropriations and NDAA are aligned with the National Defense Strategy and prioritize, among other things, rebuilding military readiness and modernization efforts, as well as retaining and regaining capabilities against potential near-peer adversaries. The FY 2019 DoD appropriations and NDAA build on the Bipartisan Budget Act of 2018 ("BBA") that raised defense discretionary spending caps imposed by the Budget Control Act for two years, reversing years of uncertainty in defense program funding. The BBA of 2018 increased the FY 2018 and FY 2019 defense discretionary spending cap by $80 billion and $85 billion, respectively. The recently enacted U.S. Government FY 2018 $1.3 trillion omnibus spending bill included a total national defense budget of $700 billion, of which $655 billion is for the DoD. We believe that our strategy to support key existing and new defense platforms presents an opportunity for growth.

In addition to the national defense budget, international defense expenditures also drive demand for our defense business. We have sold components or systems for multiple programs to international governments, including the United Technologies Aerospace Systems ("UTAS") DB-110, the UTAS Tactical Synthetic Aperture Radar ("TacSAR") pod, the Lockheed Martin Corporation (“Lockheed”) F-35, the F-16 for the U.S. government, the Sikorsky Aircraft Corporation (“Sikorsky”) UH-60M, and the Northrop Grumman Corporation (“NGC”) E-2D. According to the North Atlantic Treaty Organization (“NATO”), NATO Europe and Canada are expected to increase defense expenditures by 3.8% year-over-year in FY 2018 compared to FY 2017. This would represent the fourth consecutive year of increased defense expenditures, or an $87.6 billion cumulative spending increase from FY 2015 to FY 2018, from these foreign national governments since pledging in 2014 to spend at least 2% of their GDP on defense within a decade.

Our Business

We are a U.S. supplier of aircraft parts for fixed wing aircraft and helicopters in both the commercial and defense markets. We are a manufacturer of structural aircraft parts and aerosystems. Additionally, we leverage our global supply chain skills to assist our customers in managing a diverse worldwide supplier market by functioning as a "one-stop shop" for an assortment of aerospace parts. Within the global aerostructures supply chain, we are either a Tier 1 supplier to aircraft original equipment manufacturers or a Tier 2 subcontractor to major Tier 1 manufacturers. We also are a prime contractor to the DoD, primarily the U.S. Air Force (Hill and Robins Air Force Bases) and the Defense Logistics Agency. In addition to our assembly operations, we provide engineering, program management, supply chain management, and maintenance, repair, and overhaul ("MRO") services.

Among the key programs for which CPI Aero provides key structural components, assemblies, or aerospace systems are the NGC E-2D Advanced Hawkeye surveillance aircraft, the Lockheed F-35 joint strike fighter, the Sikorsky UH-60M BLACK HAWK® helicopter, the UTAS DB-110 reconnaissance system, the Raytheon Company ("Raytheon") Next Generation Jammer Mid-Band electronic warfare system, the UTAS TacSAR pod, the Bell Helicopter Textron Inc. ("Bell") AH-1Z Viper attack helicopter, the Sikorsky MH-53E mine countermeasure helicopter and Sikorsky CH-148 variant helicopter, and the F-16 Falcon and T-38C trainer aircraft for the U.S. government. Key civilian aircraft programs include the Gulfstream Aerospace Corporation ("Gulfstream") G650, the Honda Aircraft Company, Inc. ("Honda") HondaJet and HondaJet Elite business jets, the Embraer S.A. ("Embraer") Phenom 300 light business jet, the Embraer E175-E2 regional airliner, and the Sikorsky S-92® helicopter.

We are a subcontractor for leading defense prime contractors such as Boeing, NGC, Lockheed, Sikorsky, Bell, Textron Inc. ("Textron"), Raytheon, and UTAS. Revenue generated from subcontracts with defense prime contractors accounted for approximately 56%, 46%, and 57% of our total revenue in 2017, 2016, and 2015, respectively. Our 2016 defense subcontractor revenue was significantly decreased because of the change in estimate on the A-10 program.

We also operate as a subcontractor to prime commercial contractors, including Sikorsky, Honda, Embraer, and Triumph Group, Inc. ("Triumph"), in the production of commercial aircraft parts. Revenue generated from commercial contracts accounted for approximately 36%, 50%, and 42% of our total revenue in 2017, 2016, and 2015, respectively.

We have over 37 years of experience as a contractor. Most members of our management team have held management positions at large aerospace contractors, including NGC and GKN Aerospace. Our technical team possesses extensive technical expertise and program management and integration capabilities. Our competitive advantage lies in our ability to offer large contractor capabilities with the flexibility and responsiveness of a small company, while staying competitive in cost and delivering superior quality products.

Significant Contracts

Some of our significant contracts are as follows:

Military Aircraft Subcontracts with Prime Contractors

NGC E-2D "Advanced Hawkeye" The NGC E-2 is an all-weather, carrier-based tactical airborne early warning aircraft. The twin turboprop aircraft was designed and developed in the 1950s by the Grumman Aircraft Company for the U.S. Navy as a replacement for the E-1 Tracer. The U.S. Navy aircraft has been progressively updated with the latest variant, the NGC E-2D, first flying in 2007. In 2008, we received an initial $7.9 million order from NGC to provide structural kits used in the production of Outer Wing Panels ("OWP") for the NGC E-2D. We initially valued the long-term agreement at approximately $98 million over an eight-year period, with the potential to be in excess of $195 million over the life of the aircraft program. In November 2014, we received a second multi-year contract worth approximately $86.1 million through 2021 from NGC for OWP kits for use in the manufacture of complete wings for the NGC E-2D and the NGC C-2A Greyhound aircraft. The cumulative orders we have received on this program through June 2018 exceed $147.6 million.

In addition, we announced in January 2016 that we won an award to supply structural components and kits for the OWP on the NGC E-2D that will be manufactured for Japan. We will be responsible for component source selection, supply chain management, delivery of kits, and will provide manufacturing engineering services to NGC during the integration of the components into the OWP. The contract from NGC is valued at between $25 million and $30 million through 2019, depending on the number of aircraft ordered by Japan. To date, we have received orders totaling $10.4 million.

Sikorsky UH-60 "BLACK HAWK®" The Sikorsky UH-60 helicopter is the leader in multi-mission-type aircraft. Among the mission configurations it serves are troop transport, medical evacuation, electronic warfare, attack, assault support, and special operations. More than 3,000 Sikorsky UH-60 helicopters are in use today, operating in 29 countries. We have been producing gunner window and fuel panel assemblies for Sikorsky since 2010, and have long-term agreements from Sikorsky to manufacture gunner window assemblies, fuel panel assemblies, and perform MRO services on stabilators for the Sikorsky UH-60 helicopter through 2022. In 2017, we signed long-term supply agreements with Sikorsky to manufacture fuel panel and gunner window assemblies for the Sikorsky UH-60M helicopter, valued at up to approximately $21 million and $8.2 million for a period of five years, respectively. In September 2018, the Company received a series of purchase orders from Sikorsky totaling more than $8 million for the manufacture of Hover Infra Red Suppression Systems ("HIRSS") in support of older model Black Hawk® helicopters.

Bell / Textron AH-1Z "Viper" Attack Helicopter The Bell AH-1Z is a twin-engine attack helicopter used by the U.S. Marine Corps, which began full-rate production in December 2010. In January 2017, we received an indefinite-delivery / indefinite-quantity ("IDIQ") contract from Bell for the manufacture of engine cowl and support assemblies, with a potential value of $14.8 million. In March 2018, we received an amendment to the IDIQ contract which extended the period of performance by one year and is valued at $3.8 million. This increased the total potential value of the IDIQ contract to $18.6 million through 2021.

Sikorsky MH-53E "Sea Dragon" The Sikorsky MH-53E is the U.S. Navy's primary airborne mine countermeasures aircraft. In May 2017, we received a contract from Sikorsky to provide MRO services for an initial quantity of 15 tow hook assemblies through 2022, with a potential value of $1 million, depending on the level of repair that is required. We have previously manufactured new tow hook assemblies under a spares contract awarded by Sikorsky in 2010.

Raytheon Next Generation Jammer Mid-Band ("NGJ") The Raytheon NGJ is an external jamming pod that will disrupt and degrade enemy aircraft and ground radar and communication systems and will replace the ALQ-99 system on the U.S. Navy's EA-6B Growler carrier-based electronic warfare aircraft. Raytheon received a $1 billion sole source contract from the U.S. Navy in April 2016 for the engineering and manufacturing development ("EMD") phase. CPI Aero has contracts with Raytheon valued at more than $19 million to assemble the NGJ pod structural housing and air management systems required during the EMD phase. After a successful development program, the U.S. Navy plans to install Raytheon NGJ pods on 138 EA-18G Growlers during the Raytheon NGJ pod production phase. There are two pods per aircraft. We estimate that the total value to CPI Aero of the production phase could be in excess of an additional $150 million through 2030.

UTAS DB-110 "Reconnaissance Pod" CPI Aero has a contract with UTAS to manufacture pod structures for the UTAS DB-110 reconnaissance system, which is used primarily on exported F-16 aircraft.

UTAS "TacSAR" Pod The UTAS TacSAR pod is a long-range synthetic aperture radar system designed for overland and maritime reconnaissance and surveillance, and is being developed by UTAS with Selex ES, now Leonardo, S.p.A. UTAS awarded CPI Aero a sole-source one-year development contract valued at under $1 million, to begin engineering and design support in 2017. CPI Aero expects to receive an initial production order in early 2019. The work being performed by CPI Aero is similar to work performed by CPI Aero during the pre-production phase of the

UTAS DB-110. The UTAS TacSAR pod system complements the UTAS DB-110 to provide all-weather reconnaissance and surveillance and will contain some structural components common to the UTAS DB-110.

Lockheed F-35 "Lightning II" The Lockheed F-35 Lightning II, also known as the Joint Strike Fighter, is a family of single-seat, single-engine, all-weather stealth multirole fighters designed to perform ground attack, aerial reconnaissance, and air defense missions. The DoD plans to acquire over 2,400 F-35's by 2034 and 11 other countries also have plans to acquire the aircraft. We are a Tier 1 supplier to Lockheed and manufacture four different door lock assemblies for the F-35. In 2015, CPI Aero was awarded a multi-year contract to supply lock assemblies for the arresting gear door on the F-35A Conventional Takeoff and Landing variant aircraft, estimated at up to $10.6 million through 2021. We made our first delivery under the contract in May 2017. In November 2017, we announced an additional $15.8 million multi-year contract to manufacture canopy actuation drive shaft assemblies through 2022 for the F-35A, F-35B, and F-35C aircraft.

Sikorsky CH-148 "Cyclone" The Sikorsky CH-148, a military variant of the Sikorsky S-92®, is a twin-engine, multi-role shipboard helicopter being manufactured by Sikorsky for the Royal Canadian Air Force ("RCAF"). The Sikorsky CH-148 is to be operated by the RCAF and will conduct anti-submarine warfare, surveillance, and search and rescue missions from Royal Canadian Navy warships. In 2016, Sikorsky awarded CPI Aero purchase orders valued at approximately $6.5 million to manufacture the weapon pylons. CPI Aero will produce weapon pylons for 28 aircraft with deliveries through 2018.

Commercial Aircraft Subcontracts with Prime Contractors

Gulfstream G650 In March 2008, Spirit Aerosystems, Inc. ("Spirit") awarded us a contract to provide leading edges for the Gulfstream G650 business jet, a commercial program that Spirit was supporting. In December 2014, Spirit transferred its work-scope on this program to Triumph. We continue to provide leading edges for the Gulfstream G650 as our purchase orders and long-term agreement have been transferred to Triumph.

HondaJet Elite In July 2018, we received a long-term agreement from Honda to manufacture the noise attenuating engine inlet for its recently debuted HondaJet Elite business jet. CPI Aero has manufactured engine inlet assemblies for the original HondaJet aircraft since 2011.

Sikorsky S-92® Helicopter The Sikorsky S-92® performs search and rescue missions, heads of state missions, and a variety of transport missions for offshore oil and gas crews, utility, and airline passengers. Sikorsky has delivered more than 275 Sikorsky S-92® helicopters since 2004. In June 2017, CPI Aero announced a follow-on contract with Sikorsky to provide 15 different deliverable items for the Sikorsky S-92®, including door assemblies, cover assemblies, and various installation kits used by Sikorsky to complete the final assembly of the Sikorsky S-92®.

Embraer Phenom 300 In May 2012, Embraer awarded us a contract to manufacture engine inlets for the Embraer Phenom 300. We have received approximately $34 million in orders on this program through June 2018. We estimate the potential value of the program to be in excess of $40 million.

Embraer E175-E2 The E-Jet E2 family of aircraft was launched by Embraer in 2013 and included three new airplanes, the E175-E2, the E190-E2, and the E195-E2. We were selected by Embraer to supply various structural components used in the manufacture of engine pylon fairings for the Embraer E175-E2 aircraft, valued at approximately $16 million. The Embraer E175-E2 is scheduled for entry into service in 2021.

Military Aircraft Prime Contracts with U.S. Government

F-16 "Fighting Falcon" In November 2014, the Defense Logistics Agency awarded CPI Aero a multi-year contract to provide structural wing components and logistical support for global F-16 aircraft MRO operations. We estimate the value of the contract, including options, to be approximately $53.5 million through 2020. To date, we have received $15 million in orders under this contract.

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T-38C "Talon" The T-38C is a twin-engine, two-seat, supersonic jet trainer used by Air Education Training Command as an advanced trainer in Specialized Undergraduate Pilot Training. In 2015, CPI Aero was awarded a contract valued at up to approximately $49 million to provide Pacer Classic III structural modification kits for the T-38C aircraft through 2021. To date, we have received $17.5 million in orders under this contract.

Backlog

We produce custom assemblies pursuant to long-term contracts and customer purchase orders. Our backlog consists of aggregate values under such contracts and purchase orders, excluding the portion previously included in operating revenues on the basis of percentage of completion accounting, and including estimates of future contract price escalation. Substantially all of our backlog is subject to termination at will and rescheduling, without significant penalty. Funds are often appropriated for programs or contracts on a yearly or quarterly basis, even though the contract may call for performance that is expected to take a number of years. Therefore, our funded backlog does not include the full value of our contracts.

Our total funded and unfunded backlog as of June 30, 2018 was approximately $69.9 million and $290.3 million, respectively. Approximately 79% of the total amount of our backlog at June 30, 2018 was attributable to government contracts. Our funded and unfunded backlog attributable to government contracts as of June 30, 2018 was approximately $63.6 million and $219.7 million, respectively. Our unfunded government backlog is primarily comprised of the long-term contracts for the NGC E-2D, the U.S. Government F-16 and T-38C, the Lockheed F-35, and the Bell AH-1Z. These long-term contracts are expected to have yearly orders, which will be funded in the future. Our total funded and unfunded commercial backlog as of June 30, 2018 was approximately $6.4 million and $70.6 million, respectively. Our unfunded commercial backlog is primarily comprised of the long-term contracts for the Gulfstream G650, the HondaJet, the Cessna Citation X+, the Sikorsky S-92® and the Embraer Phenom 300. The comparatively low level of funded backlog on commercial programs is the result of customers placing funded orders based upon expected lead time. These programs are under long-term agreements with our customers, and as such, we are protected by termination liability provisions.

Bid Pipeline

We are awarded contracts for our products and services through the process of competitive bidding. This process begins when we first learn, formally or otherwise, of a potential contract from a prospective customer and concludes after all negotiations are completed upon award. When preparing our response to a prospective customer for a potential contract, we evaluate the contract requirements and determine and outline the services and products we can provide to fulfill the contract at a competitive price. Each contract also benefits from various additional services that we offer, including program management, engineering, and global supply chain program management, which streamlines the vendor management and procurement process and monitors the progress, timing, and quality of component delivery.

As of August 1, 2018, our bid pipeline was strategically focused on the defense market, which accounted for 89% of our total bid pipeline. We also continue to diversify our bid pipeline with aerostructures, aerosystems, kitting, and MRO segments representing 53%, 28%, 14%, and 5%, respectively, of our total bid pipeline.

Near-Term Program Opportunities

Over time, we have expanded both in size and capabilities, with growth in our operational and global supply chain program management. These expansions have allowed us the ability to supply more complex aerostructure assemblies and aerosystems and structures in support of our government-based programs as well as to pursue opportunities within the commercial and business jet markets. Our capabilities have also allowed us to acquire MRO and kitting contracts.

We have identified near-term program opportunities in each of the segments that we operate in. In the aerostructures segment, we have identified near-term program opportunities to be the new A-10 wing replacement program, various Sikorsky UH-60M components and structural repairs, the Lockheed F-16V, and international light attack fixed wing aircraft. In the kitting and supply chain management segment, we have identified near-term opportunities to be foreign sales of F-16 wing components, wet OWP kits for the Japanese NGC E-2D, and various military helicopters. In the aerosystems segment, near-term opportunities include systems for reconnaissance pods, electronic warfare pods, advanced antenna system structural housing, electronic racks, and step assemblies.

Long-Term Visibility – Contracts

Because of the complexities inherent in the aerospace industry, the time from the initial request for proposal to award ranges from as little as a few weeks to several years. Additionally, our contracts have ranged from six months to as long as ten years. We estimate that as of September 30, 2018, our long-term defense and commercial programs have the potential to generate approximately $447 million over the remainder of their periods of performance under contract. Also, repeat and follow-on jobs for current contracts frequently provide additional opportunities with minimal start-up costs and rapid rates to production.

Future Growth Opportunities

We have identified new business opportunities that may further our growth strategy over the next several years, including, among others, are the T-X Trainer, the Lockheed F-35, the Lockheed F-16V, the NGC B-21, and the T-38. We also see potential as a Tier 1 supplier for autonomous systems, such as unmanned aircraft systems.

Recent Developments

Significant New Contracts and Orders

On September 11, 2018, we received the first order of what we expect to be a follow-on multi-year contract from an existing customer valued at approximately $47.5 million. The initial order has a maximum value of $8.1 million, $1.6 million of which is currently available to begin production of long-lead items.

On September 11, 2018, we were notified by an existing customer that we have been selected to receive a five-year follow-on contract valued at more than $8 million over the life of the contract.

On September 20, 2018, we received an order from a current customer valued at approximately $1 million to manufacture an interior structural assembly on a limited production special-purpose rotary wing platform. This order represents an expansion of our business with this customer into a new type of aircraft.

On September 25, 2018, we were notified by a new customer that we have been selected to manufacture a wing of a booster assembly used to launch a new missile system currently in development by the customer. We anticipate receiving a purchase order in the fourth quarter of 2018. This order would represent an expansion of our business into missiles and other autonomous weapons systems.

Third Quarter 2018 Capsule Information

The preparation of our unaudited financial statements for the quarter ended September 30, 2018 is not yet complete. Accordingly, the following capsule financial information is only an estimate. As a result, the following information may differ from the actual results that will be reflected in our unaudited financial statements for such quarter when our unaudited financial statements are completed. The following information is provided by and is the responsibility of management. Our independent registered public accounting firm has not audited, reviewed, compiled, or performed any procedures with respect to the following information and, accordingly, does not express an opinion or any other form of assurance on it. The estimates should be read in conjunction with, and are qualified in their entirety by, the detailed information appearing elsewhere in this prospectus supplement and by the information and financial statements (including the notes thereto) appearing in our quarterly and yearly financial statements incorporated by reference herein.

We expect to announce the results for the quarter ended September 30, 2018 on or about November 8, 2018. We preliminarily expect to report revenue of approximately $19 million, with diluted earnings per share of approximately $0.13/share. During the quarter, we expect that we incurred approximately $325,000 of legal and accounting expenses related to our litigation against Air Industries Group and Welding Metallurgy, Inc., described in more detail under "Legal Proceedings" below. These expenses lowered diluted earnings per share in the third quarter by approximately $0.03/share and we do not expect to incur significant additional expenses related to this matter. As described below, on October 2, 2018, we entered into a court-ordered stipulation in this litigation.

We expect total backlog at September 30, 2018 to be approximately $447 million, of which $378 million is for defense programs and $69 million is for commercial programs. Approximately $70 million of the total backlog at September 30, 2018 is funded.

We had cash of approximately $829,000 as of September 30, 2018.

Legal Proceedings

On July 5, 2018, we filed a complaint in the Supreme Court of the State of New York, County of New York, against Air Industries Group ("Air Industries") relating to the previously announced Stock Purchase Agreement, dated as of March 21, 2018 (the "Agreement") between CPI Aero and Air Industries, pursuant to which Air Industries agreed to sell to us all of the shares of capital stock of its subsidiary, Welding Metallurgy, Inc. ("WMI"). The complaint alleges, among other things, that Air Industries willfully breached its contractual obligation to provide financial information required to fulfill key conditions for closing under the Agreement. Air Industries' answer and counterclaims, filed on July 30, 2018, denies the allegations made by us in the complaint and alleges that we breached the Agreement and the covenant of good faith and fair dealing.

On July 31, 2018, we filed a motion for preliminary injunction against Air Industries. The motion argued that the failure by Air Industries to provide financial data and other information necessary to close the transaction contemplated by the Agreement would cause irreparable injury to us. We sought an order directing Air Industries to furnish us with all previously requested financial, operating, and other data and information relating to WMI.

On October 2, 2018, we entered into a court-ordered stipulation (the "Stipulation and Order") in the litigation. As part of the Stipulation and Order, Air Industries has withdrawn its purported termination of the Agreement. Among other things, the Stipulation and Order requires Air Industries to deliver to us within 45 days audited, unqualified financial statements of WMI for 2017 certified by Air Industries' auditor. Subject to fulfillment of other conditions to closing set forth in the Agreement, the parties agreed that the acquisition will close within three weeks after CPI Aero receives the audited financial statements. We also agreed to promptly amend the Agreement to reflect the terms of the Stipulation and Order. The Court will retain jurisdiction of the case for all purposes, including enforcing the terms of the Stipulation and Order.

For a discussion of the risks and uncertainties associated with this litigation and with the acquisition of WMI, please see the "Risk Factors" section in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which is incorporated herein by reference. We remain committed to completing the acquisition of WMI as soon as practicable.

The Offering

Common stock offered by us	2,400,000 shares of common stock
Common stock to be outstanding after this offering (1)	11,367,778 shares of common stock
Underwriters' over-allotment option	We have granted the underwriters an option to buy up to an additional 360,000 shares of common stock from us to cover over-allotments. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement.
Use of proceeds	We intend to use the net proceeds from the sale of common stock by us in this offering for general corporate purposes which may include working capital, capital expenditures, debt repayment, or acquisitions. Under the terms of our credit agreement with BankUnited, N.A. and other lenders, if we raise \$7.0 million or more in this offering, we are required to use 25% of the net proceeds from this offering to prepay our loans, with \$1.2 million applied to the term loan and the remainder applied to our revolving loan. See the section entitled "Use of Proceeds" on page S-13.
NYSE American symbol	CVU
Risk Factors	See the section entitled "Risk Factors" beginning on page S-10 for a discussion of factors you should consider carefully before deciding to invest in our common stock.

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(1)

Based on 8,967,778 shares of common stock outstanding as of October 12, 2018. Excludes 80,249 shares of common stock subject to outstanding common stock purchase options as more fully described in the section entitled "Description of Common Stock."

Unless we specifically state otherwise, all information in this prospectus supplement assumes no exercise by the underwriters of their over-allotment option.

RISK FACTORS

Before you make a decision to invest in our common stock, you should consider carefully the risks factors described below, together with other information in this prospectus supplement, the accompanying base prospectus, and the information incorporated by reference herein and therein as set forth in our filings with the Securities and Exchange Commission ("SEC"), including our annual report on Form 10-K for the year ended December 31, 2017 and our quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 2018 and June 30, 2018. If any of the following events actually occur, our business, operating results, prospects or financial condition could be materially and adversely affected. This could cause the trading price of our common stock to decline and you may lose all or part of your investment. The risks factors described in our SEC filings and below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also significantly impair our business operations and could result in a complete loss of your investment.

Risks Related to the Offering

Our management will have broad discretion over the use of the net proceeds from this offering. You may not agree with how we use the proceeds and the proceeds may not be invested successfully.

Our management will have broad discretion as to the use of the net proceeds from this offering and could use them for purposes other than those contemplated at the time of this offering. Accordingly, you will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity as part of your investment decision to assess whether the proceeds are being used appropriately. It is possible that the proceeds will be invested in a way that does not yield a favorable, or any, return for our company. Under the terms of our credit agreement with BankUnited, N.A. and other lenders, if we raise $7.0 million or more in this offering and after giving effect to the receipt of the net proceeds of this offering our Leverage Ratio (as defined in the credit agreement) is 2.0 or more, we are required to use 25% of the net proceeds from this offering to pay down our revolving loans, although we may elect to pay down more. Such amounts will immediately become available to be re-borrowed.

We may issue additional shares of capital stock in the future, which would increase the number of shares eligible for future resale in the public market and may result in dilution to our shareholders.

As of June 30, 2018, we had 80,249 shares of common stock subject to outstanding common stock purchase options, as more fully described in the section entitled "Description of Common Stock." In addition, we are not restricted from issuing additional shares of our common stock or securities convertible into or exchangeable for our common stock, except as described in the section entitled "Underwriting." Because we may need to raise additional capital in the future to continue to expand our business, among other things, we may conduct additional equity offerings. To the extent our common stock purchase options are exercised or we conduct additional equity offerings, additional shares of our common stock will be issued, which will increase the number of shares eligible for resale in the public market and may result in dilution to our shareholders. Sales of substantial numbers of such shares in the public market could adversely affect the market price of such shares.

We have never declared or paid cash dividends on our capital stock and we do not anticipate paying cash dividends in the foreseeable future.

Our business requires significant funding. We currently plan to invest all available funds and future earnings in the development and growth of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, under the terms of our credit agreement with BankUnited, N.A. and other lenders, we are restricted from paying cash dividends. As a result, capital appreciation, if any, of our common stock will be our shareholders' sole source of potential gain for the foreseeable future.

We are able to issue shares of preferred stock with greater rights than our common stock.

Our certificate of incorporation authorizes our board of directors to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from our shareholders. Any preferred stock that is issued may rank ahead of our common stock in terms of dividends, liquidation rights or voting rights. If we issue preferred stock, it may adversely affect the market price of our common stock.

Anti-takeover provisions in our organizational documents and in New York law could delay a change in management and limit our share price or otherwise make a change in our management more difficult.

Certain provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us even if such a change in control would increase the value of our common stock and could prevent or hinder attempts by our shareholders to replace or remove our current board of directors or management.

We have a number of provisions in place that will hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. These provisions include:

the authorization of undesignated preferred stock, which makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences in a manner that could delay or prevent a transaction or a change in control;

a provision providing that shareholders may act by written consent without a meeting only if such written consent is signed by all shareholders;

a provision that specifies that special meetings of our shareholders may be called only by our board of directors or our chairman of the board, if one has been elected, or our president;

the division of our board of directors into three classes, only one of which is elected annually; and

advance notice requirements by shareholders for director nominations and actions to be taken at annual meetings.

In addition, because we are incorporated in New York, we are governed by the provisions of Section 912 of the New York Business Corporation Law, which generally prohibits a New York corporation from engaging in any of a broad range of business combinations with an “interested” shareholder for a period of five years following the date on which the shareholder became an “interested” shareholder. See the section entitled “Description of Capital Stock—Provisions of New York Law and Our Charter and Bylaws” in the accompanying base prospectus.

NOTE ON FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus supplement and incorporated by reference herein are forward-looking statements that relate to possible future events, our future performance and our future operations. In some cases, you can identify these forward-looking statements by the use of words such as “may,” “will,” “should,” “anticipates,” “believes,” “expects,” “plans,” “future,” “intends,” “could,” “estimate,” “predict,” “potential,” “continue,” or the these terms or other similar expressions. These statements are only our predictions. We cannot guarantee future results, levels of activities, performance or achievements. Our actual results could differ materially from these forward-looking statements for many reasons, including as a result of those risks described from time to time in our SEC filings and those risks identified under the section entitled “Risk Factors”. Important factors, among others, that may affect our actual results include:

changes in the expense and revenue estimates used in our percentage-of-completion method of accounting;

any suspension of or prohibition on our contracting with the U.S. government;

changes in U.S. funding that affect our projects;

changes in priorities in the U.S. government due to military transformation and planning and/or the nature of war-related activity;

the ability of the U.S. government to terminate contracts, in whole or in part, without prior notice, for convenience;

the time and expense of the U.S. government’s competitive bidding process;

environmental regulation at the U.S., state and local levels;

regulation by the U.S. Federal Aviation Administration under the provisions of the Federal Aviation Act of 1958, as amended;

reliance on subcontractors to perform a portion of the services that we must provide to our customers;

increased costs on our fixed price contracts;

differences between contract value and revenue received with respect to our backlog;

our ability to attract and retain highly qualified senior officers and engineers;

our ability to obtain sufficient credit lines;

the cyclical nature of the commercial aerospace industry; and

the unpredictable nature of new programs and new technologies.

We are under no duty to update or revise any of the forward-looking statements or risk factors to conform them to actual results or to changes in our expectations.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be $13.98 million (or $16.10 million assuming the over-allotment option is exercised in full), after deducting underwriting discounts and commissions and an aggregate of $200,000 in estimated offering expenses payable by us for this offering. We intend to use the net proceeds from the sale of common stock by us in this offering for general corporate purposes which may include working capital, capital expenditures, debt repayment, or acquisitions. In addition, under the terms of our credit agreement with BankUnited, N.A. and other lenders, if we raise $7.0 million or more in this offering, we are required to use 25% of the net proceeds from this offering to prepay our loans, with $1.2 million applied to the term loan and the remainder applied to our revolving loan.

Our credit agreement with BankUnited, N.A. and other lenders provides for a revolving loan of up to $30.0 million that matures on June 30, 2020 and bears interest at 3.25% in excess of the LIBOR rate or the bank's prime rate, as selected by us in accordance with the terms of the agreement. As of June 30, 2018, the balance of the revolving loan was $27.3 million, bearing interest at 5.25%. The credit agreement also provides for a $10.0 million term loan that matures on June 30, 2020. The term loan amortizes over approximately four years. As of June 30, 2018, the balance of the term loan was approximately $7.7 million, bearing interest at 5.25%.

Pending use of the net proceeds of this offering, we intend to invest the net proceeds in accordance with our investment policy guidelines, which currently provide for investment of funds in cash equivalents, money market funds, and U.S. government obligations.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2018 on an actual basis and on an as adjusted basis after giving effect to the sale by us of the shares of common stock offered hereby at an offering price of $6.25 and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with our financial statements and the related notes thereto, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information, incorporated by reference in this prospectus supplement or the accompanying base prospectus from our SEC filings, including our annual report on Form 10-K for the year ended December 31, 2017 and our quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 2018 and June 30, 2018.

	As of June 30, 2018	
	Actual	As Adjusted (Unaudited)
Shareholders' equity:		
Common stock, $.001 par value: authorized 50,000,000 shares, issued 8,938,491 shares (actual) and 11,338,491 shares (as adjusted), respectively	$8,935	$11,335
Additional paid-in capital	54,276,175	68,248,775
Retained earnings	23,062,642	23,062,642
Accumulated other comprehensive loss	—	—
Total shareholders' equity	$77,347,752	$91,322,752

The foregoing table does not take into account the 80,249 shares of our common stock subject to outstanding common stock purchase options as of June 30, 2018.

DESCRIPTION OF COMMON STOCK

Upon consummation of this offering, 11,367,778 shares of our common stock will be outstanding. An additional 80,249 shares of our common stock are subject to outstanding common stock purchase options as of June 30, 2018. The options were issued by us to employees and non-employee directors of ours at exercise prices ranging from $6.60 to $15.04 per share with a weighted average exercise price of $11.05 per share and a weighted average remaining contractual life of seven months.

For a description of our common stock, please see "Description of Capital Stock" in the accompanying base prospectus.

UNDERWRITING

We have entered into an underwriting agreement with the underwriters identified in the table below (collectively, the "Underwriters") for whom Canaccord Genuity LLC is acting as representative with respect to the shares being sold in this offering.

The Underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the overallotment option described below unless and until the overallotment option is exercised.

Under the terms and subject to the conditions contained in the underwriting agreement, we have agreed to sell to the Underwriters named below, and each Underwriter severally has agreed to purchase, the respective number of shares of common stock set forth opposite its name below:

Underwriter	**Number of Shares**
Canaccord Genuity LLC	2,160,000
B. Riley FBR, Inc.	240,000
Total	2,400,000

The Underwriters propose to offer the common stock directly to the public at the price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of $0.20625 per share. After this offering, these figures may be changed by the Underwriters.

We have granted the Underwriters an option to buy up to an additional 360,000 shares of common stock from us to cover over-allotments, if any. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement. If any additional shares of common stock are purchased, the Underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

Discounts and Commissions

The underwriting discounts and commissions are equal to the public offering price per share of common stock less the amount paid by the Underwriters to us per share of common stock. The following table shows the per share and total underwriting discounts and commissions to be paid by us to the Underwriters in this offering assuming both no exercise and full exercise of the over-allotment option: