

Operator: Greetings. Welcome to the Astronics Corporation Fourth Quarter Fiscal Year 2020 Financial Results Conference Call. [Operator Instructions] Please note, this conference is being recorded.

I would now turn the conference over to your host, Deborah Pawlowski, Investor Relations for Astronics Corporation. You may begin.

Deborah Pawlowski: Thanks, Chemali, and good morning, everyone. We certainly appreciate your time today and your interest in Astronics. Joining me on the call are Peter Gundermann, our Chairman, President and CEO, and David Burney, our Chief Financial Officer. You should have a copy of the fourth quarter and full year 2020 financial results that were released this morning. If not, you can find them on our website at astronics.com.

Let me mention that we may make some forward-looking statements during this formal discussion as well as during the Q&A session. These statements apply to future events that are subject to risks and uncertainties as well as other factors that could cause actual results to differ materially from what is stated here today. These risks and uncertainties and other factors are provided in the earnings release as well as with other documents filed with the Securities and Exchange Commission. These documents can be found on our website or at sec.gov.

During today's call, we will also discuss some non-GAAP financial measures. We believe that these will be useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results in accordance with GAAP. We have provided reconciliations of non-GAAP measures with comparable GAAP measures in the tables that accompany today's release.

With that, let me turn it over to Pete to begin. Peter?

Peter Gundermann: Thanks, Deb, and good morning, everybody. Thank you for tuning in. Our rough agenda today will be to summarize our fourth quarter of 2020 and 2020 in review. We'll talk about our financial status, including our bank arrangements, and then we'll turn our attention to a brief review of our outlook as we are in the early days here of 2021, with, of course, Q&A at the end.

I want to start with a premise, though, and the premise is this. We are very well aware that we are still being heavily affected by the COVID pandemic, but we are increasingly of the opinion that solid progress is being made and line of sight is being established for recovery in our chosen markets and for our company. We're going to spend quite a bit of time on this call talking about the green shoots that we are seeing and why we're increasingly confident that the worst is behind us.

But first, let me remind everybody what our major goals are as a company as we worked our way through this pandemic for almost a year now. They are, first and foremost, the protection of our employees and the safety of our workplace. A lot of credit goes to our employees who have done phenomenal things working through this period of time and under very unexpected and difficult circumstances. They've done a really good job.

Our second objective is to keep meeting the requirements that our customers have placed on us. They've trusted us with some pretty important programs, and even in the difficult circumstances, our objective is to stay up to speed with those expectations, because they are important for our future beyond this pandemic, which we hope at some point is a distant memory.

So, as such, our third goal or requirement is to, as best we can, position the company for survival during the pandemic and, more importantly, success afterwards.

To this end, we definitely realize that, having just reported a year of \$500 million in revenue and looking at our income statement, we are not optimized for financial success at \$500 million. We are surviving at \$500 million, but we have the infrastructure of a larger company and our expectation is that our revenue base will grow as recovery comes to us. So, all that is to say that, from our perspective as we sit here today in February 2021, it is all about demand. That's the important thing to monitor. That's the important thing to watch, and that's what we are looking at very closely.

So, for the first part of my discussion here, I want to talk about what's happening with demand. And again, our perspective is, we see for the first time in many, many months quite a bit more good news on the horizon than bad. And though we're not out of the woods by any stretch, we're cautiously optimistic that the worst is behind us. So, stepping through our core markets, here is what we see.

As a reminder, 70% of our volume before the COVID pandemic came from the commercial transport market, and that's primarily Boeing and Airbus and the airlines that fly those airplanes.

For that market to be successful, we need people flying again. Since we last talked, there have been a number of high efficacy, very safe vaccines introduced to the market. While this is an obvious observation, it is really good news in terms of setting us up for the future. The expectation in our company and for the industry is that, as vaccines take hold, especially in the rich countries, the second half of 2021 should see an increase in air traffic, which is good for everybody in the industry.

The second piece of news since we last talked, and again this is pretty obvious to anybody who follows the industry, is that the 737 MAX has been recertified. The 737 MAX is an important program to Astronics. Back in 2019, before the pandemic, it was our single largest aircraft production program across our entire company, for which we provide a minimum of \$90,000 per aircraft built and, depending on how it is configured, that total can increase up to \$250,000 or so.

We do not expect much impact from that recertification in the first half of the year, as Boeing is building at a rather low rate and they're going to burn off inventory that accumulated since the production shut down almost a year ago, but in the second half, we expect that will start to have a meaningful impact on our financials. If Boeing hits their anticipated production rates going into 2022, it should again be one of our larger programs across our company.

Switching to the general aviation business jet market, which before the pandemic was about 10% of our volume, the good news here is that most major OEMs are planning to increase production rates from 2020 substantially in 2021. Most cut production rates on the heels of the pandemic in 2020 and are now saying they're going to increase rates again in 2021. Most of our business in the GA market is line fit, so production rates are really important to us.

The third and final part of our core market is the government and defense area, which, for us, includes military aircraft and almost all of our Test business. That was about 20% of our volume pre-pandemic. We expect that spending in this area will continue to be strong going through 2021. There has obviously been a lot of changes in Washington, D.C., but we do not expect those changes to affect our prospects in the government and defense realm in the short term.

So, how is all this playing out for us in current bookings?

Our Q4 bookings were \$116 million. That's up 42% over Q3, and Q3 was up 33% over Q2. We're not out of the woods -- \$116 million in bookings is a far cry from where we were pre-pandemic at \$170 million or \$180 million average through 2019. But when you look at the patterns, Q2 of \$62 million, Q3 of \$82 million, Q4 of \$116 million, the trend is certainly going in the right direction.

Aerospace bookings in the fourth quarter were up 14%. Test had a great quarter, up 150% over a year ago. That was on the heels of a previously announced transit test program for the Atlanta Rapid Transit Authority through our customer Stadler Rail. That's about a \$30 million program, which we'll be executing over the next couple of years.

So, the real focus these days is the airline aftermarket. I talked earlier about 70% of our volume being commercial transports. Of that 70%, about 2/3 are line fit, 1/3 is aftermarket. Line fit is relatively easy to keep a tab on because of the well-publicized and published production rates, primarily again at Boeing and Airbus. The aftermarket is a little bit harder to get a handle on in terms of what plans are, but qualitatively, what I can tell you today is that we have noticed a significant increase in general activity over the last 3 or 4 months.

Airlines went into a shell, from our perspective, as the pandemic took hold and travel collapsed. In recent months, activity has picked up in terms of quoting activity and program activity, not necessarily translating into orders yet. There's a lot more potential there, but we're encouraged by the pickup from the airline aftermarket.

We can concur with most observers in the industry that this activity is more closely associated with narrow-body aircraft rather than wide-body aircraft and more closely correlated with domestic travel rather than international travel. We can also agree with the industry that the U.S. and China seem to be exhibiting more activity and more health, while Europe lags significantly. That's simply because of the quarantine requirements and travel restrictions that exist throughout Europe today.

Switching over to our Q4 financials, very briefly, revenue of \$115 million, again we know, is very depressed, down 42% year-over-year, but up 8% sequentially. I talked just moments ago about booking trends from Q2 to Q3 to Q4. Shipments, at least for now, have bottomed out in Q3 and rebounded a little bit, 8%, in Q4.

We took significant cost reductions early on in the pandemic. I'm not going to go through them again, but we feel those cost reductions have allowed us to have reasonable results given the situation on our income statement. GAAP net income in the fourth quarter was a negative \$20 million, or down 17%, due significantly to a large income tax expense, which I will let Dave explain in just a minute.

Adjusted EBITDA was \$2.9 million or 2.5%. Cash from operations in the fourth quarter was \$5.8 million. For the year, sales of \$500 million, was down significantly from \$773 million and down even more significantly from the \$800 million plus that we thought we would do in 2020. The entire drop was in our Aerospace segment, which was down 40% 2020 over 2019. Test, excluding our semiconductor business, which we sold 2 years ago, was up 15% for the year, benefiting from a couple of small acquisitions we did in 2019, some strength in the transit test market and continued government spending held across the board.

On sales of \$503 million, our GAAP net loss of \$116 million was down from income in 2019 of \$52 million. Adjusted EBITDA in 2020 was a positive \$29 million, down from \$88 million, and cash from operations was \$37.3 million, down from \$42.7 million in 2019. The best thing I can say about 2020, with that brief summary, is good riddance. We're happy to be moving on.

I'll turn it over to Dave now to talk about the status with our balance sheet and our banking arrangements. Dave?

David Burney: Thanks, Pete. I just want to give a quick explanation of the fourth quarter and the full year tax expense since it is a little bit crazy if you look at it. Our GAAP net loss for the quarter was \$20 million, and the key driver in that was a \$14.1 million noncash valuation allowance we're required to record against our deferred tax assets. The interpretation of GAAP, when it comes to assessing the realizability of deferred tax assets, looks more to past results rather than future profit expectations.

If a company has a cumulative tax loss for the last 3 years, the guidance we're required to abide by calls into question the future realizability of any deferred tax assets that are sitting on the balance sheet, and typically requires a valuation allowance to be placed against those deferred tax assets. While consideration may be given to the company's forecast, the historical 3-year cumulative loss is typically weighted more heavily. So, a company may be forecasting a profitable future, but because of the cumulative loss over the past 3 years, it's generally required to record a reserve against its deferred tax assets. This has no impact on cash taxes. Once we return to a 3-year cumulative income, we'll see a lower effective tax rate than what would otherwise be expected as that deferred tax asset reserve gets reversed.

I'll say that, regarding net cash taxes for 2021, we expect them to be minimal, limited primarily to some state tax offset by some NOL carryback refunds. Again, the important thing in this is that there's no cash impact now or in the future on this reserve.

Now, there's no question, this year has been extremely difficult for Astronics and most aerospace companies. We went from having a budget entering 2020 expecting over \$800 million in sales; then hit a wall late in the

first quarter caused by the global pandemic where, in just 9 months, our quarterly sales went from \$198 million run rate in the fourth quarter of 2019 to just \$106 million in the third quarter of 2021.

We took quick action to adjust as best we could to the sudden change in our world. These moves were painful and, unfortunately, involved a lot of sacrifice from our employees, and they should be commended. While we were able to lower our cost structure, unfortunately, much of the cost savings had to come by reducing our headcount. Additional cost reductions were a result of freezing pay adjustments, eliminating bonuses, eliminating company contributions to retirement plans and other spending cutbacks. As we're currently operating, our quarterly GAAP breakeven point is estimated to be around \$125 million in sales. Additionally, we reduced spending by cutting discretionary CapEx and halted our stock buyback programs back in the first quarter. These are all critical to weathering the storm that we're going through now.

The second very important piece required us to work through this puzzle with our bank group. We were able to work with our very supportive team of banks to amend our credit facility to suspend our maximum leverage ratio and replace it temporarily with more appropriate covenants, given the circumstances. Because of these moves and the support of our banks, we've been, and expect to remain, compliant with our debt covenants.

For the fourth quarter, we had positive cash flow from operations of \$5.8 million and ended the year with a positive cash flow from operations of \$37.3 million. On a positive note, we were able to finally reduce our inventory during the quarter by about \$6.4 million, which is a good change from the first several quarters of the year.

Just to recap our amended credit facility, we amended it in early May. It matures in February of 2023, and it's a \$375 million revolving credit facility. The key financial covenants are as follows: first, there's a maximum leverage covenant that was waived until the third quarter of 2021, which is the suspension period we refer to. And then, it begins phasing in starting at 6x adjusted EBITDA as defined in the agreement, decreasing to 5.5x in the fourth quarter, then further declining to 4.5x in Q1 2022, and then ultimately to 3.75x thereafter.

It's important to note that adjusted EBITDA, as it's defined in the credit agreement, allows for add backs of noncash expenses that typically are shown as noncash items on the statement of cash flows.

Also, I should note, as we mentioned in the press release, that we were recently notified by the acquirer of our semiconductor business that they have calculated an earn-out due to us of about \$10.7 million. We're reviewing the calculations and expect to record this after we confirm the calculation, likely in the first quarter. The cash we receive will count toward our adjusted EBITDA under the earn-out agreement for the covenant purposes.

There are 2 key financial covenants during the suspension period, a minimum liquidity and a minimum interest coverage ratio. Through the third quarter of 2021, we're required to maintain minimum liquidity of \$180 million. Liquidity is defined as cash plus the undrawn balance on the revolver. At 12/31/20, we had \$242 million of liquidity, or a \$62 million cushion. Through the second quarter of 2021, we're required to maintain an interest coverage ratio of 1.75x interest expense, except for the first quarter of 2021, which is only 1.5x. At 12/31/20, our interest coverage ratio was roughly 6x. Other covenants include a temporary restriction on acquisitions, share repurchases and dividends.

Regarding the pricing grid, our current debt is priced at 3.25%. The formula is LIBOR plus 225 basis points at our current leverage, with a LIBOR floor of 100 basis points. Our outstanding balance on the revolver at year-end was \$173 million, up slightly from the third quarter, but down \$15 million from the end of 2019. On a net debt basis, which is what our debt covenants consider, net debt was \$132.6 million compared with \$156.1 million at the end of 2019, a decrease of \$23.5 million.

As I mentioned previously, we cut CapEx spending in response to the business slowdown as well. In 2020, we spent \$7.5 million on CapEx compared with \$12.1 million in 2019, and we have a plan to spend a bit over \$10 million to \$11 million in CapEx for 2021.

And that's it for me, Pete. Back to you.

Peter Gundermann: To wrap up, looking ahead to 2021, we are unfortunately still unable to provide any kind of quality guidance, especially for the second half of the year. We said in our release that we expect the first half of 2021 to look a lot like the second half of 2020 with the observation that Q1 revenue is likely to be light at around \$100 million. This implies a substantially stronger Q2, obviously, and it's more just the nature of how orders are timed than anything else. In general, we expect the first half demand-wise to look like the second half of 2020.

The other first half wrinkle will be the earn-out potential that Dave talked about of what is today a \$10.7 million value, which we're reviewing.

The real issue for the second half and for the year in total comes back to demand. It comes back to bookings. Bookings in the first half will drive shipments in the second half, so we're paying very close attention to what is happening currently. By the time we report again, which should be the beginning of May, we should have a good grip on how the first half is shaking out and what the second half is likely to hold for us as a company.

I think that ends our prepared remarks. So, Chemali, if you want to open up the question line, we'll entertain those now.

Operator: [Operator Instructions] Our first question is from Luke Cummings with Beach Point Capital.

Luke Cummings: Congrats on the quarter. Definitely holding in well there. Just wondering, can you talk a little bit about retrofit, whether you're seeing any increased activity there? And what portion of sales was pre-COVID in terms of commercial aerospace, at least?

Peter Gundermann: Sure. Regarding the retrofit, it's a little hard to know the number with certainty. We obviously know what we ship to, say, an airline as opposed to Boeing, but some of our biggest customers, especially in the in-flight entertain world, provide both. Panasonic, traditionally, has been a very large customer of ours. We ship to Panasonic. A fair amount of their product goes to Boeing or Airbus for line fit, but it also goes to MROs for retrofit. We don't always know how that split plays out. In general, the rule of thumb that we use is that, of the 70% of our traditional business that went to commercial aircraft, roughly 2/3 was line fit and 1/3 was aftermarket. So, approximately 20% of our total, which is significant.

Most of our aftermarket sales are in-flight entertainment-related, either electrical power for passengers or connectivity equipment or wireless access points or data loaders, things like that. It's dependent on airlines upgrading their IFE, in-flight entertainment, amenity for passengers, which is an interesting place to be as the industry crawls out of a pandemic. Unlike a lot of companies, our aftermarket initiatives are not closely linked to, say, the number of landings or the number of flight hours or the number of flights or even the number of passengers. It's really related to what kind of service the airlines want to offer their flying passengers.

One of the questions that you haven't necessarily asked, but is probably a reasonable thing on people's mind is, if the industry recovers in the second half, are we likely to see aftermarket sales increase ahead of that or along with it or maybe after it as the airlines repair their balance sheets? And the answer is, we're kind of running an experiment here. We don't really know. The last time this happened was almost 20 years ago when the industry went through this kind of shock, but it was over in about 3 months. The best guidance I can give is what I tried to do during my monologue, which is, we're noticing increased activity and a lot of attention.

You don't typically get surprised by a significant aftermarket order by an airline. There is typically a lot of back and forth in terms of configurations and different options and alternatives and even flight trials for new equipment, which the airline wants to get comfortable with before they buy it. All that back and forth has definitely been on the increase over the last 3 or 4 months, which gives us reason to believe that the airlines are anticipating increased traffic, at least domestically, in the narrow-body side, and we are in position to participate in that when they pull the triggers on those programs.

So, you asked a short question, but you got a long answer. I hope I answered most of it.

Luke Cummings: Great, thanks.

Operator: Our next question is from Austin Moeller with Canaccord Genuity.

Austin Moeller: Just to start, can you comment on what build rate you're currently at now for the 737 MAX and where you expect that to grow to in the second half of the year?

Peter Gundermann: That's an easy one. We're at approximately zero. We've been shut down for a while. Again, we were delivering, I want to say, 30 ships a month a year plus ago when Boeing shut down production. They kept us running for a couple more months, so they accumulated some number of ships, maybe 40, 50, 60 shipsets. I don't know specifically what they're building at now. I know they're starting very small and plan to ramp up over the course of the year. Our expectation is that they will chew through that accumulated inventory near the middle of the year, so we'll start delivering in the middle of the year for the second half of the year. I don't know the exact schedule, but they say they want to be running at around 30 ships a month at the beginning of 2022, so our hope is that they get there and that demand supports it.

Austin Moeller: Okay. Great. Just to switch gears here, can you provide any updates on Astronics' business jet work and what the uptake looks like on the Collins contract?

Peter Gundermann: Sure. Most of our GA or business jet business is line fit, so the best way to predict that is to look at production expectations at the major manufacturers. Textron is obviously a big customer of ours, both at Cessna and Bell. Pilatus is a customer of ours. Honda is a customer, as well as Bombardier, Gulfstream, Dassault, pretty much everybody. Collectively, if you look at those rates, you can see what we expect to happen with our line fit business jet work.

The Collins program is a little bit unique. That's more of an aftermarket program at this point, and it is to provide satellite connectivity for larger business jets. This is something we've been working on and had a few swings out over the last few years, and we're providing an antenna system. Our big contribution to Collins is providing an antenna system. It's a relatively new service or product that Collins is offering. We're not involved in Collins' field sales initiative, so it's hard for us to estimate that, but the feedback we get is that the product is being very well received and they think there's a market for it.

We did announce an order that, depending on demand, it could be consumed relatively quickly or it could stretch out for some period of time. Again, we don't know exactly what Collins' sales prospects are, but our indications and our hunches are that the demand is going to be consumed relatively quickly, so we're pretty optimistic about it. Those who follow our company know that, before the pandemic in the good old days, we talked about 3 stragglers. Our antenna company was 1 of the stragglers. We did a lot of restructuring to fix it. We thought we were in really good shape coming into 2020, and, lo and behold, it's working out. We're pretty excited about that.

Austin Moeller: Great. Well, that's definitely very optimistic and it looks good for the business jet and antenna side of the business. If we think about defense now, how significant was the MQ-25 Stingray contract to revenue either in 2021 or 2022?

Peter Gundermann: It's not in and of itself a critical program, but let me say this, and I'm going to be a little bit cryptic. We've been working on, I call it, a franchise for flight critical electrical power for smaller aircraft. We've been announcing various programs, the FARA and FLRAA program with Bell, the Cessna Denali, the Pilatus PC-24, and we're developing a very capable, very intelligent system that we think has really significant advantages for customers that build small aircraft. While small aircraft is turning into a whole bunch of different things, it's not only helicopters and jets, some turbo perhaps in the conventional sense, it's also unmanned aircraft, like the one you're asking about, and also the emerging world potentially of pilotless aircraft, electric aircraft, flying people around in commuter settings.

This is an emerging effort in the industry, certainly, but it's one that we think our franchise might be very, very well adapted to. MQ-25 is an example. It's a step in that direction. We're not allowed, at this point, really to talk about value or shipset content or anything like that, but we think it's an indication of where that business

could go. It's an exciting future, not necessarily for 2021, although, we're making progress every year, but when we look out, it's one of the big blue ocean areas that we can focus on.

Austin Moeller: Awesome. Yes, definitely a very interesting opportunity coming up either for unmanned systems or urban air mobility there. Just the last question for me. What rate are you shipping at now in the 787 and do you expect to stay at the level of the 5 a month through 2021?

Peter Gundermann: I have to think about this. On the 787, we have a little bit that goes direct to Boeing, but the majority of it goes through other companies, and most of that product is specific for various tail numbers. It's reasonable to think that we're going to ship at basically Boeing's planned production rate, not faster and not slower, so their stated goal is to be somewhere in the 6 per month time frame or rate, and we expect to be there with them.

Austin Moeller: Okay, great. Thanks so much for the color.

Operator: Our next question is from Dick Ryan from Colliers.

Dick Ryan: So, Pete, can you talk a little bit on the transit side? I mean, you have a couple good wins under your belt, New York and Atlanta. Can you maybe talk about the delivery of those contracts and what the pipeline looks like? Have these two opened the door for some other opportunity?

Peter Gundermann: Sure. Those are significant wins from our perspective. They demonstrate the potential that this initiative has for us. As you know, this is relatively new. I think we won the New York City program called R211 about 1.5 years ago, and more recently now, the MARTA program. We think it's exciting, another blue ocean, so to speak.

Trains are becoming increasingly digital and increasingly integrated, and the applicability of some of our Test technologies for the transit market, we think, is a really, really good fit compared with the state of the industry before. Basically, what you do is you look around the world, not only just the country, but the world, at all the cities that run major transit systems, and that's our universe of potential here.

Our strategy is to get involved with various programs with various train manufacturers. There are only maybe 5 major ones in the world. Our New York City job is with Kawasaki in Japan, obviously, and our MARTA job is with Stadler, and we're pursuing programs in other municipalities now, which may be won by one of those two companies, may be won by others, but we're quickly establishing relationships with the major train companies. Our hope is to work with them on other opportunities on a global basis. How big will it get? How fast will it get there? We're kind of making it up as we go along here, but we're encouraged at the win rate that we have so far. We haven't lost a major one, and we think there are a couple of others that will hopefully be able to sign up in 2021. So again, it's a smaller part of our business, a newer part of our business, but a blue ocean for potential, so we're hopeful.

Dick Ryan: Okay. So, you mentioned the straggler companies. Can you provide an update? Obviously, it sounds like Armstrong, the antennas, has been scaled back in a good position, but how about the VVIP? I would assume the Armstrong under Telefonix is positioned nicely now, but how about the VVIP?

Peter Gundermann: Yes, you have it right. Actually, for all three of those companies, we have done a number of restructuring of the way we run internally, including some facility consolidations and things like that, that have been going on in the background over the last year, 1.5 years. All three of those companies report through what was Telefonix. We now call the organization, CSC. By doing that, we're able to share some resources. We're able to move people and effort from one project to the other. It's helped our cost structure and helped our competency, frankly, significantly. So AeroSat, our former antenna company, is on a good track with the program with Collins. We've, I guess, simultaneously improved the competency of the organization, but also downsized significantly, so it's nowhere near as big a drain as it used to be. We still have aspirations and hopes that it's going to get bigger and better. We'll see how those play out over the course of this year.

It's a similar story with Armstrong, which has been physically absorbed into our Waukegan operation in Chicago. I guess we have two facilities in Chicago, Waukegan and Lake Zurich, and Armstrong has been absorbed into those two as part of CSC.

Our VVIP operation that you talk about is doing better also. Revenue was up substantially. I don't have that in front of me exactly, but I want to say that we're expecting them to almost be double in 2021 what they were in 2019. Part of that is the 737 MAX getting recertified and the market opening up a little bit. So, if we weren't talking about pandemic so much over the last 3 quarters, we maybe would have been talking more about how we stemmed the situation there with those three and kind of moved past it. It was a critical part of our 2020 plan that got buried in the rubble of the pandemic.

Operator: Jon, please proceed with your question.

Jon Tanwanteng: Pete, I was just wondering if you could tell us how orders have trended through January and February relative to Q4? I know you said you've seen a lot of quoting and other activity, but not necessarily translation. Did they pick up at all in Aerospace or are they mostly flat with what you've seen so far?

Peter Gundermann: Well, it's early, of course, Jon, but I guess I would tell you we expect overall growth in bookings, and we're on track to do that, and it's weighting more towards Aerospace. So yes, the Aerospace bookings quarter-to-date first quarter are showing another step-up in demand. If we can hold that rate, it should be a pretty good first quarter from an Aerospace perspective, for sure.

Test is a little lumpier. Test bumps around, as you know. Our fourth quarter Test bookings were substantial and we have potential for that again in the first quarter, but you never really know. It's hard to predict sometimes, but Aerospace is on a trend to do better in the first quarter than the fourth quarter, for sure. We're about halfway through, so a lot can happen between now and then.

Jon Tanwanteng: Great. And just to be clear, that \$100 million in revenue, expecting, does that include that semiconductor earn-out that Dave was talking about?

Peter Gundermann: No. That will be recorded in other income, I believe, right, Dave?

David Burney: Yes.

Jon Tanwanteng: Okay. Got it. And then, just a quick one. Was there any impact from the 777 incident that happened a couple of days ago? I know it was an older plane, so I don't think it will, but if there's anything to the planes that are out there or perhaps the 777X, any fallout or read through would be appreciated.

Peter Gundermann: Yes, nothing that we're aware of, Jon. That's a pretty proven engine, so it's a little bit of a blip from our perspective. And it's apparently not a common engine on the 777, so in a worst-case scenario, it's not going to affect the fleet that much. I guess, from an industry perspective, if it has to happen, now is not a bad time for it to happen, because there are a lot of extra 777s floating around to inspect. I don't expect it would affect the 777X at all, and I don't think it's going to affect international travel at all either at this point.

Peter Gundermann: Okay. Well, thanks, everybody, for tuning in. We look forward to talking to you after the first quarter and have a good day.

Operator: This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.