

Operator: Greetings, and welcome to the Astronics Corporation First Quarter 2021 Financial Results Call. [Operator Instructions]. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Deborah Pawlowski, Investor Relations. Thank you. You may begin.

Deborah K. Pawlowski: Thank you, Darryl, and good morning, everyone. We appreciate your time today and your interest in Astronics. I have here with me Peter Gundermann, our Chairman, President and CEO; and Dave Burney, our Chief Financial Officer.

You should have a copy of the first quarter financial results that were released this morning. And if not, you can find them on our website at astronics.com. Let me mention that we may make some forward-looking statements during the 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 our 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 financial measures with comparable GAAP measures in the tables that accompany today's release.

With that, I'll turn it over to Pete to begin. Peter?

Pete Gundermann: Thank you, Deb, and good morning, everybody. Thanks for tuning into our call. I'm going to open the conversation here with a high-level summary of our first quarter and an outlook for our markets and turn it over to Dave for a more detailed financial summary and a review of our banking arrangements, and then, we'll close with questions-and-answer as usual.

When I look at the first quarter, to me, there are kind of 2 headlines. One is that we had, obviously, low sales by historical norms, not a real surprise there given the ongoing effects of the pandemic and where we are in the recovery cycle. The second headline is more positive, and that is that bookings have been showing steady and consistent improvements over the last few quarters. We're going to dive into that in a little bit more detail; specifically, the relationship in our company between bookings and shipments, which we think tends to be pretty strong and pretty close, especially given the way that we measure bookings. We talk about them pretty regularly in our quarterly reports and in these calls.

In our business, there is generally a 2 to 3 quarter lag between bookings and shipments. In other words, bookings today influence shipments 2 to 3 quarters out. Or looked at the other way, shipments today are heavily influenced by bookings 2 or 3 quarters ago.

We just finished a quarter with revenue of \$105 million, again, very low by historical norms. You have to go back to like 2013 to find that level consistently, and it's no coincidence in our view that bookings 2 to 3 quarters ago were anemic and highly influenced by the onset of the pandemic at that time. I'm talking about the second quarter of 2020 and the third quarter of 2020 specifically.

Our bookings in the second quarter, if you were to look back, totaled about \$61 million on a consolidated basis for the company and in Q3 last year, \$82 million, so an average of \$72 million, which compares with a quarterly average in 2019 of \$176 million. So, \$176 million on average in 2019, which was actually not a very strong booking year for us for a number of other reasons, dropping to \$72 million in the second and third quarter average of last year is obviously a substantial drop. The good news is that bookings since then have shown a pretty good, pretty solid comeback. Our fourth quarter last year was \$116 million, and our first quarter, the one just completed, was \$120 million, so in that 2-quarter period or 6-month period, we averaged \$118 million in bookings per quarter. So, we've bounced up from \$72 million on average in the second and third quarter last year to \$118 in the fourth quarter and the first quarter this year, really good progress.

Looking at the segments, most of the improvement is on the Aerospace side. If you look at our quarters consecutively, and these numbers are spelled out on the table on the last page of our press release, since the second quarter last year, bookings have gone from \$43 million to \$65 million to \$74 million to \$100 million. That's just Aerospace bookings. Now \$100 million, that progress, if you look at added on percentage terms, can look pretty good, but, of course, in 2019, our Aerospace quarterly average was about \$160 million. Even at the first quarter level of \$100 million, we're still a pretty far ways off from where we were in pre-pandemic times when we were averaging about \$160 million in Aerospace bookings per quarter.

So, what's driving the improvement? If you look into our Aerospace group, and most of you know this, we have 2 smaller business units and one larger one. The 2 smaller ones are military aircraft and what we call business jet or general aviation, and both of those tend to be in pretty good shape. Pre-pandemic, they were each about 10% of our total business, and we expect them to be a higher percentage this year in part or largely due to the lower expectations for commercial transports, which I'll get to in a minute. I'm not going to take everybody through the different dynamics in military aircraft and general aviation. Most of the people who follow our company follow the industry, and you're probably well aware that military aircraft has been largely unaffected by COVID, certainly no demand effect.

And, if anything, business jet demand has bounced back strongly, which we expect will result in increasing unit demand as time goes on here. That's important to us, because most of our business jet sales are line-fit and not aftermarket, so production rates are important. So, long story short, if you look at Aerospace, military aircraft and business jets are both in relatively good shape.

The commercial transport side is the big issue. Again, no real news here. In the quarter just finished, we had commercial transport sales of \$38 million, which was down from \$103 million in the first quarter of 2020. That's a significant drop. We're encouraged, however, by the narrow-body side, where domestic flying is increasing dramatically where and when the pandemic is under control, recognizing that wide-body remains under significant pressure. So, a reasonable question might be, what is our split between narrow-bodies and wide-bodies historically, and how are we positioned for today's world where narrow-bodies are expected to recover relatively soon and wide-bodies may lag quite a bit?

These are numbers that we have not typically talked a whole lot about in this setting, but we've done some analysis to nail this down, it might seem like an obvious thing, but actually, the way our business is structured, it's not always obvious where our products end up, so it's been a little bit of an effort. The safe way to think about our business up to today is that our commercial transport business has almost a 50-50 split between narrow-bodies and wide-bodies; and also, if you cut it a different way, almost a 50-50 split between line-fit and aftermarket. I don't think I said that very clearly, both the narrow-body and the wide-body revenue that we have is split almost 50-50 line-fit and aftermarket.

So, you can almost think of our commercial transport business, if you picture a 2 by 2 matrix with wide-body, narrow-body on one axis and line-fit, aftermarket on the other axis, it's almost 25% of our commercial transport volume in each box. Again, our perspective, not different from the conventional wisdom that's out there in the industry right now, is that wide-body, line-fit and aftermarket is under pressure and will remain under pressure until international travel picks up. We're hopeful for that to happen at least between the rich countries of the world where vaccines are likely to get the pandemic under control. We hope to see some progress for that as 2021 wears on.

On the narrow-body side, things are looking more promising. Everybody in North America is aware of the increasing flights and load factors and crowds generally gathering at airports every day for domestic flying. It's another example of when and where the pandemic is under control, people want to fly. The 2 geographies in the world where this is most evident are in China and the U.S., and we hope and expect that Continental Europe will be in that camp sooner rather than later. That supports the aftermarket. Flying supports the aftermarket.

Production rates also are trending up on the narrow-body side, as most people know, and including, especially for us, the 737 MAX. The MAX back in 2019 was our biggest single aircraft production program, and it is picking back up, although still at a slow rate. We were shipping at a volume or a rate of about 5 or 6 aircraft per month in the first quarter, and we expect that to rise to over 20 in the fourth quarter, based on the best understanding we have right now of the production line expectations in Seattle.

That's a lot of talk about Aerospace. Again, pretty solid expectations for military and business jet and reason to be optimistic on the narrow-body side for commercial transport, That 50-50 narrow-body/wide-body split, we would expect by the end of this year to look quite a bit different, skewed towards the side of the narrow-body with increased flights that are happening now and increased production rates for the 737 MAX and also potentially for the A320 line in Europe.

Flipping over to the Test side. I'm not going to say a whole lot about Test today. Test has done well through the pandemic in terms of bookings and shipments. Shipments in the last 4 quarters were \$91 million, up about 15%, and bookings for the last 4 quarters were \$96 million for a positive book-to-bill of 1.06. Our expectation for the Test side of the business remains strong. It's a combination of municipal government spending, but potentially the beneficiary of some of the stimulus efforts underway in D.C. these days and also a large element of defense spending, which has been strong and, we expect, will continue to be strong over the coming year.

I'll pause here for now and turn it over to Dave to talk through our financial statements, adjusted EBITDA levels, bank covenants, et cetera. Dave?

David C. Burney: Thanks, Pete. First quarter sales were, as expected, soft and only about \$105 million, down \$51 million from the first quarter of 2020. This was no surprise, and it was about where we forecast sales to be in our last earnings call, reflecting the low order intake that Pete had mentioned, particularly on commercial transport market orders.

Sales for the commercial transport market were \$38.2 million, down \$64.6 million, or 62.8%, compared with the 2020 first quarter, illustrating that drop. Our GAAP net loss for the quarter was \$11.9 million, driven by the low sales level. As expected, we are not profitable at this low level of sales, generating an operating loss of \$9.5 million and a slight adjusted EBITDA loss of \$500,000.

As we have discussed on previous calls, we do not expect that this will be our long-term sales level, and as such, have not structured the company to be profitable at this low sales level. If we did expect sales to continue at this level, we clearly would adjust our cost structure and investment strategy. We've continued to invest in product development and winning new programs requiring investment to ensure we're well positioned for the post-pandemic world.

Turning to the segments, sales continue to be low in the Aerospace segment, resulting in segment operating loss of \$5.6 million and sales of \$59.7 million, which were down 42% from the first quarter of 2020. As has been the story for the past 4 quarters, the drop is primarily related to the effect the pandemic has had on the commercial transport market. Our Test Systems segment continues to operate steadily. Sales were \$24.4 million, up 64% from the 2020 first quarter if you exclude semiconductor Test sales from the prior year. Test segment operating margin was \$1.2 million, where operating income was \$1.2 million or 4.9% of sales. Margins in this segment were compressed a bit by legal fees relating to an infringement claim.

Switching to cash flows, our cash flow from operations was a negative \$6.9 million, driven primarily by increased receivables and decrease in accounts payable. Inventory levels were down slightly from the fourth quarter. Also, I should note, as we mentioned in the press release, we were recently notified by the acquirer of our semiconductor business that they have recalculated the earn-out due to us. Originally, they calculated the earn-out to be \$10.7 million and, subsequently, revised the calculation, indicating that the new calculation is \$7.1 million. We're reviewing the calculations and underlying information and expect to record a gain when that review is complete and the issue resolved. The cash we receive will count toward our adjusted EBITDA

under our earn-out agreement for covenant purposes. We expect to remain compliant with our debt covenants without the income that will be generated from this gain.

To recap our amended credit facility, we amended it in May of 2020. The credit facility matures in February of 2023. It's a \$375 million revolving credit facility with a couple of key financial covenants. A maximum leverage covenant that was in the original pre-amendment facility was waived until Q3 of 2021, referred to as the suspension period. Then, beginning in Q3 of 2021, this begins phasing in, starting at 6x adjusted EBITDA as defined in the agreement, then decreasing to 5.5x in the fourth quarter, followed by 4.5x in the Q1 of 2022, and then down 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. Adjusted EBITDA, as defined in the credit agreement, was \$2.4 million for the first quarter of 2021 and \$22.8 million for the trailing 4 quarters.

There are 2 key financial covenants during the suspension period, a minimum liquidity and a minimum interest coverage ratio, which we are both compliant with and expect to continue to be compliant with through the suspension period. Other covenants include a temporary restriction on acquisition, share repurchases and dividends. And as far as the pricing of the revolver, the high end of the pricing grid is LIBOR plus 225 basis points leveraged above 4x adjusted EBITDA with a LIBOR floor of 100 basis points, so currently, the interest rate on the revolver is 3.25%.

Our outstanding balance on the facility at the end of the first quarter was \$173 million, flat with the December 31 drawn balance. On a net debt basis, which is what our debt covenants are considered on, we were at \$142.6 million compared with \$132.3 million at the end of 2020, which was an increase in net debt of \$10.6 million.

That's all I had, Pete.

Pete Gundermann: Thanks, Dave. Looking ahead, normally, we're in the practice of providing and maintaining revenue top line guidance over the current calendar year, but we suspended that, like many companies, as the pandemic took hold, and we're still maintaining that approach. Based on the conversation that I gave earlier, second quarter bookings here will be material in terms of how we end up the year, and we obviously don't know exactly how second quarter bookings are going to turn out.

We're hoping that when we announce second quarter results, which will be in early August, we'll have enough insight to give a window as to how we expect the year to shape out, but in general, we have a picture of building revenue sequentially as the year progresses, assuming bookings cooperate and come in as we expect or hope.

That being said, we do believe that second quarter revenue will be in the neighborhood of \$115 million. There's upside potential to that number, and of course, I suppose, downside potential, too, but we think that's a safe number to look at from today's perspective, given that we're 1/3 of the way through the second quarter.

So, I think that concludes our prepared remarks. Darryl. If there are questions, let's have those now.

Operator: [Operator Instructions] Our first question is coming from the line of Ken Herbert with Canaccord Genuity.

Ken Herbert: I have a question on the Aerospace sales in the quarter. You had a sequential step-down from the fourth quarter, about roughly \$10 million, but it looks like the guidance implies roughly a \$10 million sequential step-up from the first to the second quarter in Aerospace sales. Can you just provide a little bit more color on the first quarter and the step down and then expectations for that roughly \$10 million sequential step-up into the second quarter? Is that in line with what you're thinking as we think about the guidance for the second quarter?

Pete Gundermann: That is in line for us to have revenue growth over the next 3 quarters. Most of it is going to come from commercial transport sales or aerospace sales, but commercial transport specifically. As for the step-down from the fourth quarter to the first quarter, there are a couple of things going on there. One thing that's going on is that you book a bunch of orders, and they're not always timed smoothly, so you can have just lumps in the expected delivery schedules. But, the other thing that is a realistic factor in the fourth quarter is, we were holding customers to previously established delivery dates, even when they maybe wanted to slide them out in some cases. We had the inventory, we had it built, and we had a schedule, which we had agreed to. So, that's one of the things that was going on through the whole industry in terms of the whole destocking phase. We took inventory that we would probably have preferred not to and so did our customers, so that made the fourth quarter perhaps look a little bit stronger than it would have been under different circumstances.

Ken Herbert: And the booking strengths in Aerospace sequentially from the fourth quarter to the first quarter, can you provide any more detail around that? Was it aftermarket? I think of your aftermarket business as maybe a little bit more book and ship than the OE business, but can you provide any more color on the sequential growth in the bookings in the first quarter in Aerospace?

Pete Gundermann: I would say it was kind of across the board, not so much on the wide-body side, but on the narrow-body side. Business jets are relatively steady, although that would have been more of a fourth quarter phenomenon, where major customers like Textron will load their production rates and issue orders accordingly as the year begins. But a big part of the improvement has been narrow-body, both line-fit and aftermarket. Our sales guys are consistently saying that the level of activity and interest, not only in North America, but around the world, has picked up dramatically, whereas things were kind of dead as a doornail in terms of discussions that typically lead to orders in the last summer and even in the fall, They have picked up pretty dramatically as the year turned and as vaccines got closer. So, a lot of the increase in the bookings has been commercial transport-related has been narrow-body-related and we're hopeful that that continues.

Ken Herbert: And just one final question. Dave, I think when you put the credit agreement in place last year, you probably didn't expect to be cutting it as close on the 6x leverage in the third quarter as you could be. I mean you should be well in the range, assuming a nice sequential increase in the EBITDA into the second and third quarter, but do you feel the need? Should we expect some changes to the agreements, just to give yourself a little bit more breathing room, or is that something that you're not contemplating?

Dave Burney: We have to keep our eye on that. You're right. When we put the agreement in place back largely in the first quarter of last year, I think it was finalized in May, we certainly expected a quicker recovery based on the information we had back then. The recovery has dragged 3, 4, 5, 6 quarters longer, if you look at the global commercial transport business and the wide-body business. So yes, we are cutting it closer than what we expected when we put it in place, and it's something we have to keep our eye on. We have ongoing dialogue with our bank group, and we'll keep our eye on that. If that's something we need to go to, we'll take a look at that, but right now, we're not forecasting to be in violation of the covenants.

Operator: Our next question is coming from the line of Michael Ciarmoli with Truist Securities.

Michael Ciarmoli: Maybe just to stay on Ken's questioning there with the leverage and the credit. \$115 million in revenue in 2Q doesn't seem like you'll be able to be profitable. I think you had said previously, \$125 million was sort of the breakeven point. If I think about that 6x leverage, is there going to be any cash generation or anything else that changes that net debt? I mean it would seem like that third quarter EBITDA generation would have to be materially strong.

Dave Burney: Yes. If you look at the traditional EBITDA numbers, in Q1, we had a \$500,000 EBITDA loss on the \$105 million in sales. Incremental margins that we typically get from sales growth is 40%-ish, depending on the mix. So, we are expecting to generate positive cash flow over the next 3 quarters. Our CapEx expectation is around \$10 million this year, \$10 million to \$11 million, so we are expecting to generate positive cash flow to continue to pay down debt. Also, not included in there is any gain relating to the

Advantest earn-out on the sale of semi business, and there are other levers that could be pulled in the credit agreement. For example, there's an opportunity if we decide to exclude a certain level of legal-related costs on a onetime basis, we haven't pulled that lever. So, again, we are forecasting that it's going to be closer than we expected, but there is some potential upside too, I think, depending on which direction the commercial transport business goes over the next couple of quarters.

Michael Ciarmoli: Pete, what are you hearing from airline customers? I know you had said the bookings were pretty diversified across the board, but are you seeing the restart of retrofit campaigns? I think it was United, maybe you said they're kind of proceeding, but what is the buzz you're hearing from the airlines as they look to modernize and common-ize those cabins?

Pete Gundermann: It's positive, Michael, especially in North America and China. There's a lot of interest in updating IFE and interiors and adding new amenities, interestingly enough. One of the interesting phenomena also is that, whereas we have viewed the narrow-body world primarily as a wireless Wi-Fi kind of world, there's renewed interest among airlines for seat-back displays. We'll see how that plays out, but that's a higher level of investment in IFE than we might have expected today. In North America and in China, we have very solid, very mature discussions, and in some cases, airlines deciding to pull things in because they see heavy levels of demand right around the corner. In other parts of the world, it's usually a step behind. It's remarkable, but maybe not too surprising, I guess. In those areas where the pandemic is under control or where it's expected to be under control, the airlines are moving ahead with customer amenities, especially on the narrow-body side. If and when we get travel bubbles or something of that sort between, say, U.S. and Europe or Europe and China, we think there's going to be a bit of a pickup in wide-body also. So, it's going in the right direction for sure.

Michael Ciarmoli: Last one for me. Can you just talk about your supply chain? Are you seeing any tightness on the electronics side that are critical to your product offerings? And then, similarly, what about input costs, raw materials? What are you seeing there? Are you able to pass those through to your customers?

Pete Gundermann: Yes, very good questions. It's an emerging picture. Over the last month or so, I guess, we would say that we've become more and more confronted by parts shortages or lead time stretches, not so much pricing differences at this point, but no shortages or lead time effects that are materially affecting our outlook. It is not factored into our revenue expectations at this point, but it's definitely something we're watching. It seems like the world shrunk down a little bit, and certain parts of the economy and the demand picture got really hot really quickly and suppliers are unprepared. We'll see if that demand persists and what the response is among the supply chains, but I would call it a watch item right now. I wouldn't call it a crisis necessarily. Not yet.

Operator: Our next question is coming from the line of Jon Tanwanteng with CJS Securities.

Jon Tanwanteng: Nice to see the order improvement. Continuing on that trend, I'm just wondering what the orders look like in April and May and if you saw an improvement sequentially month-by-month or is it relatively similar? Just how you're seeing the early progress in Q2.

Pete Gundermann: Q2, so far, is essentially maintaining that pace of Q1, but for 1 month, we don't get too excited about plus or minus. We certainly aren't seeing a drop off, so we're happy about that, but it's too early to draw big conclusions about the second quarter. It's a long ways to go, but so far, so good.

Jon Tanwanteng: And then, in the \$115 million guidance for Q2, do you have a breakdown on how much do you think Test will be versus Aerospace?

Pete Gundermann: Dave is looking something up. I'm with a faulty computer today, so I don't have a number for you.

Dave Burney: It's about \$24 million for Test.

Jon Tanwanteng: And then, Dave, just for you on the incremental EBITDA, you mentioned 40% is a good bogey, but are there any puts and takes to that as the revenue increases and you start layering back costs that maybe you've cut in the past year? At what breakpoints do those come back in place?

Dave Burney: Well, I'd say, probably the most significant one is, we have already provided annual raises to most employees here. So, this is happening, but I think the big thing that many of our employees are asking about is our 401(k) match. That's at the highest end of our priority to reinstate our 401(k) company contribution there. We're going to watch the development of the cash flow generation and the bottom line and probably make a fourth quarter call on that in terms of 401(k) match. I'm going to say, that could be up to a \$5 million or \$6 million number if we go back to the match that we had prior to the pandemic. But, right now, we're not anticipating any kind of layering in much in the way of adding a headcount or anything like that.

Jon Tanwanteng: Pete, you didn't spend much time on Test, but you've talked in the past about the potential for several larger rail projects in the future. Obviously, the environment just for the A&D side of it has been positive. Can you just talk about your outlook for that if there's maybe something in the pipeline that's attractive or if there are any changes in the environment from the government side?

Pete Gundermann: I didn't talk about it much, Jon, because it hasn't changed much since the last quarter. We do have some high-value targets in front of us, we think, on the rail side, on the transit side that we're pursuing. Some of those efforts have been slowed by COVID, not necessarily because of funding constraints, but because people simply aren't in the office. That has slowed some of those things down, but they're still out there. The funding remains in place. In fact, if anything, the funding picture has perhaps improved based on the investment priorities of the Biden administration in D.C. That's true also for some of the radio test markets that we serve, especially for municipalities and police forces, first responders, things like that. Municipalities have been stressed during the pandemic, and that's one area where we think there's been a little bit of a pullback in terms of expenditure. We're hoping that market turns a little more profitable. We also have some continued positive prospects in our traditional defense and aerospace markets. So, together, our Test business is more subject to big gulps of orders relative to our Aerospace business, especially for its size, in relation to its size. We're optimistic that our revenue performance from last year in terms of growth can be continued this year, and there's a potential for a very strong booking year. As we get more and more into the year, it's unclear how those strong bookings might affect short term revenue; those take time to convert. Overall, it's a pretty optimistic picture.

Jon Tanwanteng: If I could slip in one more, any update on the tail-mount antenna business and how demand there is trending given that business jets have been doing well?

Pete Gundermann: We hear good things. As you know, we're teamed at this point with Collins Aerospace, and they seem to have done a really good job putting together a team of partners, of which we're one. I don't have specific numbers in front of me, but I can tell you that they are trying to pull things in. They originally had stuff scheduled out into 2022 with us. Now, they're trying to pull it in, and we're trying to accommodate them. They're talking about a substantially larger order in the next 5 or 6 months or not for this year necessarily, but for 2022. With a little luck, you'll see a press release on that before we talk again.

Operator: [Operator Instructions] Our next question is coming from the line of Dick Ryan with Colliers.

Dick Ryan: So Pete, on the earn-out that's under review, it looks like it moved from \$10.7 million to potentially \$7.1 million. Are there any particular reasons behind that variance and is there any sense of timing when you might be expecting that to conclude?

Pete Gundermann: Well, we're a little confused by it, frankly, Dick. We got a number with our print out, and we basically agreed to it and asked some questions; and then, we got a lower number in response. We don't think it's an accounting issue. We think it's a numbers issue, but we're asking those questions. I guess I would say that there are 2 general possible routes here. One is, we discuss it and resolve it, and there are efforts underway to do that. If we do, I would expect it to be resolved over the next quarter, but there's a

potential that it turns into a bigger conflict; and then, I don't know what kind of orbit it spins into. It's just too early to say at this point, unfortunately.

Operator: Our next question is coming from the line of Ken Herbert with Canaccord Genuity.

Ken Herbert: Pete, on the MAX, you talked in prior quarters about heading into this year with, give or take, 40 to 45-ish or so shipsets in inventory and expecting to have that work down coming out of the second quarter approximately or mid '21. Can you update us on where you are with the excess inventory in the channel on the MAX and the timing of when you expect to be shipping in accordance with production rates at Boeing?

Pete Gundermann: It's a good question. I don't think we really firmly know the answer, Ken, but I guess I would give you the observation that the schedule they've got shipping to seems to line up pretty well with what other suppliers are saying. Whatever has happened to the inventory that we had built up when we went into 2019, either they're at a level that they're happy with and they're going to maintain that inventory or they've whittled it down. I honestly don't know what the answer is. It's a little bit of a confusing picture, because we put things on the 737 MAX, both by direct shipment to Boeing, but also by shipments to wing manufacturers and avionics companies and the rates are not consistent necessarily between those companies. So, it's a little hard to keep track of who's got what inventory. I guess I would say that we were at 5 or 6 shipsets a month for the first quarter, and we have pretty firm plans at this point that we have us at about 21 or 22 a month in the fourth quarter. That seems to be pretty consistent with what the world is experiencing, so we're okay with it.

Kenneth Herbert: And if I could, just one final follow-up. Have you seen any incremental softness in the last few months on either your 787 or A350 expected shipments here and schedules for the rest of this year? Are those still running steady with where they were? I know we've had some step down on those programs, but have you seen recently any incremental changes to those schedules?

Pete Gundermann: No. We haven't seen anything other than what's out there in either. The 787, in particular, is stepping down to 5 a month in the summer. The 350 is making a similar kind of move, but it's consistent with what the general news is.

Operator: There are no further questions at this time. I would like to turn the call back over to management for any closing remarks.

Pete Gundermann: Thank you for your interest in Astronics. We look forward to talking to you again in the second quarter, hopefully, with the continuing turnaround on the bookings side. Thanks for your interest. Have a good day.

Operator: Thank you for your participation. This does conclude today's teleconference. You may disconnect your lines at this time. Have a great day.