

Operator: Greetings, and welcome to the Astronics Corporation Fourth Quarter Fiscal Year 2021 Financial Results Conference Call. [Operator Instructions] As a reminder, this conference is being recorded. I would now like to turn the call over to Deborah Pawlowski, Investor Relations for Astronics Corporation. Thank you. You may begin.

Deborah Pawlowski: Thanks, Daryl, and good morning, everyone. We appreciate your joining us here today. On the call with me are Pete Gundermann, our Chairman, President and Chief Executive Officer, and Dave Burney, our Chief Financial Officer. You should have a copy of our fourth quarter 2021 financial results, which we released earlier this morning. If not, you can find them on our website at astronics.com.

As you're likely aware, 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 the release as well as with other documents filed with the Securities and Exchange Commission. You can find the documents on our website or at sec.gov.

During today's call, we will also discuss some non-GAAP financial measures. We believe 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 prepared in accordance with GAAP. We have provided reconciliations of non-GAAP measures with comparable GAAP measures in the table that accompanies today's release.

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

Pete Gundermann: Thank you, Deborah, and good morning, everybody. Thanks for tuning in for our year-end 2021 conference call. Our topics today include a range of fourth quarter headlines. Sales were in the expected range of \$116 million, but the income statement was clouded by a pretty long list of unusual items. Dave will walk us through those in a few minutes.

The highlight of the quarter, which I'll spend some time covering, was bookings, which was way up, again. A book-to-bill of 1.53 for the quarter set us up with a record backlog at year-end. We also have reworked our financing arrangement with the banks, getting a small three-month extension. Dave will talk through that.

And then, we'll spend some time looking at 2022. To cut to the chase, we expect it to be a year of strong growth. There are a lot of caveats here, as you might expect, but we are establishing an initial range for revenue for 2022 of \$550 million to \$600 million. The midpoint there would represent something like 30% growth over where we ended up for 2021.

And then, we'll end up with questions and answers.

Fourth quarter summary, sales, as I said, were \$116 million. The last time we talked, we predicted a range of \$115 million to \$118, so we were safely in there. This was despite ongoing supply chain and labor challenges, which will be a theme throughout this conversation and is not inconsistent with what's going on out there in the world in general. We ended the year with what we feel was about \$15 million to \$17 million of scheduled product that could not ship for one reason or another, typically having to do with supply chain challenges. As for labor, we're operating at about 2,200 people right now. Before the pandemic, we were at about 3,400 and we would like to be right now about 2,400, so we're facing challenges on the labor side. Again, we'll talk about that a little bit more later when we talk about our current environment going forward.

We don't expect to be profitable with \$116 million and, depending on the metric you look at, we weren't. GAAP net income was 1.4%, or \$1.6 million, and adjusted EBITDA was a negative \$800,000, or a negative 0.7%. Again, Dave will walk through the forces that were in play in our fourth quarter results. The bright spot, as I said, was bookings, \$177 million against shipments of \$116 million for a book-to-bill

of 1.53. Both of our segments had very strong booking performances in the fourth quarter, but consolidated over the last four quarters, the trend has been very encouraging; the last four quarters being all four quarters of 2021. In succession, we went from \$120 million in the first quarter to \$126 million to \$154 million to \$177 million in bookings for a total of \$577 million for the year and a book-to-bill of 1.3. Let's remember that \$577 million booking when we try to explain our anticipated growth in 2022.

Looking at Aerospace bookings, Aerospace for the quarter was \$148 million, with a book-to-bill of 1.49. That's two quarters in a row at 1.49. The cumulative total for the last four quarters was \$509 million, again, for an impressive book-to-bill for the year of 1.39. Our Test segment had a rebound quarter with respect to bookings of \$30 million. That's a book-to-bill of \$1.72. The \$30 million somewhat compensates for very weak bookings in the second and third quarters. We said at the time that we weren't losing things, they were just delayed, and a lot of them came through in the fourth quarter, helping to cover those weak spots in the second third quarters. Well, we're not out of the woods in the sense that we continue to see COVID-related delays in the order flow in our Test business. For the year, we had bookings of \$68 million versus shipments of \$80 million, a book-to-bill of 0.86, so we look to improve that booking performance over the course of 2022. We have a number of pursuits that we think could decisively change the equation of the game if we're successful.

So, the bookings left us at year-end with a backlog of \$416 million. As I said, that's a new record for the company, up from \$283 million as the year began. So, we started at \$283 million and ended at \$416. As a little lesson from history, the last time we were at that level with a backlog, we were doing annual sales of about \$800 million. That was late in 2018, so that backlog is something we take quite a bit of comfort in as we enter 2022.

I think I'll turn it over to Dave at this point to talk through the details of the income statement and our financing situation. Dave?

Dave Burney: Okay. Thanks, Pete. I'll skip going through the sales, the top line, as Pete covered that pretty thoroughly there, and just jump right down to margins and some of the items that impacted the margins for the fourth quarter. As Pete mentioned, it was a pretty noisy quarter. I think the easiest way to walk through it is to point you to our adjusted EBITDA reconciliation that's on Page 9 in the press release and talk to the items on there as most of those items are going to be the noise that flowed through our income statement in the quarter. We had GAAP net income of \$1.6 million and adjusted EBITDA loss of \$800,000 in the fourth quarter. There's a number of puts and takes here, positive and negative items that had impact.

First, we received an unfavorable ruling from the appeals court in the United Kingdom regarding the ongoing patent infringement litigation. Lower court ruled that the patent is valid and that Astronics has been infringing on the Lufthansa Technik patent and our appeal is dismissed. Based on the information available to us, we recorded an estimated damages loss, including interest, in the amount of \$8.4 million. This is included in our SG&A costs in the fourth quarter.

The next item, we committed in the fourth quarter to reinstate a company contribution to our 401(k) plans and other retirement plans; the company contribution had been suspended when we entered the pandemic in early 2020. Noncash company contribution to our 401(k) plans for 2021 will be funded with the shares of Astronics common stock that will issue out of treasury shares with a value of \$4.2 million. At the current stock price, this equates to roughly 300,000 shares, which is less than 1% of the shares outstanding. That is roughly a full year's worth of an annual expense there that we recorded in the fourth quarter, so, going forward, we expect the run rate for the 401(k) expense in 2022 to run roughly \$1 million to \$1.2 million per quarter, which can be paid in either cash or stock.

The next item is, we recognized \$7.6 million of the \$14.7 million AMGP grant as a reduction of cost of sales in the fourth quarter. We expect to recognize an additional \$6 million in the first quarter of 2022 and

received the second cash installment of about \$5 million also in the first quarter. If you remember, we received the first installment back at the end of the third quarter.

The next item is, as a part of a consolidation plan in October, we closed on the sale of our Fort Lauderdale building. This resulted in a gain of \$5 million and net cash proceeds of about \$8.8 million. That operation will be relocating to our East Aurora New York operation.

Lastly, in December, we came to terms with the buyer of our semiconductor test business regarding the calculation of earn-out payments. This resulted in a gain of \$10.7 million that was recognized in the fourth quarter relating to the 2020 earnout period. Proceeds were received in January. We expect the second earn-out for the 2021 earnout period to be in the amount of approximately \$11.2 million. We've received the earn-out calculation and are in the process of reviewing that calculation. Upon acceptance, we will receive the payment within 10 days.

There are a few other items that are not in this that affected the quarter as well, but had a large impact on the P&L. We sold \$2 million of excess raw materials during the quarter for no margin, so, when you look at our sales, you have to consider that there were \$2 million of sales at no margin in there that affected the margin percentage. We also had high customer accommodation costs relating to supply chain delays and warranty costs, which, combined, totaled \$2.2 million in the quarter. Additionally, we increased our estimated cost to complete several overtime programs that reduced margins by about \$1 million in the fourth quarter.

Jumping to cash flow, our cash flow from operations was good in the fourth quarter at \$13 million, driven by lower investment in net working capital and cash provided from operating income. Net debt at the end of the quarter was \$133 million. That's down \$20 million from the end of the third quarter. Our focus will continue to be on deleveraging as we move through 2022. Pete mentioned earlier that we amended and closed on an amendment on our revolving credit facility. We extended the terms of the credit facility by three months to the end of May 2023. The purpose of this was to move the termination date of the revolver out beyond the 12-month period where we're going to file our financial statements as well as to give us time to consider an appropriate longer-term facility as we move into the summer and expect to increase our profitability in the second half of the year.

Select key modifications to the amended agreement include a \$225,000 amendment fee, which was 10 basis points; the revolver was reduced in size from \$375 million to \$225 million; and the revised definition of adjusted EBITDA, which now excludes income from earn-out payments and asset sales; an increase in the maximum leverage ratio to 4.75x adjusted EBITDA through the second quarter of 2022, then reverting to 3.75x adjusted EBITDA thereafter; the pricing grid was revised to be based on SOFR as LIBOR is going away; and the top drawn leverage, which is above 4x adjusted EBITDA is priced at SOFR, with a floor of 100 basis points plus 325 basis points. The top undrawn fee is also priced at SOFR with a floor of 100 basis points plus 40 basis points, and there's a first lien on all of our real estate.

Based on our financial projections, we're forecasting to remain compliant with our financial covenants for the duration of the agreement. The maximum permitted leverage at the end of the fourth quarter of 2021 was 5.5x and our calculated leverage is about 5x for the quarter. It's our intention to replace the amended agreement with a new long-term agreement in the near future here and we'll begin working on that as soon as possible. Pete, that's it for me.

Pete Gundermann: Okay, I'm going to switch topics now and look ahead to 2022. I mentioned earlier that we are establishing initial revenue guidance of \$550 million to \$600 million. The midpoint of that, \$575 million, would represent 30% growth over where we ended up for 2021 and the high end would be 35% growth. Those are obviously very big numbers and a reasonable person might ask how we're going to do that. Part of the answer basically comes back to bookings and backlog. I mentioned earlier that our 2021 bookings were \$577 million, that's right in the middle, so if you assume things that were booked in 2021 need to ship in 2022, we have to ramp up our internal production capacity to that level over the

course of the year to execute on those orders. Our internal forecast is actually above the high end of that range. In other words, orders we expect to get combined with backlog that's already scheduled gets us above \$600 million, but we're discounting our totals somewhat for the challenging operating environment that we are working with.

I mentioned earlier that we ended 2021 with \$15 million to \$17 million of scheduled backlog that we could not deliver because of supply chain problems. Our opening backlog for 2022, again, was \$416 million, \$340 million of that is scheduled for 2022, so the math suggests that, to get to the midpoint, we need to book and ship \$235 million additionally. That's a very achievable number by historical standards, historical norms for our business. Our current look at the year has first half sales amounting to about 40% of the total and second half sales about 60% of the total. We expect to start slow and accelerate and ramp as the year progresses. Our first quarter sales will be marginally above where the fourth quarter ended up.

A few words on our business environment. I've talked a lot on the call so far about demand accelerating. It has been largely narrow-body based in the Aerospace side of our business and not wide-body. As I look forward, most industry experts are predicting some kind of wide-body rebound in the 2023, 2024 time frame and that's what we would expect to see too. Most of the strength that we're seeing right now is narrow-body based. Qualitatively, I would describe the bookings that we're seeing not as big new wins, but more so, just the return of business broadly from various programs and customers that we've worked with all along. At the same time, as we look forward, we see a pretty impressive range of new business opportunities, which we are pursuing. I've been with this company for many, many years now, and it has not been common for us to have a range of things ahead of us that we do at the moment. So, from a booking standpoint, even though we've seen a pretty good ramp, there are significant opportunities ahead of us and we look forward to closing some of those and talking about them more specifically as the year progresses.

On the flip side, the operating environment is very challenging. It's an unbelievable operating environment out there. Again, unlike anything I've seen in 30-plus years. The geopolitical tensions have everybody's attention right now. It happens that we actually have an engineering operation in Western Ukraine in Lviv. If you look at the map, it's right by the Polish border. It's a relatively safe place to be, but we are disturbed to say the least about what's going on in Ukraine, as many of you are I'm sure, and we're concerned about our people there. We're doing what we can to help, but it's a weight around our perspective these days for sure.

Closer to home, the inflation that everybody is talking about is certainly evident to us in our business. As we poll our operations, most are seeing 5% to 10% inflation pressure on average. Like many aerospace companies, we are locked in to long-term contracts on many of our major programs, which reduces our ability to respond on the pricing side, but we're doing our best to keep up with the world in other areas and we will continue to do so as we go through 2022.

Supply chain pressures, you hear about it, we're no different than anybody else. The supply chain is unpredictable at this point and unreliable. I mentioned that we had \$15 million to \$17 million of scheduled product that could not ship because of supply chain issues. That understates the size of the problem, frankly, because the supply chain situation reduces our ability to react and respond to customer requests when they want to pull things in. So, we have a much more than \$15 million to \$17 million of product that customers would take if we could ship it, but we know we can't because of the supply chain issues, so it never gets on the schedule in the first place. The experts out there say that supply chain pressures may start to abate in the middle or second half of the year. We sure hope that's correct, but, frankly, we don't see that happening at this point. It's a day-to-day exercise across our business to figure out workarounds and replacements and substitutions to keep the train on the tracks. So far, so good, but it is certainly a risk item as we move through 2022.

And finally, labor shortages, I talked about this already. We're at about 2,200. We need to ramp to execute the business in front of us. It's a major focus of ours. Again, like with everybody else in the world, labor shortages seem to be everywhere, so that's another challenge in our operating environment that we're facing. Still, given those pressures, we think 2022 will be a year of significant recovery. It's not every day you get to put a business plan together that talks about 30% growth and, by the end of the year, when we get to those kinds of volumes, we should achieve consistent and positive profit performance on our income statement. We are certainly looking forward to that.

And I think, with that, our prepared remarks are concluded. Daryl, let's open it up for questions.

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] One moment, please, while we pull for your questions. Our first questions come from the line of Michael Ciarmoli with Truist. Please proceed with your questions.

Michael Ciarmoli: Good morning. Thanks for taking my questions. Could you give me a little bit more detail on why you would be selling excess raw materials? Is that for out of production? It just seems like, given the current environment, you'd want to have some buffer stock there. Was it Aerospace or Test? What was the rationale there?

Dave Burney: It was Aerospace and it was older generation raw materials to service older generation equipment. Somebody came to us and asked about it, while we would have ultimately used it over time, it was not something that we identified as needing to have for the current stuff we're selling.

Michael Ciarmoli: Okay. That makes sense. And then, are there any longer-term implications here with the patent infringement and the ruling there? Does that impact future profitability or future sales? As part of the settlement, are there any additional payments or royalties that you might have to pay? Any more detail there?

Pete Gundermann: This has been going on for more than a decade, so I don't know how much time you have, but it's another step in the process. I would describe it as losing a battle, but we're still, in my view, winning a war. Just to give you the big picture here, the litigation has been going on in the U.S., France, the U.K. and Germany. I would argue that the most important countries, by far, are the U.S. and France, because those are the countries where widebody airplanes have been made over the last 20 years, for the most part. That's where most of the subject product has gone, so those are the most important countries. A few years ago, we concluded and won the U.S. case and the relevant patent was annulled. At this point, the patent in France is also being struck down, but Lufthansa Technik has the ability to appeal that decision and we expect that hearing to happen in December of this year. Unless that appeal is successful, the indications are that we're going to win in France, too. Again, those are the two important countries. The two lesser countries are Germany and the U.K. The U.K. case is basically over, except for a damages hearing, which we believe will be in 2023, so nothing yet this year. The number that we accrued, I think, is \$8.4 million in the fourth quarter and is our best guess at where that's going to come down. You can expect that the opposite side will have a different number in mind, but we'll have to settle that when the time comes.

And then, in Germany, let me dig up a note here. We accrued \$17.3 million way back in late 2020 for what we believe damages will be there, but we are appealing that number. That appeal is also not going to happen until 2023, so, basically, very little is going to happen in 2022. We'll have a case in December on the appeal in France. We expect damages hearings in Germany and the U.K. in 2023. We're appealing Germany and, I think, Lufthansa is also appealing in Germany, so this is going to go on for a while, but we think the accruals that we're likely to have paid, that we know about, are in the books at this point.

Michael Ciarmoli: Okay. And then, with funding this ongoing war, what should we expect for legal fees throughout 2022?

Dave Burney: I think it's the same run rate as we've been going here. It doesn't run consistently. It depends on what is actually happening in a given quarter and how much lawyer time is being spent during that quarter. I expect it will ramp up towards the end of the year.

Pete Gundermann: Just one closing comment. It has been a real learning experience for us and one we hope never to repeat. It's the same patent in France and the U.K. and Germany, the same exact patent. It's dismissed in France so far, it's completely upheld in the U.K. and it's partially dismissed and partially upheld in Germany, so go figure.

Michael Ciarmoli: Got it. Last question. Pete, you gave some color on 2022, and you talked about 1Q being slightly above. I guess, at your midpoint of \$575 million with 40%, that kind of puts you right at that \$115 million. Is that implying that you're not going to be profitable in the first half?

Pete Gundermann: Yes, I think we've been running the business not necessarily to be profitable at the levels that we're experiencing in terms of demand. Our assumption has been that demand will return and volume will increase, and we felt it was important to continue to keep the capacity to execute on the programs that customers have trusted us with. For the most part, those programs did not go away with the pandemic, for better or for worse, so we are under obligation to continue to execute and perform, and we have been. What we need to do is have demand come back and have revenue come back to the point where we can cover those costs and we would expect that to happen about midyear.

Dave, I don't know you'd answer any differently?

Dave Burney: Yes. I just I want to add that, remember, Mike, we'll have \$6 million of AMJP grant income offsetting COGS for the first quarter, but, absent that, yes, we would not be running at a profit at that level of sales.

Pete Gundermann: And earnout.

Michael Ciarmoli: And the earnout. Yes, I'll jump back in the queue. Thanks.

Operator: Our next questions come from the line of Jonathan Tanwanteng with CJS Securities. Please proceed with your questions.

Jon Tanwanteng: Hi, good morning. Thanks for taking my questions. Pete, I have just one quick one for you. How have orders tracked in Q1 so far? Are you seeing a continuation of the increasing trend or is it more steady state as you compare to Q4?

Pete Gundermann: It's a good question. We have a little ways to go here. I do not expect that we're going to repeat fourth quarter in this quarter. I think it might be a little bit of a step back, but that by itself doesn't bother me. As you know, bookings can jump around all over the place, but, overall, if you poll the mood of our salespeople, I think they're all quite excited at this point in terms of just how much opportunity there is out there. It continues to be a good picture even if we don't continue to ramp in the first quarter.

Jon Tanwanteng: Okay. Great. And then, you mentioned that you're not seeing much improvement in the supply chain. Just to clarify, do you expect any relief through the year or are you assuming the current status quo as we go through from the first half to the second half?

Pete Gundermann: That revenue guidance number does not assume much improvement, frankly. We got caught and learned some lessons in 2021 about lean times and things like that, so we're assuming that those lean times kind of stay in effect. We're ordering in advance as much as possible in order to be prepared for that ramp when the time comes. It is an incredibly challenging environment. I'm sure you've heard tales from other companies, but the gymnastics that we have to do to figure out how to execute when a supplier for a program calls up and says you know those parts that you ordered that I said I would ship next week, well I'm not going to ship them for 20 weeks. It's just incredible. With that kind of background, it's hard to say things are improving. We can't say that, but I'm hoping they don't get a whole lot worse. I think we're kind of in the worst of it right now, at least from what I can tell, surveying industry

out there, and we'd love to see a little bit of a rebound, but we're kind of assuming that things stay the same through this year.

Jon Tanwanteng: Okay. That's really helpful. And yes, I don't envy that job at all. Last one, you mentioned your engineering operation in Ukraine. How many people do you have there? What's the size of that business, number one; and then, number two, do you have actual direct exposure to Ukraine and Russia, either their airlines or something else, that we're not thinking of maybe in the supply chain?

Pete Gundermann: There's a bunch of questions there. So, the Ukraine operation that we have in Lviv is about 42 people right now, so not that big, but it's all engineering. It has a significant impact in parts of our business. Lviv is a pretty quiet and rested area at this point compared with what's going on in the eastern and central parts of Ukraine. If you look at a map and you think about it, it's likely to continue to be pretty quiet, in part because it's like 45 miles or 50 miles or something from the Polish border. Poland is NATO, and, who knows, but I would think hostilities would be very low key that close to a NATO border. So, that's that part of your question.

Russia is not so much a source of raw materials, but we do some business in Russia. I mean Russian airlines fly Russian people, for the most part, and they like to be connected when they're flying, empowered with their personal devices also. Our revenue level there isn't all that great, but it's probably safe to say it's \$5 million to \$10 million on an average year. Sometimes, if we're doing an outfit of a new airline, it can be higher and sometimes it can be lower. You read about private jets quite a bit recently. We actually do some work for the private jet industry in Russia, primarily out of our French operation, so there will be a slight impact if the current international business sentiment gets established and we get limited. That hasn't happened yet, I don't think, that I'm aware of, but we're obviously watching the headlines every day and waiting for news from the government. The Lviv engineering operation, in my opinion, is a more significant item for us than incremental sales into Russia that we might be forgoing at least for a while.

Jon Tanwanteng: Okay great. Thank you and good luck to them.

Operator: Our next questions come from the line of Dick Ryan with Colliers.

Dick Ryan: Thank you. So, Pete, one last one on the legal side. This is to kind of settle an old score. I mean, the patents you're talking about aren't on the current technology going forward. Is that correct?

Pete Gundermann: The patents in question are pretty much expired at this point anyway, so it doesn't really matter. I don't actually have this in front of me, but I want to say they're from 1998 or something like that. A lot of water went under the bridge before this thing even erupted, which is another source of complaint of mine, but the rules are different in different parts of the world, so I guess that's okay.

Dick Ryan: In Q3, you said you had a push of \$8 million to \$10 million in revenue. Now, it's \$15 million to \$17 million. Is that the \$8 million to \$10 million just turned to 15 million to 17 million or is that on top of what was already there in Q3?

Pete Gundermann: You have a lot of moving parts. It's hard to figure out what's what in terms of what slips in any particular quarter, because, you're right, some things slipped from the third quarter into the fourth quarter and some things slipped from the fourth quarter into the first quarter. What we decided to do was just kind of describe it at the end of a period, how much work is there that should have gone and would have gone under normal circumstances. It did pick up in the fourth quarter from what we were experiencing up to that point. It's getting a little bit worse over the course of 2021 and, again, we're kind of forecasting the situation to remain at its current levels, current spaces, through 2022.

Dick Ryan: Okay. Where did the strength in Test orders come from? Was that from municipalities kicking back in or is it something different?

Pete Gundermann: It's a good question. It was kind of across the board, a number of different programs that we were pursuing and, frankly, nothing that's all that major. You may remember me commenting at

the end of the second quarter and the third quarter that bookings were low, obviously, but we weren't losing anything. It was just that stuff was sliding and we blamed COVID, largely because these are orders that tend to come from defense bases around the world or from municipalities when it has to do with land mobile radio type stuff or transit train test. Everybody is working from home and the thing just kind of ground to a halt. What happened in the fourth quarter really was people started coming back into the office, at least until Omicron struck, and started releasing those orders, so that's more what happened. Now, I will say, though, as we look forward, I mentioned this kind of generically, it's a pretty target-rich environment out there in terms of significant programs. On our Test side, I would say there are two or three programs that are critical for us in 2022 and, depending on when they hit, they may not help 2022 very much, but they sure will help 2023. I look forward to talking about those when I can. At this point, we are expecting, let's see, one of them to fall pretty much in the second quarter and two of them to fall in the third quarter, so it's going to be a little while until we can talk about them probably, but there are significant targets that we are setting our sights on.

Dick Ryan: Okay. Can you talk about what your anticipation might be on the aero side? You mentioned that you haven't seen this sort of level of opportunity. Is this the commercial side where there's a potential military down select? How does the business jet world look to you?

Pete Gundermann: The opportunities are pretty broad-based. Airlines are waking up around the world and some are deciding to go forward with major installations and major changes from what they've done in the past. The technology doesn't lie still even if the airplanes are. We're seeing a surge in demand there, including some new customers, which are impressive to me. I talked about eVTOL, electric vertical take-off and landing opportunities, and how that seems to be a good fit for the capabilities we've developed for flight-critical electrical power for small aircraft. We don't have news today, but we are furthering our investigations there and extending our reach, and I expect program award announcements there in the near future. A third one, which is more a matter of public record is, we're teamed with Bell very closely on the FLRAA future lift opportunity, and that is a down-select there. I think it's expected in the third quarter this year, midyear, stretching into the third quarter, and it's a team led by Bell against the team led by Sikorsky. We're firmly entrenched on the Bell side. If they win, that would be a very good program for us. If Sikorsky wins, we're not necessarily out of it, but we would expect or hope reasonably to have a much smaller role on their team. That's an example of some of the things we're looking at. Again, nothing to announce today, necessarily, but we would expect to see awards towards the middle of the year.

Dick Ryan: Great. Thank you.

Operator: [Operator Instructions] Our next questions come from the line of Michael Ciarmoli with Truist Securities. Please proceed with your questions.

Michael Ciarmoli: Thanks for taking a follow-up. Maybe, Pete, to kind of dovetail on what you're expecting on Test and some of these programs, but, more broadly, I guess, on pricing, can you give any color as to how protected you are or you can be on price, whether it's your supplier furnished contracts with Boeing and Airbus versus buyer furnished equipment with the airlines and any escalators? I guess the short question is, can you drive through significant price increases to both your Aerospace and Test customers?

Pete Gundermann: I guess I would answer, in the short term about half of our business, realistically, it's pretty locked down. We have multi-year agreements on major programs where there will be an opportunity, but, while you're in the term of the agreement, there are escalator clauses that give you some relief, but not 100% of what you're experiencing over the term of the contract, and I think that's probably fairly typical for most of the aerospace companies. With the other half, I'd say, we have more flexibility. They're shorter-term programs and they tend to be PO-based and, in those cases, we're finding that customers expect it and do not actually resist too badly. That probably doesn't spell good things for inflation getting out of control or staying out of control across our economy if everybody acts that way, but we are seeing some opportunity there. Of course, you do what you can to lock down costs

as much as possible in these kinds of environments, but we've been doing that for a couple of years, so there's probably not a whole lot more room to go there. Dave, I don't know if you could add color.

Dave Burney: Yes. With the newer programs or contracts that we're quoting on, we certainly consider the increased cost structure when we price those, but, as Pete said, a fair amount of what we have are up to three- or four-year programs, particularly with the larger OEMs.

Michael Ciarmoli: Okay. I know it might be a little bit hard for you, but on aftermarket break fix, we're hearing broadly suppliers getting anywhere from mid-to-high single digit, up to low 20% price increases. Are you having more success? Do you have what I mean 80%, 90% share out there with certain product lines? Are you getting pricing on the aftermarket side?

Pete Gundermann: On the newer orders, we can, but a lot of aftermarkets, like pick a major airline, we tend to have established pricing with them for a period of time. They can kind of order from a price sheet, and we can't necessarily change the price sheet in the middle of that order. But, when it comes time to renegotiate a new vehicle, then you can.

Michael Ciarmoli: All right. Perfect. Thanks.

Operator: Thank you. There are no further questions at this time. I would now like to turn the call back over to Pete Gundermann for any closing comments.

Pete Gundermann: No closing comments. Thank you for your interest. We're glad 2021 is over, and we're glad to be in 2022. We think it's going to be much more of a year of rebound, so we look forward to reporting on it as it progresses. Have a good day. Talk to you next time.

Operator: Thank you. This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.