

May 4, 2017



# Astronics Corporation Reports 2017 First Quarter Financial Results

EAST AURORA, N.Y.--(BUSINESS WIRE)--

Astronics Corporation (NASDAQ:ATRO), a leading supplier of advanced technologies and products to the global aerospace, defense, and semiconductor industries, today reported financial results for the three months ended April 1, 2017. Earnings per share for prior periods are adjusted for the 3 for 20 (15%) distribution of Class B Stock for shareholders of record on October 11, 2016.

	Three Months Ended		
	April 1, 2017	April 2, 2016	% Change
<b>Sales</b>	\$ 152,396	\$ 159,530	(4.5 )%
<b>Gross profit</b>	\$ 38,317	\$ 39,483	(3.0 )%
<i>Gross margin</i>	25.1 %	24.7 %	
<b>SG&amp;A</b>	\$ 21,693	\$ 21,884	(0.9 )%
<i>SG&amp;A percent of sales</i>	14.2 %	13.7 %	
<b>Income from Operations</b>	\$ 16,624	\$ 17,599	(5.5 )%
<i>Operating margin %</i>	10.9 %	11.0 %	
<b>Net Income</b>	\$ 11,587	\$ 11,485	0.9 %
<i>Net Income %</i>	7.6 %	7.2 %	

Peter J. Gundermann, President and Chief Executive Officer, commented, "As anticipated, first quarter results were similar to the last few quarters of 2016. We expect revenue to grow sequentially through the remainder of this year and continue to believe we are well-positioned generally. However, we are also sensitive to some gathering headwinds, so we have moved our revenue range down accordingly. Nonetheless, we are making excellent progress on a wide range of substantial opportunities which we believe will become apparent this year, justifying our enthusiasm for the future."

## Consolidated Review

### *First Quarter 2017 Results*

Consolidated sales were down \$7.1 million from the same period last year. Aerospace segment sales of \$136.8 million were down \$1.5 million and Test Systems segment sales of \$15.6 million were down \$5.7 million.

Consolidated gross margin was 25.1% in the first quarter of 2017 compared with 24.7% in the first quarter of 2016. The solid margin performance was the result of improved operational efficiencies and product mix which offset the impact of lower sales volume. Engineering and Development ("E&D") costs were \$22.9 million in the quarter, down slightly

from \$23.3 million of E&D costs in last year's first quarter. As a percent of sales, E&D was 15.0% and 14.6% in the first quarters of 2017 and 2016, respectively.

Selling, general and administrative ("SG&A") expenses were \$21.7 million, or 14.2% of sales, in the first quarter of 2017 compared with \$21.9 million, or 13.7% of sales, in the same period last year.

The effective tax rate for the quarter was 25.2%, compared with 30.4% in the first quarter of 2016. The 2017 first quarter tax rate was favorably impacted by excess tax benefits associated with employee share-based compensation and also benefited from decreases in foreign tax rates.

Net income was \$11.6 million, or \$0.38 cents per diluted share.

During the first quarter, the Company repurchased approximately 148,000 shares at an aggregate cost of \$4.4 million under its share repurchase program. Since the inception of the program in February 2016, the Company has repurchased approximately 671,000 shares at an aggregate cost of \$22.0 million.

**Aerospace Segment Review** (*refer to sales by market and segment data in accompanying tables*)

#### *Aerospace First Quarter 2017 Results*

Aerospace segment sales decreased by \$1.5 million, or 1.1%, when compared with the prior year's first quarter to \$136.8 million.

Electrical Power & Motion sales decreased \$2.9 million, or 3.9%, largely driven by lower sales of in-seat and cabin power products. Systems Certification sales decreased by \$2.4 million on lower project activity. These decreases were partially offset by a \$2.1 million increase in sales of Lighting & Safety products and a \$1.7 million increase in Avionics products sales.

Aerospace operating profit for the first quarter of 2017 was \$19.8 million, or 14.4% of sales, compared with \$18.7 million, or 13.5% of sales, in the same period last year. Aerospace E&D costs remained consistent when compared with the same period last year at \$20.3 million.

Aerospace orders in the first quarter of 2017 were \$122.8 million. Backlog was \$205.2 million at the end of the first quarter of 2017.

Mr. Gundermann commented, "While our Aerospace revenue has been improving sequentially the last two quarters, it is apparent that we are working our way through a soft patch in the market, with some program delays, market pricing pressure, and the slowing conditions in the widebody market. Still, we anticipate posting a new record in Aerospace revenue for 2017."

**Test Systems Segment Review** (*refer to sales by market and segment data in accompanying tables*)

#### *Test Systems First Quarter 2017 Results*

Sales in the first quarter of 2017 decreased approximately \$5.7 million to \$15.6 million compared with the same period in 2016, a decrease of 26.6%. Sales to the Semiconductor market decreased \$2.5 million and sales to the Aerospace and Defense market decreased \$3.2 million compared with the same period in 2016.

Operating profit was \$0.3 million, or 2.0% of sales, compared with \$2.2 million, or 10.4% of sales, in last year's first quarter. The decrease in operating profit was the result of lower volumes. E&D costs were \$2.5 million, down from \$3.0 million in the first quarter of 2016.

Orders for the Test Systems segment in the quarter were \$24.2 million, for a book-to-bill ratio of 1.56 for the quarter. Backlog was \$47.6 million at the end of the first quarter of 2017.

Mr. Gundermann commented, "Although our Test business had a weak start to the year, we saw relatively strong bookings in the quarter, and expect results to improve markedly as we move through 2017. We have seen some program awards slide, but believe we are operating in a target rich environment which will produce a number of substantial wins yet this year."

## **2017 Outlook**

Consolidated sales in 2017 are forecasted to be in the range of \$635 million to \$690 million, which represents a decline from the high end of the previous range. Approximately \$545 million to \$580 million of revenue is expected from the Aerospace segment and \$90 million to \$110 million from the Test Systems segment.

Consolidated backlog at April 1, 2017 was \$252.7 million, of which approximately \$218.7 million is expected to ship in 2017.

Assuming no change in the federal statutory rate, the effective tax rate for 2017 is expected to be in the range of 28% to 31%.

Capital equipment spending in 2017 is expected to be in the range of \$21 million to \$25 million.

E&D costs are expected to be in the range of \$93 million to \$95 million excluding the engineering costs from the acquired Custom Control Concepts business.

Mr. Gundermann concluded, "We are disappointed to be lowering our revenue forecast so early in the year, but we are facing some headwinds along the lines of schedule delays, pricing pressure, and weakening conditions in certain of our markets, including in particular the widebody commercial airplane market. At the same time, we continue to hold leading market positions and are making important progress in key areas. We expect 2017 to be a year of progress compared with 2016, and that we will carry strong momentum into the future."

## **First Quarter 2017 Webcast and Conference Call**

The Company will host a teleconference today at 11:00 a.m. ET. During the teleconference, Peter J. Gundermann, President and CEO, and David C. Burney, Executive Vice President and CFO, will review the financial and operating results for the period and discuss Astronics' corporate strategy and outlook. A question-and-answer session will follow.

The Astronics conference call can be accessed by calling (201) 689-8562. The listen-only audio webcast can be monitored at [www.astronics.com](http://www.astronics.com). To listen to the archived call, dial (412) 317-6671 and enter conference ID number 13659615. The telephonic replay will be available from 2:00 p.m. on the day of the call through Thursday, May 11, 2017. A transcript will also be posted to the Company's Web site once available.

## **About Astronics Corporation**

Astronics Corporation (NASDAQ:ATRO) is a leading supplier of advanced technologies and products to the global aerospace, defense and semiconductor industries. Astronics' products and services include advanced, high-performance electrical power generation and distribution systems, seat motion solutions, lighting and safety systems, avionics products, aircraft structures, systems certification and automated test systems. Astronics' strategy is to increase its value by developing technologies and capabilities, either internally or through acquisition, and using those capabilities to provide innovative solutions to its targeted markets and other markets where its technology can be beneficial. Through its wholly owned subsidiaries, Astronics has a reputation for high-quality designs, exceptional responsiveness, strong brand recognition and best-in-class manufacturing practices. The Company routinely posts news and other important information on its website at [www.astronics.com](http://www.astronics.com).

***For more information on Astronics and its products, visit its Web site at [www.astronics.com](http://www.astronics.com).***

## **Safe Harbor Statement**

This news release contains forward-looking statements as defined by the Securities Exchange Act of 1934. One can identify these forward-looking statements by the use of the words "expect," "anticipate," "plan," "may," "will," "estimate" or other similar expressions. Because such statements apply to future events, they are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by the statements. Important factors that could cause actual results to differ materially from what may be stated here include the state of the aerospace, defense, consumer electronics and semiconductor industries, the market acceptance of newly developed products, internal production capabilities, the timing of orders received, the status of customer certification processes and delivery schedules, the demand for and market acceptance of new or existing aircraft which contain the Company's products, the need for new and advanced test and simulation equipment, customer preferences and other factors which are described in filings by Astronics with the Securities and Exchange Commission. The Company assumes no obligation to update forward-looking information in this news release whether to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial conditions or prospects, or otherwise.

## **FINANCIAL TABLES FOLLOW**

### **ASTRONICS CORPORATION**

#### **CONSOLIDATED INCOME STATEMENT DATA**

*(Unaudited, \$ in thousands except per share data)*

	Three Months Ended			
	4/1/2017	4/2/2016		
<b>Sales</b>	<b>\$ 152,396</b>	<b>\$ 159,530</b>		
Cost of products sold	114,079	120,047		
Gross profit	38,317	39,483		
<b>Gross margin</b>	<b>25.1</b>	<b>% 24.7</b>	<b>%</b>	
Selling, general and administrative	21,693	21,884		
<b>SG&amp;A % of sales</b>	<b>14.2</b>	<b>% 13.7</b>	<b>%</b>	
Income from operations	16,624	17,599		
<b>Operating margin</b>	<b>10.9</b>	<b>% 11.0</b>	<b>%</b>	
Interest expense, net	1,133	1,087		
Income before tax	15,491	16,512		
Income tax expense	3,904	5,027		
<b>Net income</b>	<b>\$ 11,587</b>	<b>\$ 11,485</b>		
<b>Net income % of sales</b>	<b>7.6</b>	<b>% 7.2</b>	<b>%</b>	

*Basic earnings per share:	\$ 0.40	\$ 0.39
*Diluted earnings per share:	\$ 0.38	\$ 0.38

*Weighted average diluted shares outstanding (in thousands)	30,182	30,359
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Capital expenditures	\$ 2,767	\$ 2,450
Depreciation and amortization	\$ 6,298	\$ 6,546

\*April 2, 2016 share quantities and per-share data have been restated to reflect the impact of the fifteen percent Class B stock distribution to shareholders of record on October 11, 2016.

## ASTRONICS CORPORATION

### CONSOLIDATED BALANCE SHEET DATA

(\$ in thousands)

(unaudited)

4/1/2017 12/31/2016

#### ASSETS

Cash and cash equivalents	\$ 10,763	\$ 17,901
Accounts receivable and uncompleted contracts	112,781	109,415
Inventories	122,184	116,597
Other current assets	10,674	11,160
Property, plant and equipment, net	122,159	122,812
Other long-term assets	13,902	13,149
Intangible assets, net	95,529	98,103
Goodwill	115,294	115,207
<b>Total assets</b>	<b>\$ 603,286</b>	<b>\$ 604,344</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

Current maturities of long term debt	\$ 2,582	\$ 2,636
Accounts payable and accrued expenses	59,606	60,756
Customer advances and deferred revenue	20,937	23,168
Long-term debt	138,914	145,484
Other liabilities	35,147	34,851

Shareholders' equity	346,100	337,449
<b>Total liabilities and shareholders' equity</b>	<b>\$ 603,286</b>	<b>\$ 604,344</b>

## ASTRONICS CORPORATION

### Segment Data

(Unaudited, \$ in thousands)

	Three Months Ended	
	4/1/2017	4/2/2016
Sales		
Aerospace	\$ 136,827	\$ 138,649
Less Inter-segment	—	(340 )
Total Aerospace	136,827	138,309
Total Test Systems	15,569	21,221
<b>Total consolidated sales</b>	<b>152,396</b>	<b>159,530</b>
Operating profit and margins		
Aerospace	19,754	18,691
	14.4	% 13.5
Test Systems	318	2,210
	2.0	% 10.4
<b>Total operating profit</b>	<b>20,072</b>	<b>20,901</b>
Interest expense	1,133	1,087
Corporate expenses and other	3,448	3,302
<b>Income before taxes</b>	<b>\$ 15,491</b>	<b>\$ 16,512</b>

## ASTRONICS CORPORATION

### SALES BY MARKET

(Unaudited, \$ in thousands)

	Three Months Ended			2017 YTD
	4/1/2017	4/2/2016	% change	
<b>Aerospace Segment</b>				
Commercial Transport	\$ 109,723	\$ 113,396	-3.2 %	72.1 %
Military	15,146	12,280	23.3 %	9.9 %
Business Jet	7,536	6,525	15.5 %	4.9 %
Other	4,422	6,108	-27.6 %	2.9 %
<b>Aerospace Total</b>	<b>136,827</b>	<b>138,309</b>	<b>-1.1 %</b>	<b>89.8 %</b>
<b>Test Systems Segment</b>				
Semiconductor	4,631	7,137	-35.1 %	3.0 %
Aerospace & Defense	10,938	14,084	-22.3 %	7.2 %
<b>Test Systems Total</b>	<b>15,569</b>	<b>21,221</b>	<b>-26.6 %</b>	<b>10.2 %</b>
<b>Total</b>	<b>\$ 152,396</b>	<b>\$ 159,530</b>	<b>-4.5 %</b>	

## ASTRONICS CORPORATION

### SALES BY PRODUCT LINE

(Unaudited, \$ in thousands)

**Three Months Ended**

	<b>4/1/2017</b>	<b>4/2/2016</b>	<b>% change</b>	<b>2017 YTD</b>	
<b>Aerospace Segment</b>					
Electrical Power & Motion	\$ 72,444	\$ 75,392	-3.9 %	47.6	%
Lighting & Safety	42,670	40,566	5.2 %	28.0	%
Avionics	9,136	7,474	22.2 %	6.0	%
Systems Certification	2,159	4,606	-53.1 %	1.4	%
Structures	5,996	4,163	44.0 %	3.9	%
Other	4,422	6,108	-27.6 %	2.9	%
<b>Aerospace Total</b>	<b>136,827</b>	<b>138,309</b>	<b>-1.1 %</b>	<b>89.8</b>	<b>%</b>
<b>Test Systems</b>	<b>15,569</b>	<b>21,221</b>	<b>-26.6 %</b>	<b>10.2</b>	<b>%</b>
<b>Total</b>	<b>\$ 152,396</b>	<b>\$ 159,530</b>	<b>-4.5 %</b>		

**ASTRONICS CORPORATION**

**ORDER AND BACKLOG TREND**

*(Unaudited, \$ in thousands)*

	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Trailing Twelve Months</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>	
	<b>07/02/2016</b>	<b>10/1/2016</b>	<b>12/31/2016</b>	<b>4/1/2017</b>	<b>4/1/2017</b>
<b>Sales</b>					
Aerospace	\$ 142,501	\$ 125,179	\$ 128,052	\$ 136,827	\$ 532,559
Test Systems	21,925	29,920	26,016	15,569	93,430
<b>Total Sales</b>	<b>\$ 164,426</b>	<b>\$ 155,099</b>	<b>\$ 154,068</b>	<b>\$ 152,396</b>	<b>\$ 625,989</b>
<b>Bookings</b>					
Aerospace	\$ 163,532	\$ 122,821	\$ 113,756	\$ 122,836	\$ 522,945
Test Systems	17,941	13,694	23,118	24,236	78,989
<b>Total Bookings</b>	<b>\$ 181,473</b>	<b>\$ 136,515</b>	<b>\$ 136,874</b>	<b>\$ 147,072</b>	<b>\$ 601,934</b>
<b>Backlog</b>					
Aerospace	\$ 235,800	\$ 233,442	\$ 219,146	\$ 205,155	
Test Systems	58,011	41,785	38,887	47,554	
<b>Total Backlog</b>	<b>\$ 293,811</b>	<b>\$ 275,227</b>	<b>\$ 258,033</b>	<b>\$ 252,709</b>	<b>N/A</b>
<b>Book:Bill Ratio</b>					
Aerospace	1.15	0.98	0.89	0.90	0.98
Test Systems	0.82	0.46	0.89	1.56	0.85
<b>Total Book:Bill</b>	<b>1.10</b>	<b>0.88</b>	<b>0.89</b>	<b>0.97</b>	<b>0.96</b>

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