



# Jefferies Virtual Industrials Conference

August 5, 2020



Nasdaq: ATRO

ELEVATING *innovation*

**Peter J. Gundermann**, Chairman, President & CEO

**David C. Burney**, Executive Vice President & CFO

# Safe Harbor Statement

These slides 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 and include all statements with regard to being the impact of COVID-19 on the Company and its future, achieving cash positive or neutral in 2020, expectations of demand by customers and markets, and EBTIDA margins. 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 impact of the global outbreak of COVID-19 and governmental and other actions taken in response, trend in growth with passenger power and connectivity on airplanes, the state of the aerospace and defense 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 relationships, 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 presentation, or its accompanying oral discussion, whether to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial conditions or prospects, or otherwise.

# Astronics Corporation (Nasdaq: ATRO)

INNOVATION. COLLABORATION. SUCCESS.

Astronics serves the world's aerospace, defense, and other mission critical industries with proven, innovative technology solutions. Our strategy is to grow value by developing technologies, organically or through acquisition, for our targeted markets.



Market Cap	\$268.7 million
Recent Price	\$8.74
52-Week Range	\$6.99–\$33.24
Average Daily Volume (3 mos.)	453,660
Established/IPO	1969/1972

Shares Out – Common	23.3 million
Shares Out – Class B	7.5 million
Institutional ownership	68%
Insider ownership	12%
Index membership	Russell 3000 <sup>®</sup> /2000 <sup>®</sup>

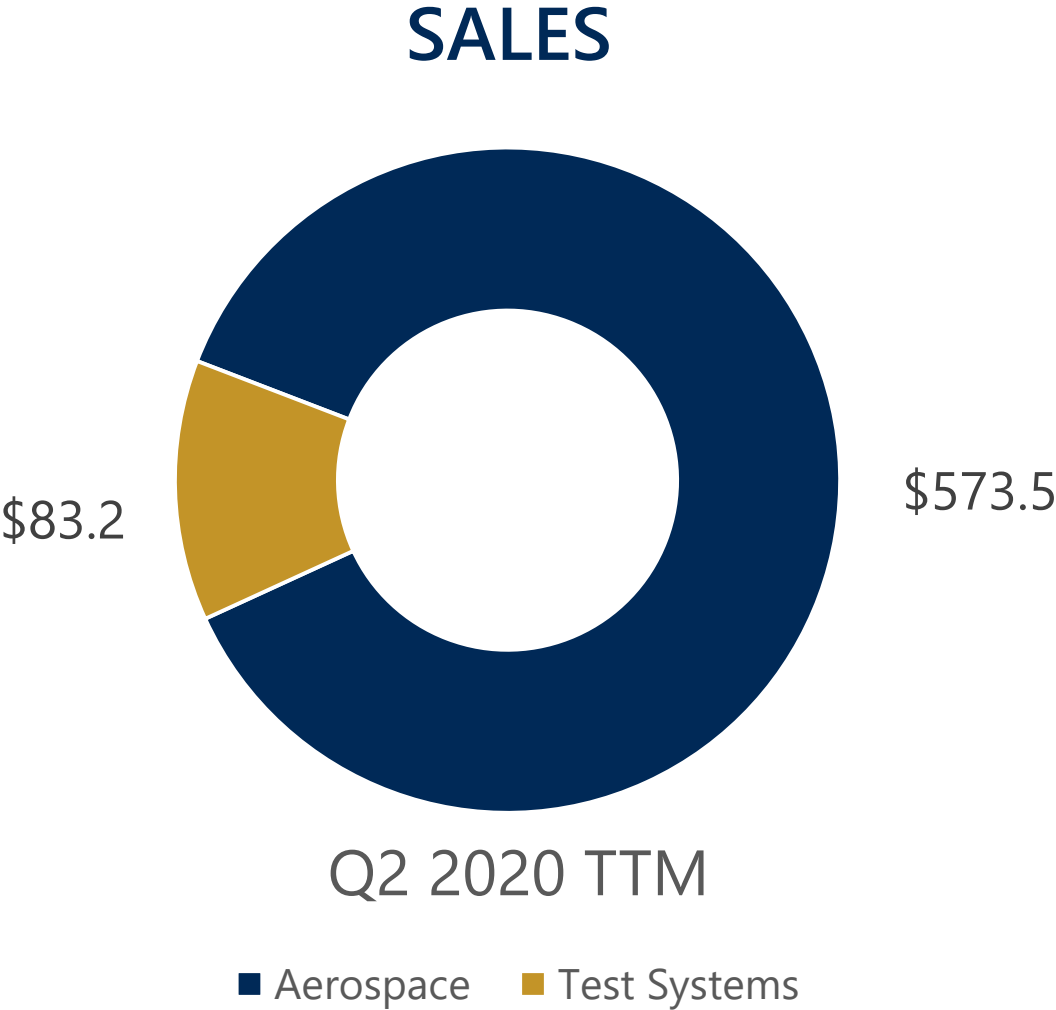
# Solid Franchise with Leading Market Positions

(\$ in millions)

Test Systems \*

Aerospace

\* Sold Semiconductor Test business on February 13, 2019 for \$103.8 million. Includes \$6.9 million of Semi Test Sales



# Astronics Aerospace

Elevating Innovation

## PRODUCT LINES

**Electrical Power & Motion**  
**Lighting & Safety**  
**Avionics/Systems Certification**  
**Structures**  
**Other**

### POWER & MOTION



### LIGHTING & SAFETY



### AVIONICS: CONNECTIVITY & DATA

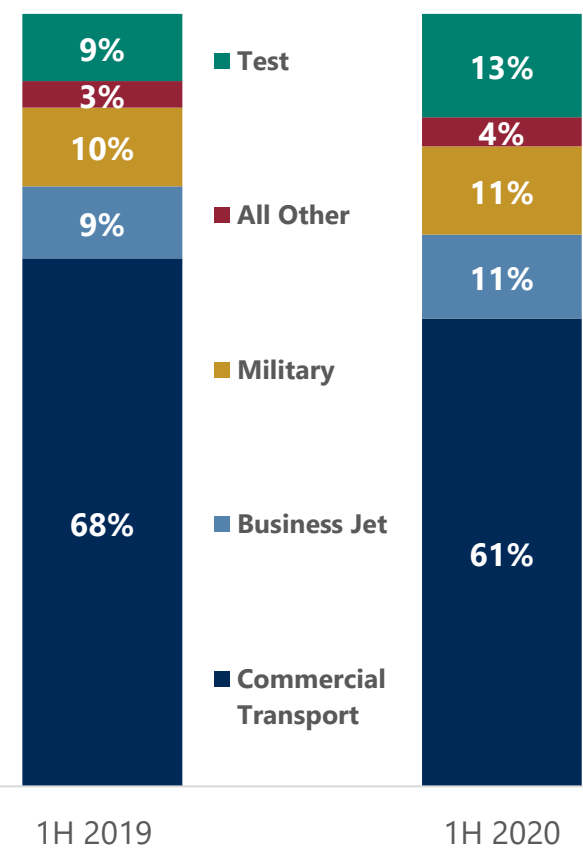


## MAJOR THRUSTS

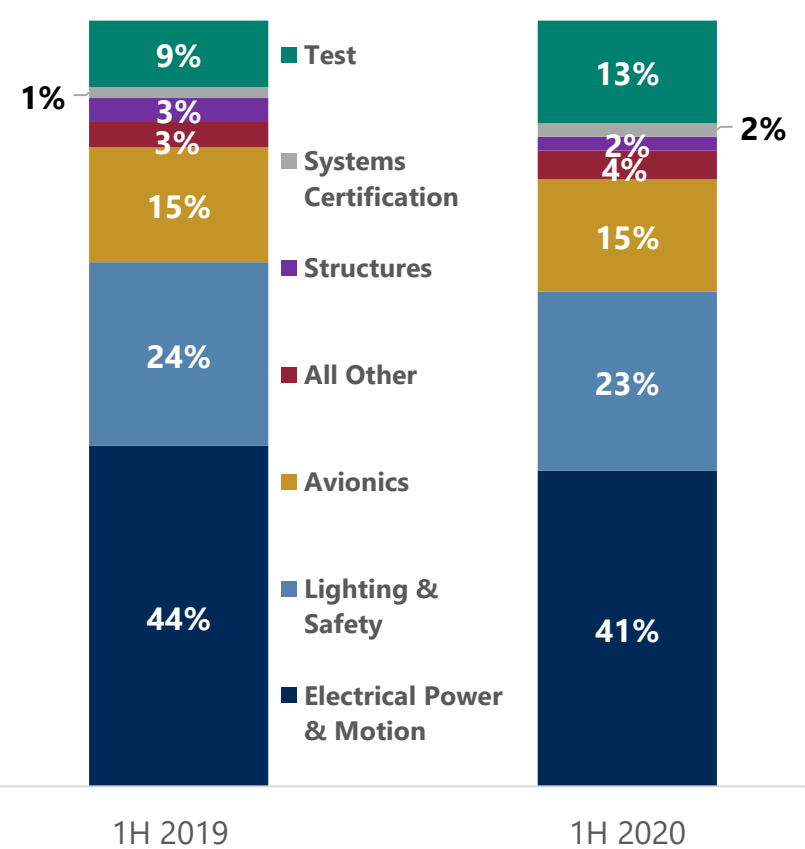
**Flight Critical Electrical Power**  
**Aircraft Lighting & Safety**  
**Inflight Entertainment & Connectivity (IFEC)**

# 1H FY2020 Sales – Changes in Revenue Mix

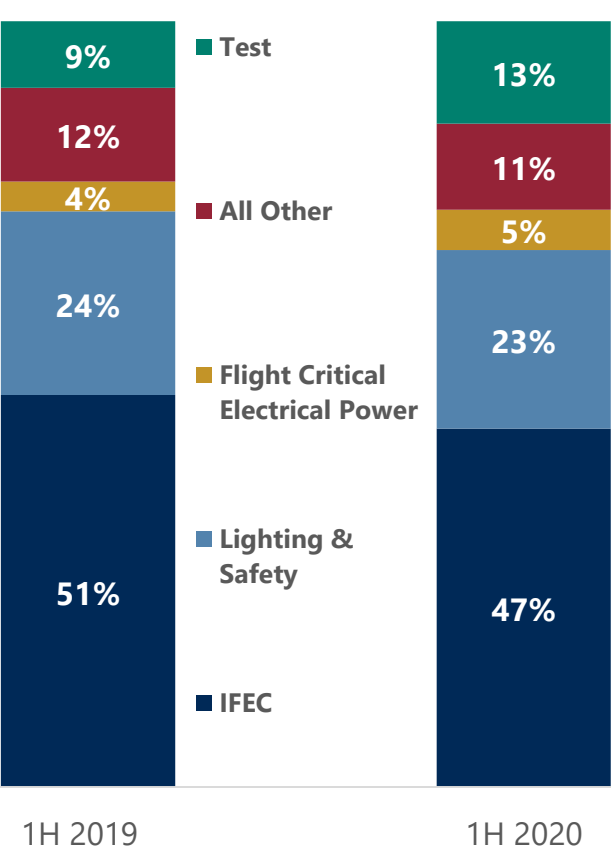
% Sales by Market



% Sales by Product



% Sales by Major Thrust



Percent totals may not equal 100% due to rounding



# Aircraft Inflight Entertainment & Connectivity

Aircraft Data Systems



IFC Antennas and Radome Systems



Power for Passengers and Crew



Inflight Entertainment Systems Hardware



# IFEC: IN-SEAT POWER SUPPLY (ISPS)

- » In-seat power, line-fit and retrofit, now powering 1 million+ seats on over 280 airlines worldwide
- » High barriers to entry: 90%+ market share
- » ASP: \$350-\$850 per seat
- » Market penetration aircraft: ~80% wide body and ~25% narrow body
- » Market penetration seats: ~60% wide body and ~20% narrow body

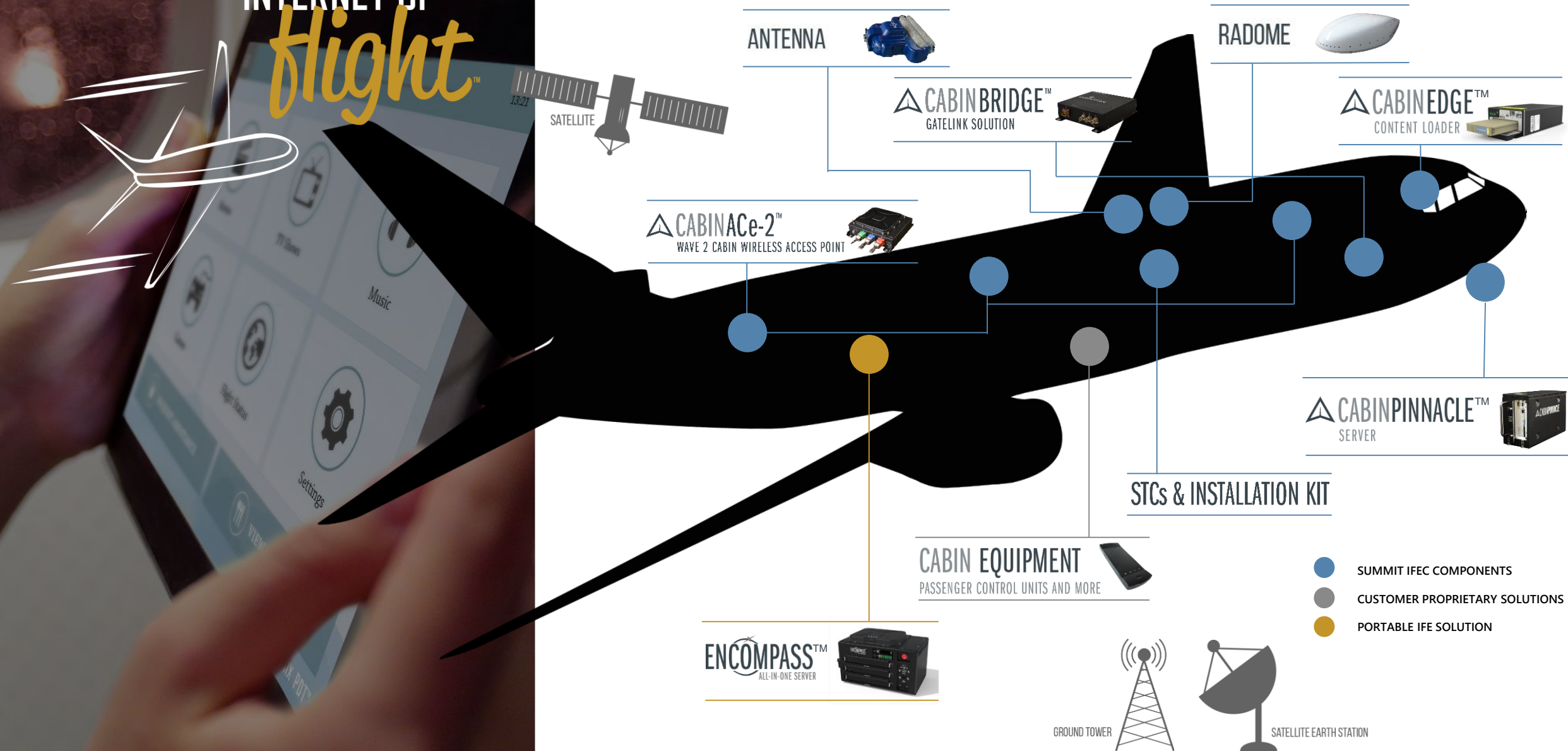




ADVANCED  
TECHNOLOGY  
FOR THE  
INTERNET OF  
*Flight*

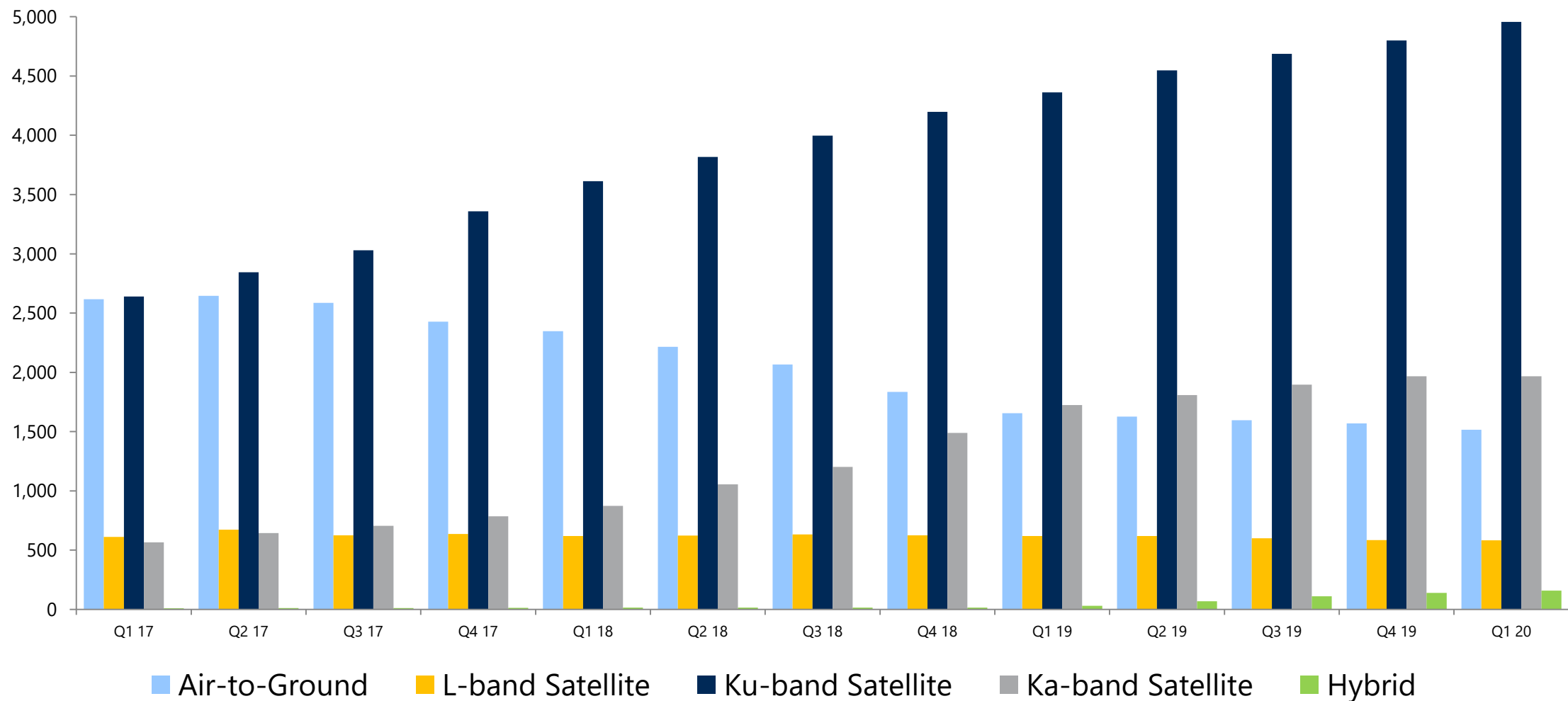
The leader and only one-stop source for the hardware needed to provide connectivity.

INTERNET



# Growing Addressable Market

## Total Connected Commercial Aircraft by Frequency Band

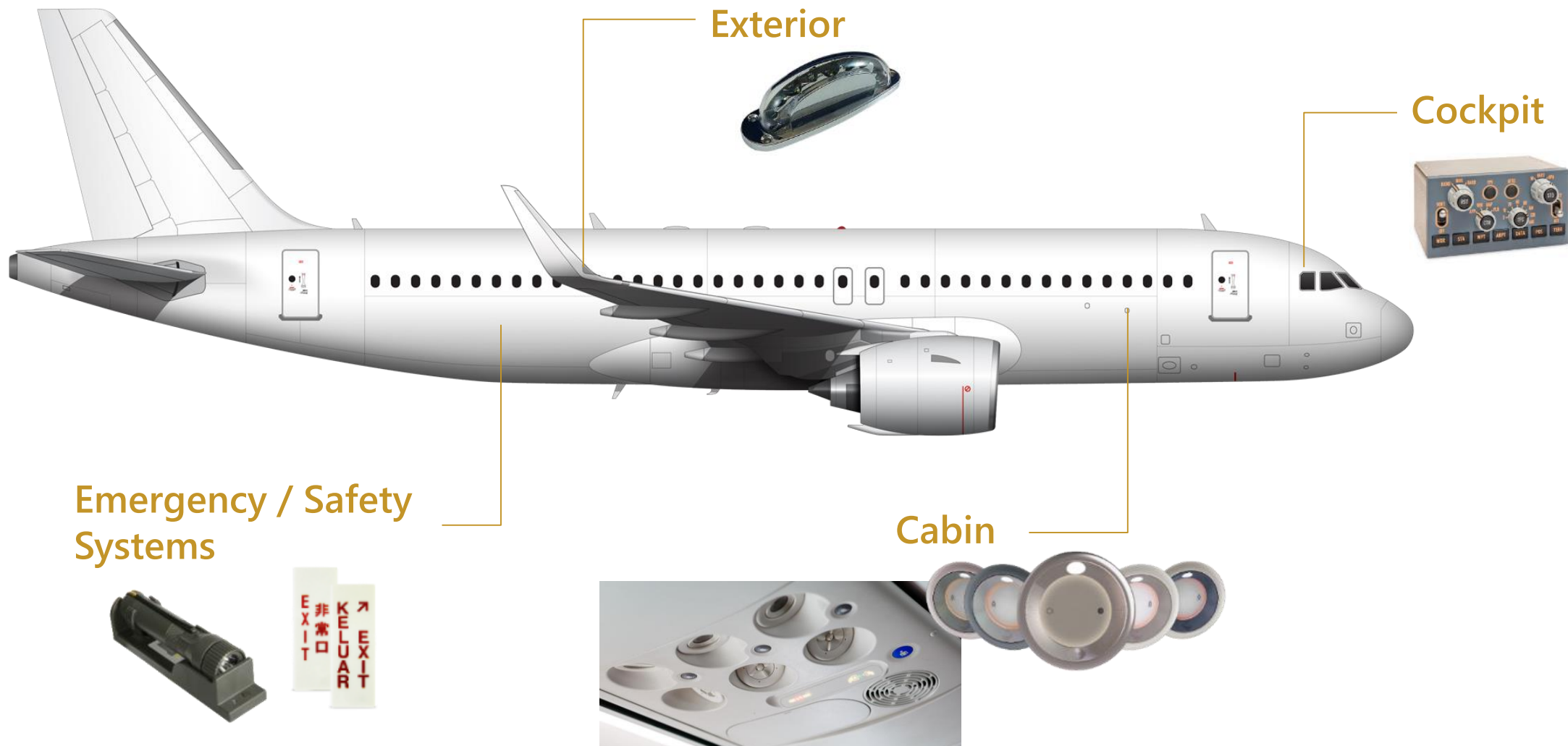


# IFEC Technologies & Content Value

## Total Addressable Market Opportunity

System Components	ATRO	Product Category	Narrow body Potential Content	Wide body Potential Content
<b>Hardware Equipment</b>				
Aircraft Interface Device (AID)	✓	Avionics	\$10k	\$10k
Servers	✓	Avionics	\$15k	\$15k
Data Loader	✓	Avionics	\$5k	\$5k
Wireless Access Points (WAP)	✓	Avionics	\$10k	\$15k
In-seat Power	✓	Electrical Power & Motion	\$50k-\$100k	\$175k - \$300k
Seatback Displays	✓	Avionics		
Passenger Control Units (PCU)	✓	Avionics	\$10k	\$20k
<b>Service Delivery</b>	✓			
Content				
Bandwidth				
TOTAL ADDRESSABLE MARKET			\$200k - \$450k	\$540k - \$665k

# Lighting & Safety Solutions



# Aircraft Lighting Systems

## Industry Leader in Aircraft Lighting

A complete array of innovative, lightweight, reliable, solid-state lighting systems

### Products

- » Exterior lighting systems
- » Cabin lighting systems
- » Cockpit lighting systems

### Markets

- » Commercial transport
- » Military
- » Business and general aviation



Illuminating commercial, business and military aircraft, including Airbus, Boeing, Embraer, Lockheed and Textron



# Lighting & Safety Technologies & Content Value

## Total Addressable Market Opportunity

Lighting Solutions	ATRO	Product Category	Wide body Potential Content	Narrow body Potential Content	Bizjet Potential Content
<b>Cockpit</b>					
Panels / Keyboards	✓	Lighting & Safety	\$20k	\$15k	\$10k
Caution / Warning	✓	Lighting & Safety	\$30k	\$20k	\$10k
Utility			\$10k	\$10k	\$3k
Displays			\$15k	\$15k	\$5k
<b>Exterior</b>	✓	Lighting & Safety	\$30k	\$20k	\$10k
<b>Cabin</b>					
Emergency / Signage	✓	Lighting & Safety	\$50k	\$20k	\$5k
Area / Mood			\$175k	\$70k	\$10k - \$30k
Passenger Service Units	✓	Lighting & Safety	\$250k	\$85k	
Business / First Class Seats	✓	Lighting & Safety	\$55k	\$3k	
TOTAL ADDRESSABLE MARKET			\$635k	\$258k	\$53k - \$73k

# Flight Critical Electrical Power

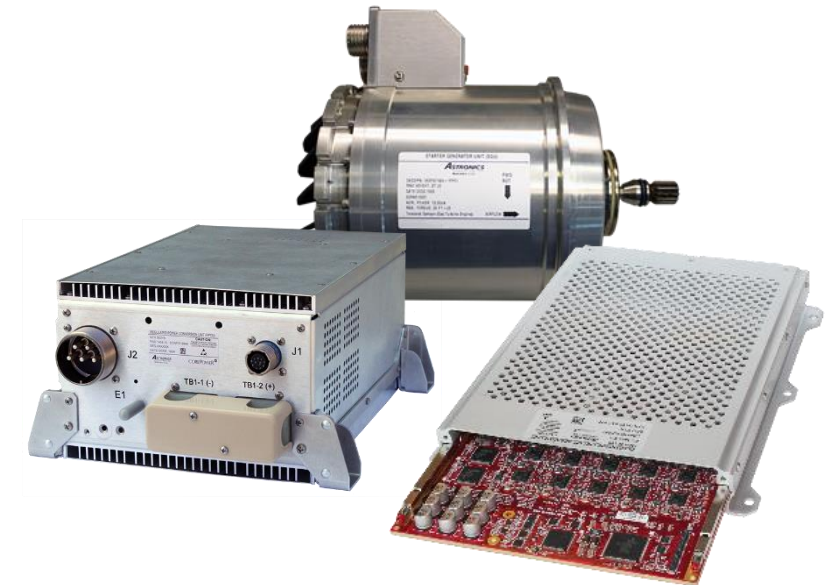
First Mover Advantage: Establishing leadership in small aircraft airframe power

The technology for the future of small aircraft: Solid-state power distribution systems replace extensive wiring and traditional electromechanical components with modular electronics and software



- » Intelligent systems for power generation, distribution and conversion
- » Increased reliability
- » Reduced weight
- » Automation, flexibility
- » Lower life cycle cost
- » Reduces pilot workload

COREPOWER®





# Addressing Trends: Modernization of Aircraft

## Clean, Streamlined Cockpit



Traditional Cockpit with Circuit Breakers  
Learjet 45



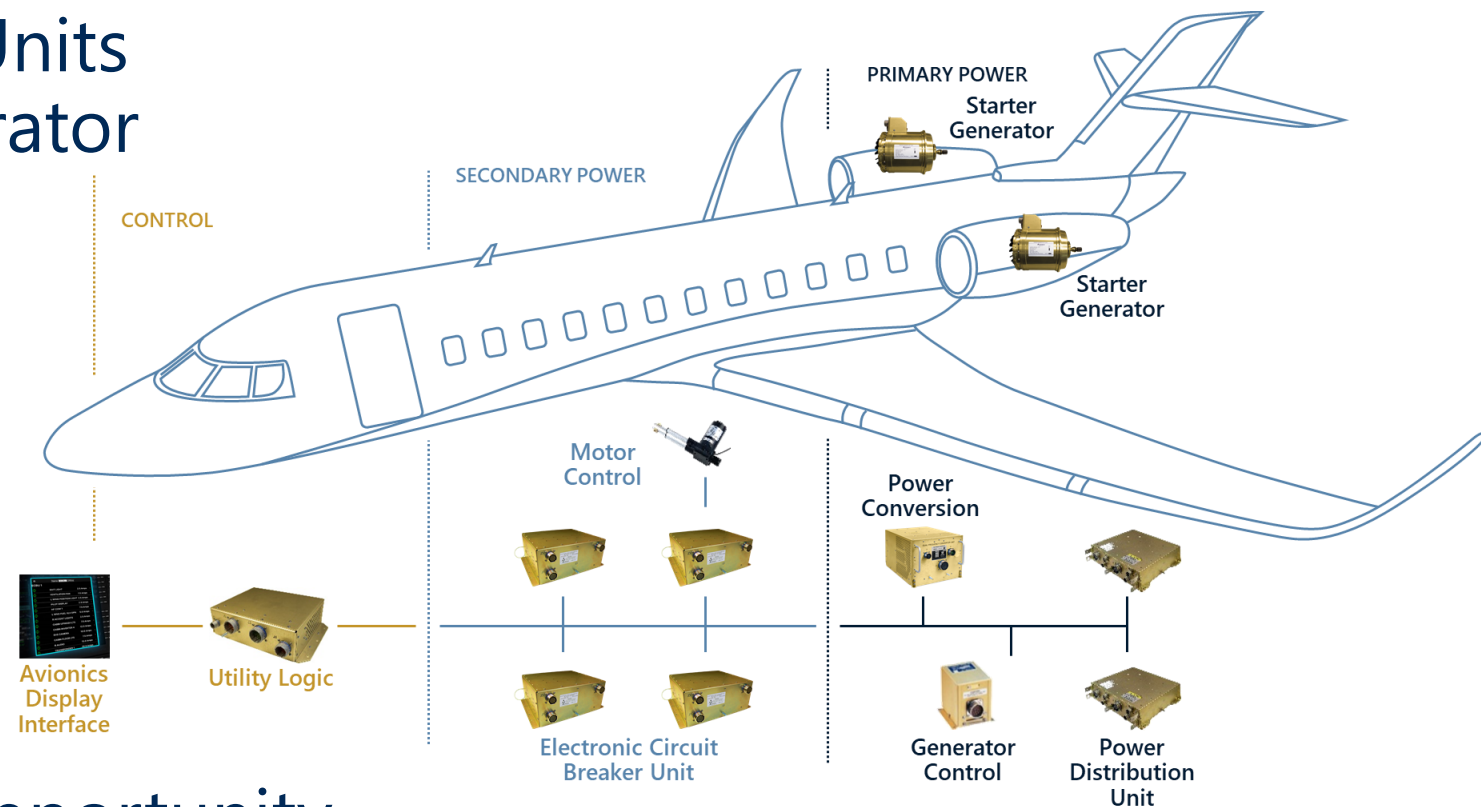
Electronic Power Distribution  
PC-24

# Flight Critical Electrical Power Addressable Market

## Electronics Circuit Breaker Units and Long-Life Starter Generator

### Program Wins to Date

- » Eclipse 500
- » Daher TBM 900
- » Bell 505, 525, V-280
- » Pilatus PC-24
- » Cessna Denali
- » Global 7000
- » FARA: 360 Invictus
- » FLRAA: V-280



## Total Addressable Market Opportunity

	Small Turbine	Medium Turbine	Large Turbine
Shipset value	\$80k – \$120k	\$100k – \$200k	\$200 – \$600k
Number of aircraft/year	310	230	280
TOTAL	~\$30 million	~\$35 million	~\$110 million

# Aerospace

## Well Positioned on Wide Range of High Profile Next-Gen Aircraft

### CURRENT

#### Embraer Phenom 100/300

Exterior lighting

#### UH-60 Blackhawk

Exterior & cockpit lighting

#### V-22 Osprey

Cabin, cockpit & exterior lighting

#### Cessna

Exterior & cockpit lighting

#### Boeing 787

Passenger power, fuel doors & cockpit lighting

#### Boeing 737 NG/BSI

PSU, passenger power available & cockpit lighting

#### F-35 JSF

Exterior lighting system & lighting controllers

#### Airbus A350

Emergency egress lighting & passenger power

### NEXT GENERATION

#### Boeing 777X

PSU, fuel doors, cabin, cockpit & exterior lighting

#### Boeing 737MAX

Exterior lighting system & PSU

#### Embraer E2

Interior and exterior emergency lighting system & PSU

#### Pilatus PC-24

Airframe power & induction starter generator

#### Cessna Denali

Induction starter generator, electronic circuit breakers & passenger power

#### Bell 525/V280/505

Airframe power, lighting/safety





# Test Systems

## Testing for Mission-Critical Industries

### Award-winning test solutions

- » Integrated logistics support
- » Validate operating performance on multiple top-priority defense communications and weapons systems platforms

### Improve system reliability, reduce costs, streamline TPS development, and preserve vital legacy investments with test solutions

- » Instruments, ATE, and switching systems
- » Commissioning, logistics, support, obsolescence management
- » Experience includes:
  - › Military aircraft, avionics, and vehicle systems
  - › Weapons systems
  - › Communications and radar systems
  - › Engine systems
  - › Military satellites
  - › Shipboard systems



*Expanding test instrument business with next-gen PXI platform offerings*



*Next-gen radio test set that combines 16+ field test capabilities in one device*



# COVID-19 Impact on Demand

## Defense and Government demand: ~20% of sales in 2019

- » Includes majority of Test Systems and sales driven by military aircraft
- » Showing strength

## Commercial transport and business jet aircraft production: ~55% of sales in 2019

- » Driven by commercial aircraft build rates
- » Prominent OEMs have announced reduced production rates of 35% to 45%

## Commercial transport aftermarket: ~25% of sales in 2019

- » Primarily IFEC and passenger power systems
- » Demand severely impacted from significant reduction in passenger traffic

A close-up, low-angle shot of the nose of a white commercial airplane against a clear blue sky. The aircraft's nose cone, cockpit windows, and the top of the fuselage are visible. The image has a blue tint and is used as a background for the left side of the slide.

# RAPID ACTIONS TO ADDRESS CHALLENGING TIMES

## Operational Adjustments for COVID-19 Impact on Business

Prioritized health and safety of employees

- » New set of work rules for sanitation, hygiene and physical distancing

Adjusted cost structure to conserve cash

- » 20% reduction in employee count
- » Freeze on wages and elimination of cash bonus plans
- » 50% reduction of capital expenditures
- » Eliminated temporary labor, consultants, marketing trade shows, travel
- » Restricted discretionary spend

Focus on cash generation

- » Generate cash and deliver mid-to high single digit EBTIDA margins at 30% to 35% reduction in revenue
- » Additional levers available if conditions worsen or duration is significant

# ***ASTRONICS***

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## FINANCIALS

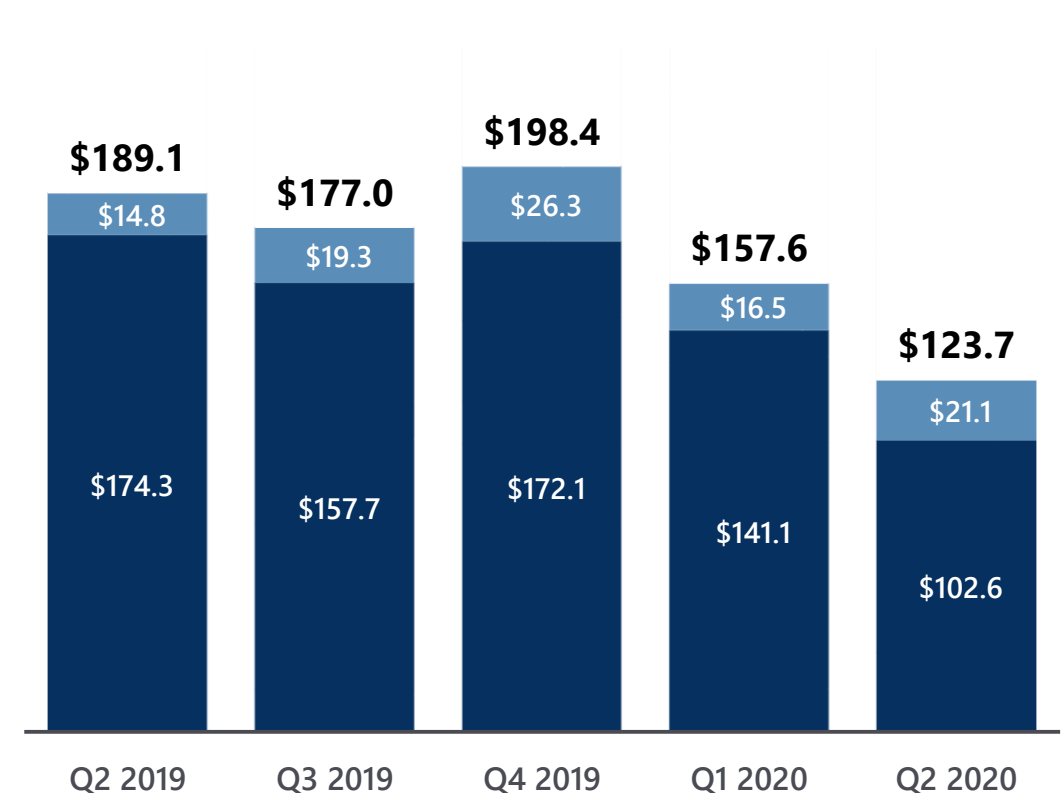


INNOVATION. COLLABORATION. SUCCESS.

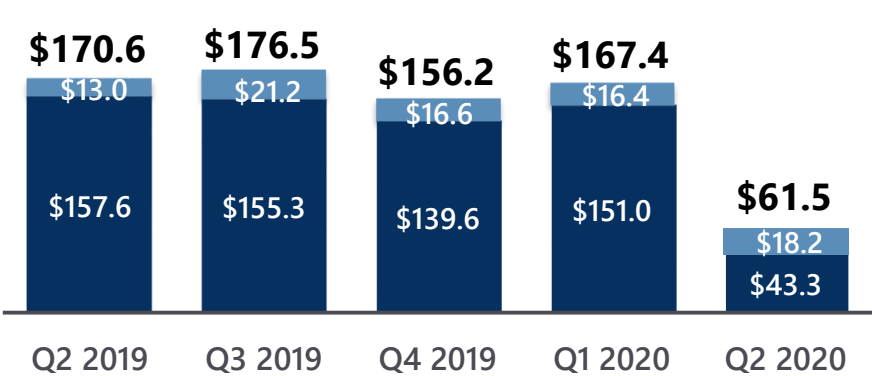
# Sales, Bookings & Backlog

(US\$ in millions; except EPS)

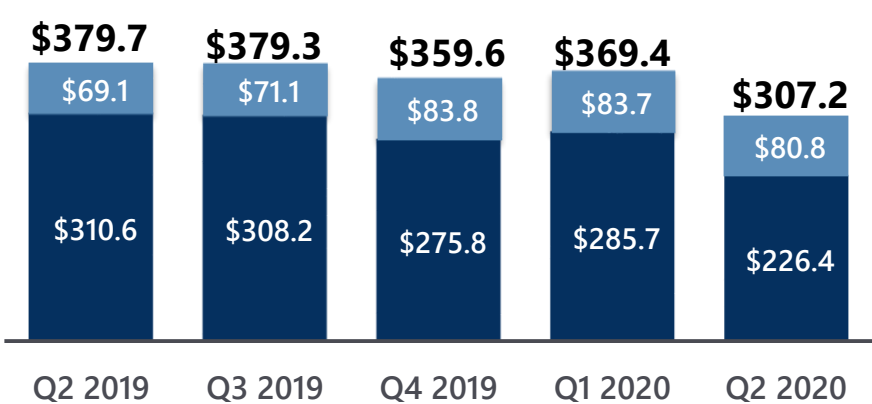
## Sales



## Bookings



## Backlog



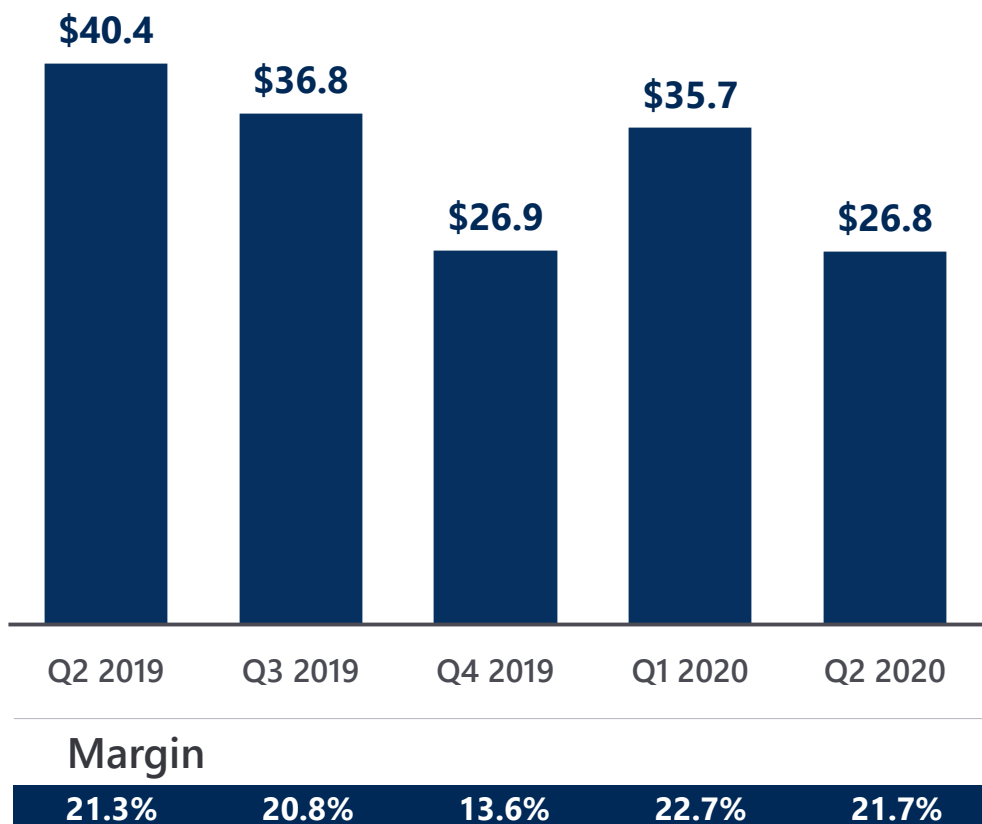
■ Aerospace ■ Test



# Profit and Margins

(US\$ in millions)

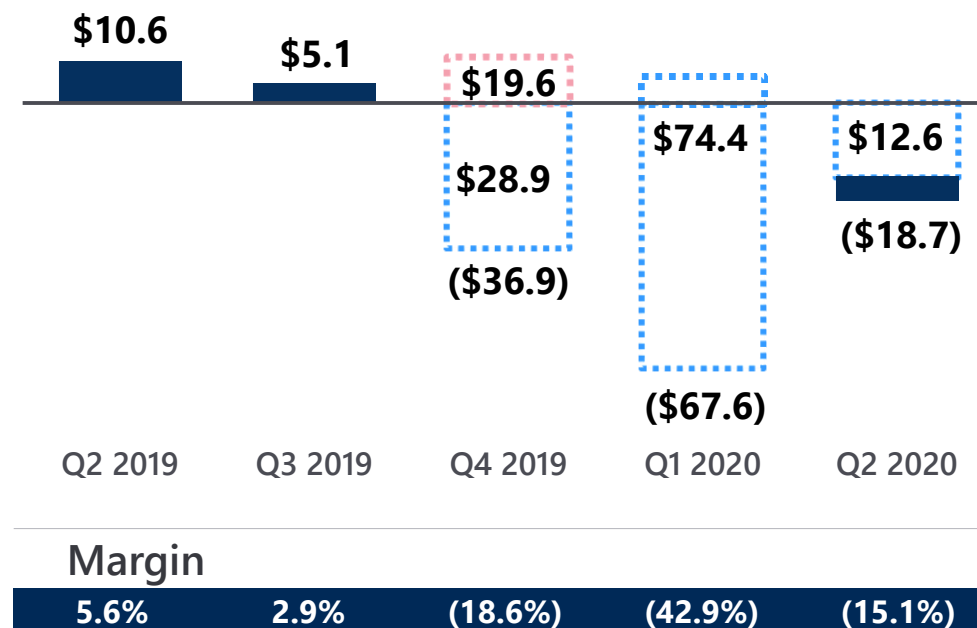
## Gross Profit and Margin



**ASTRONICS**

## Operating Profit and Margin\*

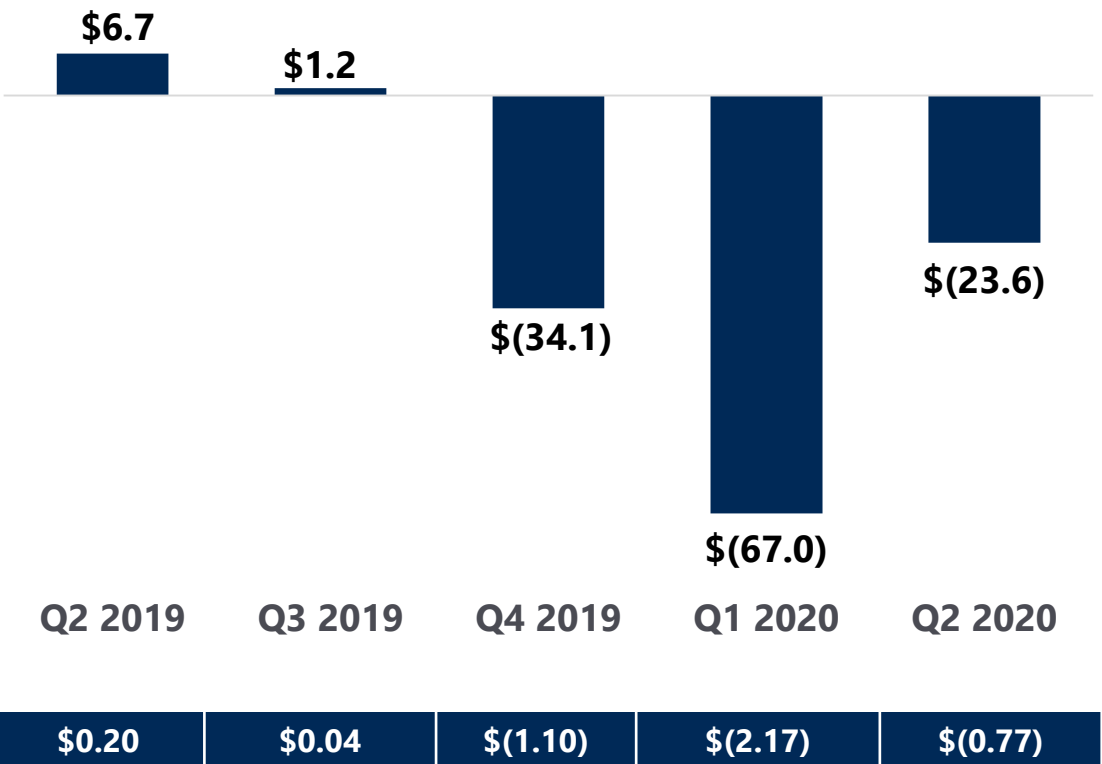
- Q419 Impairment & restructuring charges: \$28.9 million
- Q120 Goodwill Impairment charges: \$74.4 million
- Q220 Goodwill Impairment charges: \$12.6 million
- Legal reserve for patent dispute of \$19.6 million in Q4 2019



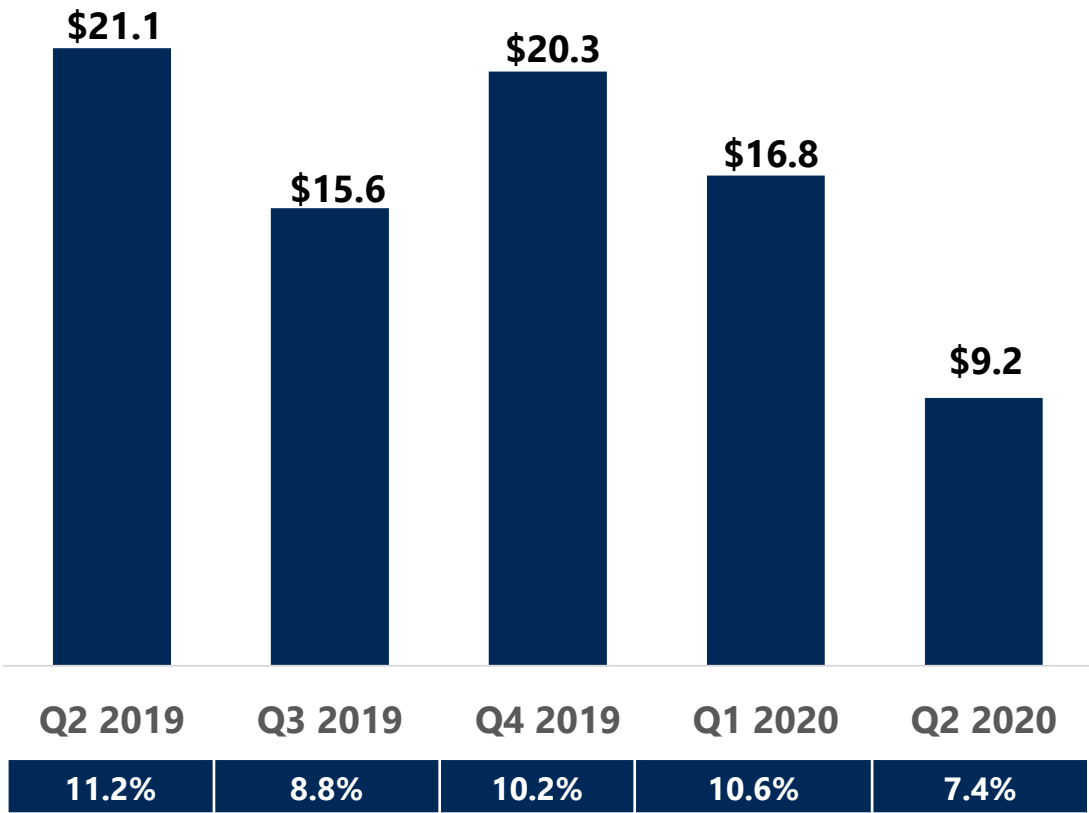
\*As reported

# Restructured Business to Drive Earnings

## Net Income and Diluted EPS



## Adjusted EBITDA<sup>(1)</sup> and Margin

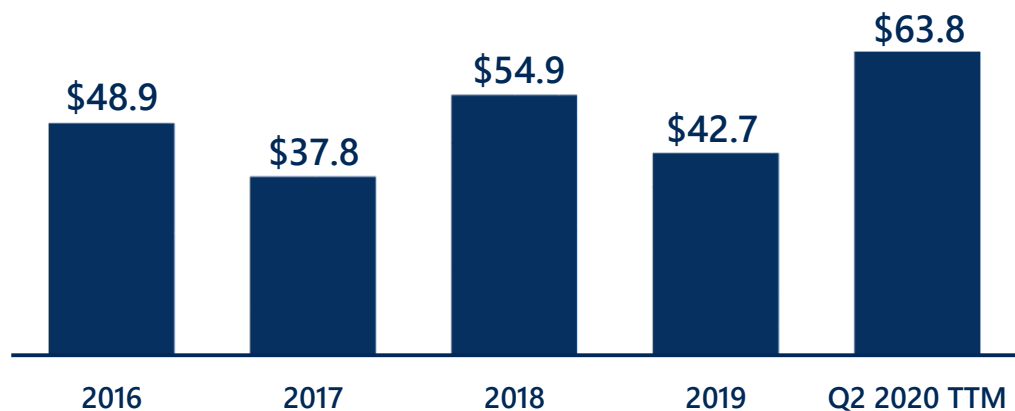


<sup>(1)</sup> Adjusted EBITDA is non-GAAP financial measures. Please see supplemental slides for a reconciliation of net income (loss) to non-GAAP adjusted EBITDA and other important disclosures regarding the use of non-GAAP financial measures.

# Balance Sheet and Cash Flow

(US\$ in millions)

## Cash from Operations



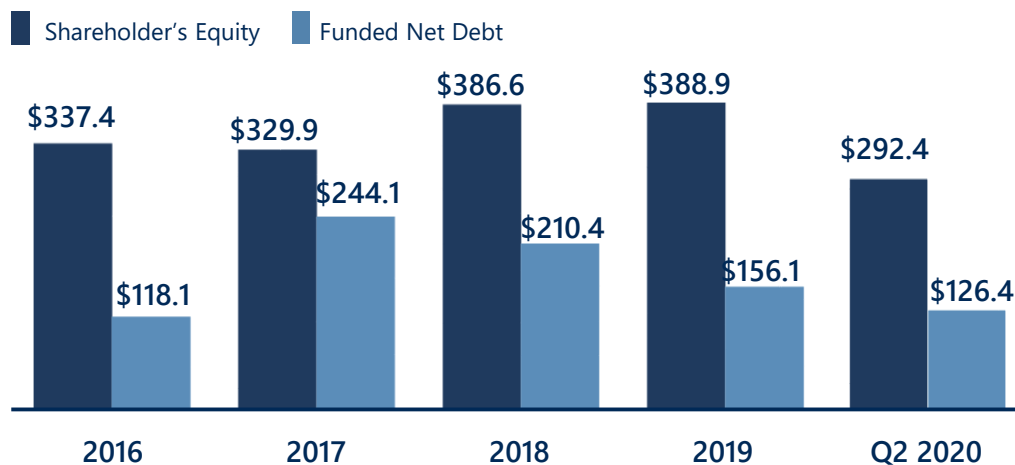
## Capital allocation:

- » Acquisitions
- » Organic growth
- » Opportunistic stock repurchases

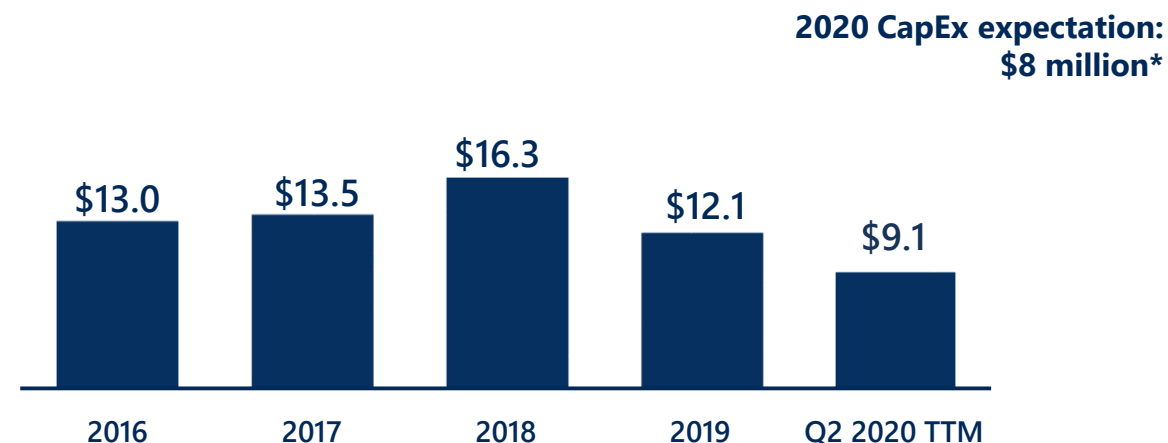
## Tolerance for debt:

- » 2x - 3x
- » Willing to flex up

## Funded Net Debt & Shareholders' Equity



## Capital Expenditures





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# Astronics Corporation

SUPPLEMENTAL  
INFORMATION



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# Reconciliation of GAAP Net Income to Adjusted EBITDA

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
<b>GAAP Consolidated Net Income</b>	<b>\$ 6,726</b>	<b>\$ 1,210</b>	<b>\$ (34,065)</b>	<b>\$ (66,963)</b>	<b>\$ (23,579)</b>
Interest Expense	1,225	1,547	1,565	1,333	1,983
Income Tax Expense	2,104	550	(9,217)	(2,314)	(872)
Depreciation and Amortization	7,904	8,203	8,866	7,971	8,081
Equity-based Compensation	952	798	900	1,703	1,103
Goodwill and Other Asset Impairments	-	-	11,083	74,408	12,608
Restructuring Charges	-	-	17,753	-	-
Equity Investment Impairment	-	-	5,000	-	3,493
Equity Investment Loss	-	-	-	107	-
(Gain) Loss on Sale of Business	-	1,332	-	-	-
Severance Expense	2,211	308	519	518	4,890
Legal Reseve Increases	-	1,700	17,919	-	1,450
<b>Adjusted EBITDA</b>	<b>\$ 21,122</b>	<b>\$ 15,648</b>	<b>\$ 20,323</b>	<b>\$ 16,763</b>	<b>\$ 9,157</b>

## **Reconciliation to Non-GAAP Performance Measures**

In addition to reporting net income, a U.S. generally accepted accounting principle ("GAAP") measure, we present Adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization, non-cash equity-based compensation expense, goodwill, intangible and long-lived asset impairment charges, equity investment income or loss, legal reserves, settlements and recoveries, restructuring charges and gains or losses associated with the sale of businesses), which is a non-GAAP measure. The Company's management believes Adjusted EBITDA is an important measure of operating performance because it allows management, investors and others to evaluate and compare the performance of its core operations from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes, equity-based compensation expense, goodwill, intangible and long-lived asset impairment charges, equity investment income or loss, legal reserves, settlements and recoveries, restructuring charges and gains or losses associated with the sale of businesses, which is not commensurate with the core activities of the reporting period in which it is included. As such, the Company uses Adjusted EBITDA as a measure of performance when evaluating its business and as a basis for planning and forecasting. Adjusted EBITDA is not a measure of financial performance under GAAP and is not calculated through the application of GAAP. As such, it should not be considered as a substitute for the GAAP measure of net income and, therefore, should not be used in isolation of, but in conjunction with, the GAAP measure. Adjusted EBITDA, as presented, may produce results that vary from the GAAP measure and may not be comparable to a similarly defined non-GAAP measure used by other companies.

# Extensive List of Customers

## Representative List

280+ Airlines

Airbus

AMAC Aerospace

Bell Helicopter

Boeing

Bombardier

Carson Helicopters

Cessna

Cirrus Aircraft

Collins Aerospace

Comlux

Dassault Aviation

Embraer

General Dynamics

Gogo

Gulfstream

Hawker Beach

Hughes

Jet Aviation

L3Harris

Leonardo

Lockheed Martin

NASA

Panasonic Avionics

Raytheon Company

Safran

Sikorsky

Thales

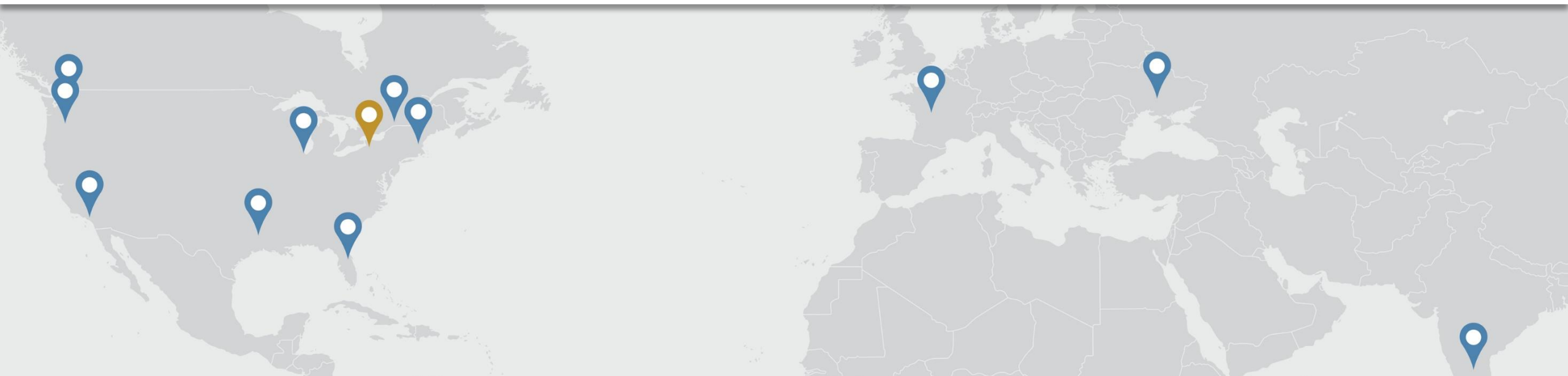
Thompson Aero Seating

U.S. Army/Navy/Air Force/Marines



# A Global Presence to Support Your Needs

## Worldwide Manufacturing, Sales and Support



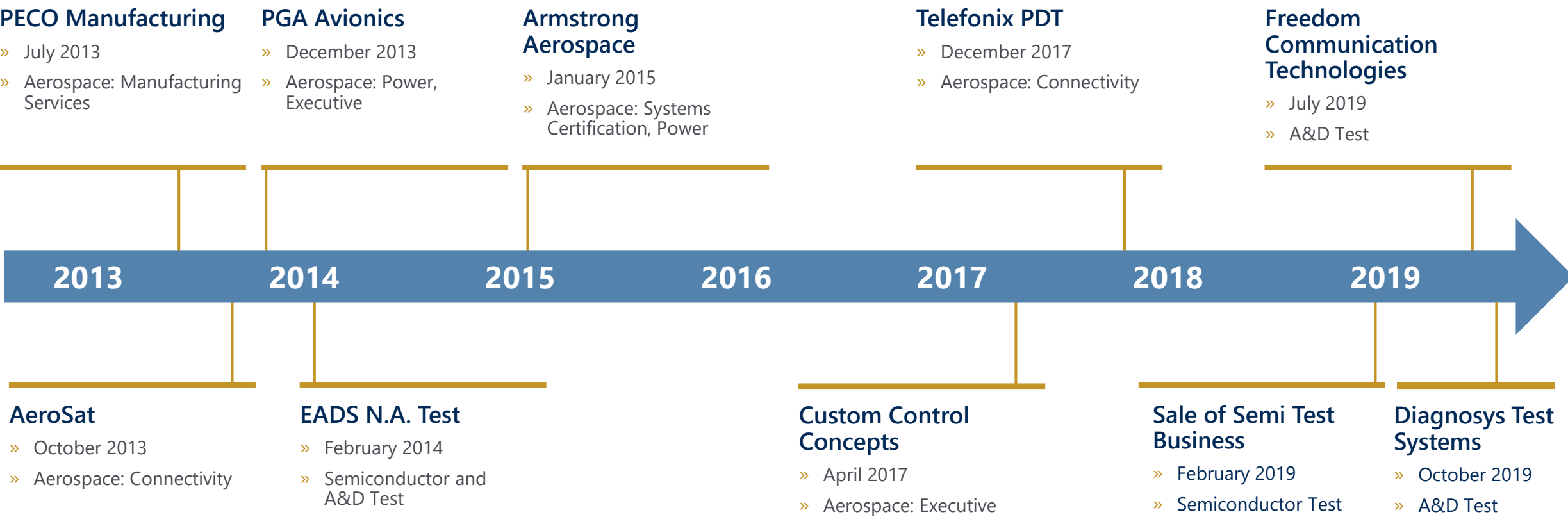
**1.2M** Square Feet of  
Manufacturing Strength

**2,300<sup>(1)</sup>**  
Employees

**24/7/365**  
Customer Service & Support

<sup>(1)</sup> as of 6/27/2020

# Building a Portfolio for Growth



# Commercial Aircraft Content

Serving commercial, business jet and military

- » 777/777X - approximately \$240K\* in content  
(PSUs, fuel access doors)
- » 737 - approximately \$95K\* in content  
(PSUs, fuel access doors, cockpit lighting)
- » 787 - approximately \$45K\* in content  
(fuel access doors)
- » 747 - approximately \$30K\* in content  
(PSUs, fuel access doors)
- » A350 - approximately \$30K\* in content  
(Emergency exit lighting)
- » Embraer E2  
(PSUs, emergency lighting)

## » Exterior Lighting Systems



## » Cabin Lighting & Safety Systems



## » Cockpit Lighting Systems





# Selected Competitors

## POWERED AIRCRAFT

- » Airbus KID – Systeme
- » Collins Aerospace
- » Meggitt
- » Crane Aerospace

- » Safran
- » Ametek
- » Transdigm

## LIGHTED AIRCRAFT

- » Safran
- » Honeywell
- » Transdigm
- » Collins Aerospace

- » Whelan
- » Diehl Aerospace

## AVIONICS

- » TECOM (Smiths Group)
- » ThinKom

- » Kontron
- » Panasonic

## TEST SYSTEMS

- » Viavi
- » Lockheed
- » National Instruments

- » Teradyne
- » Ametek
- » Keysight
- » Rhode & Schwartz



For more  
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