

**ASTRONICS CORPORATION**  
**JEFFERIES INDUSTRIALS CONFERENCE TRANSCRIPT**  
**SEPTEMBER 3, 2025**

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# Participants

## Jefferies & Company

### **Greg Conrad**

*Senior Vice President, Equity Research - Aerospace and Defense*

## Astronics Corporation

### **Peter Gundermann**

*Chairman, President & Chief Executive Officer*

### **Nancy Hedges**

*Vice President & Chief Financial Officer*

## Discussion

### Greg Conrad

Hi. I'm Greg Conrad with the Aerospace and Defense Equity Team at Jefferies and welcome to the Jefferies 2025 Industrials Conference. I'm very excited to have Astronics with us today with Pete Gundermann, CEO; and Nancy Hedges, CFO. Thank you for being here today.

Maybe just to start with a general question, if you can provide a little bit of background on Astronics, what markets you operate in and how broadly do you think about the opportunity in the business?

### Pete Gundermann

Okay. We're primarily an aerospace system supplier, so we are active in a couple of main pursuits in the aerospace industry. The slide that's up on the screen right now, the chart on the right is probably the easiest way to understand our business. Roughly half of our business is in-flight entertainment and connectivity related, so this is a passenger amenity. When passengers fly in the cabins of commercial airplanes and they are watching a movie or streaming content to their laptop or they're doing work off airplane through some type of connectivity system, we're involved in all aspects of that environment. It's a big part of our business.

A smaller pursuit, but a very important pursuit, is our flight-critical electrical power. This is for primarily smaller airplanes, both military and business jet, not a passenger amenity, but the flight-critical, electrical backbone of the airplane.

An important part of our growing business and kind of the program of record that we often get asked about and like to talk about is the Bell's FLRAA program, Future Long-Range Assault Aircraft. That's a major platform for us. We're doing the entire electrical distribution system on that airplane and a number of others, but that clearly, for us, is a big program.

And then, a quarter of our business these days is lighting related. We think we're one of the world's largest aircraft lighting businesses. We're active in cockpits, we're active in the exteriors of aircraft, we're active in the cabins.

And then, finally, we have a Test business. It's our second segment. It's about 10% of our business. The two primary pursuits there are transit systems and radio tests for government agencies, including the US army. We have a large pending program, which should kick in in early 2026, testing radios for the US army.

US, what's their overall opportunity or how do we feel about the business? It's really been a remarkable turnaround from what we have experienced over the last few years, in the pandemic especially. Most people watching the aerospace industry know their production rate on the commercial transport side is growing dramatically. Boeing has done an excellent job from our perspective, starting to execute on the opportunities ahead of them, which provides opportunities for companies like us,

Airbus, similarly, is just as important to us. We don't put as much content on Airbus airplanes, but they build more of them, especially in the narrow body side, so they're very important to us.

We think the FLRAA opportunity and military aircraft in general, drones in particular, are another opportunity that has become a tailwind for our business.

Finally, our Test business has gone through some rough periods, but we think, with steps we've taken and contracts we have in place, that that'll turn from a drag on the business to a pretty good contributor in 2026.

So, in general, we're feeling very optimistic about where we are going and the forces that we have in place to take us there. So, ask another easy question, you get a long answer.

**Greg Conrad**

Well, I think I can still ask number five, which is about FLRAA. You saved that one for me, but maybe this rolls into customers. You talked about Airbus and Boeing, but maybe if you could just break down revenue composition by customer group; I mean, whether it's the airframe manufacturers, direct to airlines, military, completion centers and how you think about profitability across the customer distribution?

**Pete Gundermann**

Profitability is pretty consistent, so that's an easy one to discuss. We don't think of it as being fundamentally different from one part of our business to another. Certainly, you know, contracts vary, timing varies, and cost pressures vary, but, in general, we view it as a pretty similar contribution across the business.

Our business today is roughly 70% commercial transport. Boeing, Airbus, 200 airlines around the world, in-flight entertainment companies, connectivity companies and, just to a lesser extent, seat companies and leasing companies, all make up the customer base there, 70% of our total. And by the way, if you look at our history and you want to understand why we got hit so hard in the pandemic, that's what happens when you're 70% exposed to an industry that gets knocked on its butt by COVID. That was particularly difficult for our company and meant that we came out of it a little bit later than many other industry participants that might be a little bit better diversified. So, 70% commercial transport, 10% military today, 10% business jet today and 10% Test. That's the rough way to think about customer distribution.

**Greg Conrad**

And then, within the different product lines, how do you think about retrofit and aftermarket versus OE and, maybe, what trends you're seeing around the aftermarket demand and how you think about positioning to capitalize on them?

**Pete Gundermann**

In the commercial transport space, we'll keep it real easy, we are roughly 50% line fit, 50% aftermarket or retrofit. Aftermarket and retrofit for us is not spares and repairs, it's upgrades to existing fleets of airlines. So, it's not necessarily a huge margin opportunity for us relative to what we put on new aircraft. They are very similar in margin profiles, aftermarket and line fit. And then, you didn't ask this question necessarily, but we're 50/50 wide body and narrow body. A lot of numbers here, I apologize, but we're 70% exposed to commercial transport within that space. We're relatively diversified between line fit, aftermarket, wide body, narrow body, if that makes sense. Line fit has been weak for well-publicized reasons, but accelerating quickly now, which we're very excited about. The aftermarket has been very strong, in part because new airplane productions have been pretty slow and it's been strangling the airlines around the world. So, out of capacity, they upgrade existing airplanes more regularly than maybe under other circumstances they would. Also, a lot of wide body airplanes spent a lot of time sitting in the desert during the pandemic and, when they came out, the cabins of those airplanes weren't necessarily in the condition that the airlines, especially in higher end airlines, would want, so aftermarket activity has been strong.

**Greg Conrad**

Do you classify most of that as discretionary or non-discretionary when we think about the aftermarket drivers?

**Pete Gundermann**

It's discretionary in the sense that it's not flight critical. The FAA doesn't care whether the in-flight entertainment system's working or not. I can tell you, though, that my wife just took a flight home from Denmark two weeks ago and sent me a very angry text that they had announced before she boarded that the entertainment system was not going to work. She wanted to know if I had anything to do with that. So, passengers care. Some of us are of an age where you remember where you didn't even have a computer, much less something to plug one into if you brought one on. Younger generations, today, view it as their right to charge their devices when and where they want, and I think that's the way it's going to be. So, you used the term flight critical and, no, in-flight entertainment, connectivity and passenger power are not flight critical, but I would suggest they're passenger critical.

**Greg Conrad**

And then, if you can give some general breakdown of share across the core segments. I think you probably compete with competitors, such as Teledyne, Honeywell, RTX. How do you think about differentiation versus the competitors within the technology space?

**Pete Gundermann**

Actually, we don't have any competitors. We are an \$850 million business this year. We don't take some of the big boys that you mentioned head on. We kind of identify niche markets where we feel we have a competitive advantage; and then, we execute in those niche markets. So, the competitive advantage differs based on which part of our business you're talking about. Again, going through the sections on the screen right now, in the in-flight entertainment and connectivity space, we don't actually sell a branded IFE system to anybody. We have an array of hardware components that are critical to making those systems work, and it's the broadest in the industry; everything from WAPs to modem managers to file servers to in-seat power. We can walk up to an IFE company - IFE is in-flight entertainment. Stop me if I use acronyms and not explaining - but we can walk up to an IFE company and say, you can buy one thing from us or you can buy the whole array from us. Some customers, like Panasonic, are obviously capable and competent electronic manufacturers. They can go through a make-buy on pretty much anything they want.

Some customers, I'll say Intelsat, don't have that capability, so they're going to outsource things. When they outsource things, they can go to a number of companies to piece together a system, or they can go to us, and we can provide pretty much everything they need. That's our competitive differentiator. We work with all the IFE companies; we work with all the connectivity companies; we work with over 200 airlines. We're offer-able in Boeing and Airbus, and we have pretty big market share as a result of it. If you think of in-seat power, which is the power that you plug into as a passenger in the cabin of a commercial airplane, we estimate our market share north of 90% in that. If you think of wireless access points, in aircraft, they're not your typical home wireless access point as you can imagine, we would estimate our market share is somewhere around 70%, 75% there and growing. File servers and modem managers and the certification capability to modify a cabin for in-flight systems is something else that we offer, but it's harder to estimate market share there. From a competitive standpoint, the important thing to remember is we have this really broad-based product offering and nobody else does that.

**Greg Conrad**

So, if the in-seat power doesn't work, we can blame you guys.

**Pete Gundermann**

That one you could blame me, yes. But that was working on my wife's flight for what it's worth.

**Greg Conrad**

And then, maybe going back to FLRAA, obviously it's a program that we track closely. I mean, you talked about it as being a long-term growth driver with development revenues at least contributing to backlog. Can you maybe outline your role on the program as you talked a little bit about before and how you see that transition from development into production revenues and how you think about the potential of that program?

**Pete Gundermann**

Sure. First, let me answer this question by extending your previous question. What makes us unique in flight critical electrical power? In a sense, we don't do anything that the big electrical system companies can't do or don't do on big aircraft, like Safran or Honeywell or GE, but we apply those technologies to small aircraft, which is not something that they have done. That's something, I would dare say, that most of the smaller manufacturers/OEMs are interested in having them do. So, what are those key technologies without getting too far into the weeds? Electronic circuit breakers in place of thermal fuses, there's a lot of automation, flexibility, and performance and weight advantages to electronic circuit breakers; and then, very high life, high performance generators and starter machines instead of typical round electrical generators, we use induction based designs or permanent magnet based design, seeing a 30,000 hours of life instead of 1,000.

So, all that to say, we became friends with Bell many years ago, developing their 525 helicopter. We then moved to the 505 helicopter; and then, we pretty much transitioned seamlessly onto their FARA contest. You might remember FARA and FLRAA. FARA, obviously, was canceled by the Army a while ago. FLRAA went into production and we're doing the entire electrical distribution system, so it's a large program. As a company punching above our weight here in terms of potential, our shipset content is still being determined based on some trade studies that we're doing with Bell and for Bell and for the US Army. We expect our shipset content, which is still being defined because of those trade studies, to be somewhere in the million dollars per aircraft range. That's a big shipset content, easily double or triple anything we put on any other aircraft. Maybe you want to tell me how many airplanes you think they're going to build, but if you multiply it out, it should be a very big number for a company of our size.

**Greg Conrad**

It's pretty variable. And then, I think you recently raised revenue guidance by \$10 million at the midpoint for this year. Can you talk about the drivers of that and just what you're seeing in the broader market?

**Pete Gundermann**

There were two moving parts. We raised revenue guidance by raising the low end of our previous existing guidance. Two things happened. The Army radio test program we talked a little bit about; we moved out of the fourth quarter of 2025. We thought it was going to start right about now, but we're moving it into 2026. That was a negative that was more than compensated for by growth on the commercial aerospace side, primarily production rates of Boeing. We have a pretty good content on 737, At one-time, it was our biggest program. It's going to be close to

that again soon. We put \$100,000 of line fit on every airplane and we put an optional \$140,000, \$150,000 in the IFE equipment, which is BFE by our furnished equipment, for those who know the lingo. If it's Southwest or if it's American or if it's one of our existing customers buying a 737, we put a lot of content on it. If it's Ryanair, we don't.

**Greg Conrad**

And then, if you can talk about margins a bit. I think you've done some restructurings and facility closures that you talked about a little bit. How you think about just general pricing power, whether it's with the OEs or the airlines?

**Pete Gundermann**

We definitely believe in pricing for the value we contribute. I think we've made a lot of progress organizationally on that, especially as inflation of the last few years has come through. We've been involved, like a lot of companies in the industry, in pricing negotiations, which at times have been uncomfortable, but largely successful, reflecting the change in cost structure that everybody's living with and getting us margins that we think are appropriate for our business. We're not done, but we've made a lot of progress. Our margin profile is improving.

We have, at the same time, taken some steps, especially recently in the second quarter, where we stepped away from some businesses that we view as non-core and non-critical. We want to focus on those things that are going to get us the kind of return that we think our business deserves and that, I think, is going to be largely successful. We're going to see how it works out here over the next couple of quarters as we roll through the second half of 2025.

In general, we're pretty optimistic with the improvement in results that we've seen and the tailwinds we have and the marginal contribution. I guess I should talk about that a little bit too. We like to say that the incremental dollar of sale results in 45% or \$0.45 contribution to EBIT. So, as we see the revenue ramp that we're seeing in parts of our business, we would expect to see a very strong contribution to the bottom line.

**Greg Conrad**

And then, following up on that business exit of the satellite antennas and contract engineering, how do you think about the benefits of that portfolio simplification and the core competencies, and how do you think about what makes an Astronics business as you guide any portfolio shaping decisions going forward?

**Pete Gundermann**

Like I said a little bit earlier, we like to find niches where we can be successful and have leverage and bring innovation to the industry and to our customers. The satellite business was one that we've been working with for a number of years. There are some big shifts going on in the industry from, say, GEO to potentially LEO constellations and we got to the point where, though we had some success, it wasn't a highlight by any means and we didn't want to try to make the leap and invest the money into another product development effort that we weren't highly confident of. So, that's an example where we didn't see our role in the industry as being successful or complimentary, better stepping away from it.

It's kind of a similar story with the contract manufacturing and engineering part of our business. That was something more that we emphasized in the heat of the pandemic. You know, we got whacked pretty hard, in 2020 and 2021 in particular, and were looking for ways to apply our engineering talent and our manufacturing capabilities. That had its place in time, but now's not the place or time. We'd rather focus on things that are more important for us long term.



**Greg Conrad**

Maybe just combining two questions, thinking about the global supply chain and some of the geopolitical and regulatory uncertainties; and we had another question about tariffs, which seems to fit with that. So, maybe you could talk about the supply chain a bit and what you're seeing, broadly, in terms of the help?

**Pete Gundermann**

Supply chain for us has improved remarkably. There was a time not too long ago when that was the single biggest mention from our various operating units as to what was hurting the ability to perform. It really is not mentioned anymore. It's gotten a lot better, even over the last year. Today, I would say it's not fully back to where it was pre-pandemic, but it's really close and it's just not something we wake up and think about and stress about every day. That's the good news.

What was that T word you mentioned? Tariffs?

**Greg Conrad**

I don't know where we stand. It changes day by day.

**Pete Gundermann**

I think they're illegal, actually, now. Tariffs to us, prior to the recent court ruling, if the current orders stand recognizing China's on some kind of extension, we think there's a \$20 million cost hit unmitigated. We think there are mitigations. It's hard for us to pull the trigger on a mitigation strategy when we don't know what the final lay of the land is going to be. So, at this point, that's kind of a fictitious number or a theoretical number, I should say. In the second quarter, the real tariff impact, we think, was about \$2 million, \$2.5 million, so it's a manageable number at this point. We would fully expect to mitigate a vast majority of tariffs, either through moving product - we do a lot of work in Malaysia; generally work that we could move elsewhere, but the question is, where would you move it in the current environment? - and through repricing. I mean, for better or for worse, the aerospace industry has learned how to pass on price increases or cost increases, especially with inflation. We think that muscle memory still exists. We think the industry will find a way to recover, but I'm also hopeful that the preferential tariff structures that aerospace has enjoyed for so long continues, survives, along with the US, Canada, Mexico trade agreements, which we think also are likely to survive. Once we know that lay of the land, we'll develop a mitigation strategy, and that \$20 million exposure, I expect, we'll bring way, way down.

**Greg Conrad**

Just talking about a defense program, the radio test program for the US Army, I think that was tracking to maybe later this year. Can you talk about the drivers of that program and how you're thinking about the outlook there?

**Pete Gundermann**

The US Army has a lot of soldiers and soldiers carry a lot of communication equipment, pretty complex radios. It's not always obvious that those radios are working appropriately, so they like to have a test platform to verify the performance of those radios before the soldiers go out and do what it is that they need to do. The Army has a large number of different families of radios, something like 26, and they don't want to carry around 26 different testers, one for each of the family of radios. Instead, they want one tester that can test all 26 families. It's been about two years ago now, but they named us as the provider of that next generation radio tester. The last



generation was selected, I believe, in the 2005-2006 timeframe, so they're due, and we've been busy developing the various hardware and software necessary for that tester to do the job that the Army wants it to do. We think we're in pretty good shape. The contract, at this point, is about a \$215 million program, ID IQ. \$215 million, we think is maybe a little less than half of what they really will need to fully outfit their forces, but it's where the thing starts. It's over four or five years. So, we would expect it to be a \$40 million, \$50 million run rate kind of program once it gets going. Our Test business is currently running at \$70 million or \$75 million, so if you layer that chunk of business on top of a \$70 million business, it should be highly complementary. Due to some little mix up on the part of the army, the program got delayed another three months, so instead of a fourth quarter start, we're now targeting a first quarter start. They have to jump through one more hoop that they didn't know they needed to jump through before they can place that order.

**Greg Conrad**

And then, the ATS 9000. How do you think about the evolving LMR space and what you're doing in that market?

**Pete Gundermann**

LMR is Land Mobile Radio. The ATS 9000 is a new tester that we're developing. It is a product upgrade. Land mobile radios are used for everything from the Coast Guard to border control and for the police and fire forces. There's a pretty big trend where commonality or inter agency operational capability is being emphasized. That's going to bring on a new generation of radios, and that 9000S is targeted at that market. We're working with the big radio producers, companies like L3 and Motorola, who are critical to success. Again, those companies are really good at making radios. They will provide test equipment. It's not their specialty. Most agencies operate multiple radio families, so they'd like to have a single tester that tests the range of what they operate. That's what that 9000M is directed towards. So, that's a smaller market, but we're hopeful for results starting in 2026.

**Greg Conrad**

And then, just combining two on the acquisition of the ongoing aerospace. How do you think about the capabilities that it brings to Astronics and how do you think about M&A complementing the strategy as you go forward?

**Pete Gundermann**

Let me answer the second part first. M&A is not something we've been very active in recently, in part because the market's been pretty cold during the pandemic, in part because our balance sheet wouldn't support much activity. So, we didn't have much of an option. That has flipped around. We think the market activity is heating up. We think our balance sheet is much stronger. So, we're looking at more things. That being said, we think we have a really good array of business opportunities on our plate, many of which you've walked through pretty efficiently during this half hour. Acquisition is not a critical element of our go-forward strategy, but it has been important in the past and I expect it will be at some point in the future. We're open to interesting ideas. We're not going to be a serial acquirer at this point. Our best way to create value is to execute the things that are in backlog.

That being said, we did buy this little company, Envoy Aerospace, with less than \$10 million in sales. What it is, is an ODA, which is a way that the FAA delegates approval authority to other companies for certain engineering work and design work in commercial airplanes. We've talked a lot about aftermarket work in the cabin in IFE. Envoy is a company that can internally approve those designs and those requirements. So, what it does is allow us to execute on cabin

modification programs that we may conduct for any airline around the world that's seeking FAA approval. We can more effectively guarantee performance of the program because we now have internal FAA-granted authority to approve the project.

**Greg Conrad**

We have a couple of minutes, if there are any questions from the audience. (Pause) I guess we'll leave it at that.

**Pete Gundermann**

Very good. Thank you.

Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the Astronics Corp. (ATRO) event that occurred on the date noted. Please refer to the webcast version of the event, which is available on the Company's website ([astronics.com](http://astronics.com)) before making an investment decision. Please also refer to the opening slide of the presentation associated with this webcast for ATRO's announcement concerning forward-looking statements that were made during this event.