

Operator: Good day, and welcome to the Astronics Corporation Fourth Quarter Fiscal Year 2023 Financial Results Conference Call. [Operator Instructions] Please note, today's event is being recorded. I would now like to turn the conference over to Craig Mychajluk with Investor Relations. Please go ahead, sir.

Craig Mychajluk: Yes. Thank you, and good afternoon, everyone. We certainly appreciate your time today and your interest in Astronics. On the call with me here today are Pete Gundermann, our Chairman, President and CEO, and Dave Burney, our Chief Financial Officer.

You should have a copy of our fourth quarter and full year 2023 financial results, which crossed the wires after the market closed today. If you do not have the release, you can find it on our website at astronics.com.

As you are aware, we may make forward-looking statements during the formal discussion and the Q&A session of this conference call. 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 earnings release as well as with other documents filed with the Securities and Exchange Commission. You can find those documents on our website or at sec.gov.

During today's call, we'll also discuss some non-GAAP 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 tables that accompany today's release.

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

Peter Gundermann: Thanks, Craig, and good afternoon, everybody. Thanks for tuning into our call. We ended 2023 on a pretty strong note and consider it in retrospect now a solid year of progress. Our fourth quarter results were enabled by a series of trends that have been affecting our business for some time. Those trends are continuing to shape our environment as we enter 2024, which we expect will be another year of progress. I will dedicate my few minutes of comments this afternoon to describing these trends and the impact they are having on our business. Then, Dave will talk you through some of the specifics of our financial statements.

But first, some headlines from the fourth quarter. Fourth quarter revenue of \$195 million was at the high end of our forecasted range and up 23.5% over the comparator quarter of 2022. 2023 cumulative revenue of \$689 million was up almost 29% over 2022. The higher volume drove improvements in financial profit measures. Our fourth quarter adjusted EBITDA, for example, was just shy of \$25 million or 12.7% of sales. Year-to-date, 2023 adjusted EBITDA was \$55.6 million or 8.1% of sales.

In 2024, as previously announced, we expect revenue to be in the range of \$760 million to \$795 million. That's up, at the midpoint, another 13% over where we closed in 2023. So, about those trends.

Our fourth quarter results are really kind of the expected results of several trends affecting our business. None of these are new. We've talked about them to varying degrees over recent quarterly calls. In other words, there was nothing really special that went into our fourth quarter to drive these results. It's more just the expected result of things that have been happening kind of under the surface for some time now. And I'll talk through them in no particular order, certainly not in a priority order. They're all important.

First of all, demand has been and continues to be really strong, and, for us, airline demand or travel has been strong everywhere. You see this in pretty much any metric, if you follow the aerospace industry, the one exception being China. International travel in and out of China remains pretty weak, but in most other major parts of the world, travel is near, at or even above where it was in 2019 before the pandemic hit.

With that, production rates of major platforms have increased over time in our major markets. Despite some of the travails going on in Boeing 737, there's upward pressure; 787, there's upward pressure; Airbus A350, A320, all trending up. For a company like us, when more airplanes are being built and when more people are flying, that translates into improved or increased demand for us. And that's what we've been seeing, not just in the fourth quarter, not just in 2023, but really for years now. Our book-to-bill in 2021 was 1.3. In 2022, it was pretty much at the same level, 1.29. The final number for 2023 looks a lot lower, 1.06, but that's dragged down a little bit by poor bookings in our Test business, where the book-to-bill came in at 0.76. Our Aerospace segment, which is the vast majority of our business came in with a book-to-bill for the year of 1.1, so 10% of our shipments.

With that demand, our backlog has consistently set new highs quarter after quarter after quarter, the only exception being the fourth quarter where it came down ever so slightly.

The second trend, which is worthy of mentioning is, in addition to demand, the continuing improvement in our supply chain. Constraints in 2021 and 2022 left us handicapped and gave us a hard time trying to respond to the increases in demand I was just talking about. But those really started to dissipate and straighten out as we worked our way through 2023, and that continued through the fourth quarter. It's not perfect and there are still challenges, but the headaches are much fewer and farther between than they were earlier on in the pandemic. That supply chain performance is a major reason why we were able to execute on our backlog as 2023 drew to a close and why we are confident of being able to predict another year of pretty solid growth for 2024.

Another trend that needs mentioning is the improvement in personnel labor availability and consistency that we have seen recently, especially as 2023 wore on again. Like a lot of companies, the Great Resignation, while we were used to turnover in the low single digits on a percentage basis in most of our operations, during the peak of the pandemic, we saw turnovers approaching 20%, which is fundamentally a different situation. That has settled down.

As a result, our workforce in general is much less tenured than it was before the pandemic, and it has taken some time to get the culture going again, get the learning curves going again and get people working together as a team. But we're seeing that improve, and we're seeing turnover drop back to the kinds of rates that we were used to seeing years ago. There's still more turnover, but it's not like it was before. It has dropped dramatically from where it was at the peak of the pandemic.

And finally, inflationary pressures over the last 24 months or so have also dissipated pretty dramatically. Obviously, the Fed is not back where they want to be, we all know that, but in terms of the pressures we see from suppliers in particular and other costs of the inputs for our business, the pressures have dissipated and have become more reasonable.

One of the things that I wanted to point out also is, as I look back at what's going on in our business, everything is getting quite a bit more predictable than it used to be. To be honest, in the peak of the pandemic with supply chain headaches and turnover and inflation, it was a challenge to accurately predict where the business was going to be and how it was going to perform. That's coming much more into focus as we worked our way through 2023 and now as we enter 2024.

Some evidence for you to consider back in the fall of 2022, when we were putting our 2023 plan together, we issued initial revenue guidance of \$640 million to \$680 million. We came in at \$688 million.

That's actually pretty accurate compared with what happened in the year or two before that. Not only that, but our internal forecast was within 1% of where we actually ended up for the cumulative year in 2023.

Similarly, with the fourth quarter, we issued revenue guidance of \$185 million to \$195 million. We came in right at the high end of that range. Again, another example of improved predictability, which is really critical for optimizing the business and executing a plan as we go forward.

As we go forward with respect to 2024, the trends I just discussed and the strong finish we had to 2023 together give us confidence it will be another year of solid recovery. Our initial outlook in terms of the sales forecast is \$760 million to \$795 million at the midpoint. That's a year of 13% growth over 2023. That's a low percentage growth compared with what we saw in 2023 and in 2022, but it's one that's welcome for a couple of reasons. First of all, it will get us back to the revenue range of where we were pre-pandemic.

Finally, it's been a long journey, but in 2019, we had sales of \$772 million. and the midpoint of this range would be \$778 million. We have the business and the backlog to do more than that, but our expectation, our goal, is to be at the high end of that range, \$760 million to \$795 million. Even at 13% growth, it would cap another year of pretty strong performance. If you look at topline, 2022, 2023 and 2024 at the midpoint, we would see \$535 million turning into \$689 million, turning into \$778 million.

As we work through 2024, we're also going to have an increased emphasis on margins. That's something that you always work on and worry about when you run a business, but frankly, we knew as we were operating through the pandemic that we would not be profitable at those lower sales levels. There's no way a company like ours, the way we're structured right now, is going to make money at \$535 million, but as we move into the high 700s and with the performance that we saw in the fourth quarter, we think there will be room to optimize and improve our profitability as we work through the year.

We expect 2024 to start somewhat slowly. We expect first quarter sales to be \$170 million to \$175 million. That's a little bit of a step back from where we were with the fourth quarter, and it's a pattern that we've been in for various reasons over the last 6 quarters or so, where we're up a little bit, down a little bit, up a little bit, down a little bit, but the trend overall continues to be positive if you can look past one quarter at a time.

There are a few things we can point to that are going to be affecting us in the first quarter. The first is, we're intentionally walking away and winding down some kind of noncore non-aerospace business that we pursued and picked up early on in the pandemic to help keep our factories full. Those pieces of business are generally not as profitable, so we are prioritizing profitable aerospace work as we wind them down; though, there's a little bit of a hole in our income statement that will last for a quarter or so.

There also is a little bit of a reschedule going on with Boeing on the 737. That's been in the news and people have heard it and seen it. Boeing is and has been our biggest customer. 737 is one of our biggest programs, though not our biggest program, and we put product on that airplane from a number of different facilities through a number of different routes. The messages we get are not entirely consistent from operating unit to operating unit, but there is, it seems, an overall general rescheduling going on, which will probably deflate first quarter sales a little bit, resulting in the range that we're giving.

And then finally, just kind of a mix of customer schedule issues that you got to sell product and deliver products when the customers on it, so we're expecting first quarter to be \$170 to \$175 million. That's no indication whatsoever of wavering demand. We expect to climb pretty dramatically from there in the second quarter, and we expect the second half to be quite strong relative to anything we've seen since well before the pandemic took hold.

One other comment on 2024. We have been talking for some time about an Army radio test program; we call it 4549T. It's something that we were announced a winner of 1.5 years ago now, and we have been waiting for a directed procurement, sole source contract negotiation to take place. It is underway currently. We have not previously been able to talk about having positive momentum in this area, but we certainly have quite a bit of it now and so much so that we're expecting to see awards there most likely, but not absolutely for sure, in the second quarter. More on that as it happens.

A little bit of a review is that this is for a platform of test equipment that the U.S. Army could use or will use to test the full range of their family of radios, and they have quite a few radios in use. It will be an IDIQ program, but we expect it to be \$200 million to \$300 million over 4 to 5 years. If you look at our Test business, which is operating at about an \$80 million level, you can imagine the impact of dropping in \$30 million to \$40 million of sales a year once this thing gets underway. More on that as it happens, but that's one of the items which certainly will have an influence in our 2024 plan. We'll talk about it more as we know more, most likely in our Q1 call.

That's the end of my prepared remarks. Dave, do you want to take it away and talk about financials?

David Burney: Sure. Thanks, Pete. As Pete mentioned, we had a very strong fourth quarter customer demand, supply chain and our operations executed at a high level during the quarter. The top line was driven by strong sales to all of our aerospace markets that combined were up \$30.4 million or 22% compared with the fourth quarter of last year. Commercial transport, our largest end market, was particularly strong with sales up \$21 million from last year's fourth quarter. Test segment sales also increased compared with last year from \$19.8 million to \$26.5 million.

In terms of margins, we had a pretty clean quarter with no significant unusual costs or income. One item to be called out, though, is that the fourth quarter includes a full year of bonuses that were not determined until year-end, and therefore, not accrued each quarter as we went through the year. So, Q4 reflects bonuses of \$4.2 million. That's the full year amount. These bonuses will be paid in stock to preserve cash, and they are the first bonuses that we've paid since 2019.

The top line growth drove our margin expansion, demonstrating the leverage we can get on incremental sales. Consolidated operating income increased by \$10.9 million to \$7.8 million, or 4% driven by the sales growth.

Looking at segment performance. The Aerospace segment, which represented 86% of our consolidated sales had operating income of 8.5%. Adjusting for the full year of bonuses that were recognized in the quarter, Aerospace operating margins would have been closer to 10%, which is back in the neighborhood of pre-pandemic levels. This margin expansion demonstrates the leverage we can achieve from incremental sales.

As we said before, depending on mix, we tend to think of our contribution margin in Aerospace being around 40%.

The Test segment continues to be challenged by underutilization, program mix and high legal costs. Sales were up \$6.7 million over the comparative quarter last year and operating loss improved from a loss of \$4 million to a loss of \$200,000 in this year's fourth quarter. Interest rates remain a headwind with our current debt structure and high sulfur rates. Our cash interest expense for the quarter was about \$5.1 million, which equates to an effective rate of about 12%. At the end of the quarter, we had outstanding debt of \$172.5 million.

Now that we're recovering from a tough period over the last few years, we will have more alternatives available to us in terms of debt structure, and we'll be reviewing options going forward. Cash used in

operations in the quarter was \$1.7 million. The net loss adjusted for noncash expenses provided \$26.2 million, but was offset by an increase in net operating assets, which used \$27.8 million.

Looking at the components of the operating assets where we consume much of the cash generated from operations, we continue to make progress in managing our inventory, which was a struggle earlier in 2023. In the fourth quarter, we were able to reduce inventory levels by \$10.7 million exclusive of reserves. The improvement was welcome, but we're still not where we need to be, which is a goal of getting our inventory turnover back close to pre-pandemic levels. We're forecasting improvement as we move through 2024, but still face some headwinds as the supply chain, while improved compared with a year ago, is still not a well-oiled machine and lead times remain longer than they were pre-pandemic.

The \$19 million increase of accounts receivable in the fourth quarter was due to the high sales level and timing being weighted in the second half of the quarter, I should say. Liquidity continues to be tight. We were active using our at-the-market program to sell 500,000 shares at an average price of \$15.65, raising \$7.6 million to fund working capital needed until we realize the cash flow from the growing sales. The ATM program for the full year sold 1.3 million shares and net proceeds were \$21.3 million, all in the third and fourth quarters. This equates to about 4% dilution.

We're compliant with our debt covenants and are forecasting continued compliance.

In summary, as we move into 2024, our focus is on operational execution, optimizing our debt structure and improving our inventory turnover. Free cash flow will be used to reduce outstanding debt as we move through 2024, and we're expecting free cash flow to grow as we move through the year.

That concludes my remarks. Pete, back to you.

Peter Gundermann: And Rocco, over to you if you want to open it up for questions.

Question & Answer:

Operator: [Operator Instructions] Our first question today comes from Pete Osterland from Truist Securities.

Pete Osterland: I'm on for Mike Ciarmoli this evening. So first, I just wanted to start with anything you could give us on how margins are looking to start the year. Given that your first quarter sales guidance puts you at a similar level to where you were in the second quarter of last year and you had EBITDA margins of around 9% in that quarter, is that a good starting point for what you might do in the first quarter or are there any notable changes to your cost structure since then that you might call out, whether it's labor or productivity or other inputs in the business? Is there anything that would change how we look at what margins potentially might be?

David Burney: Pete, I could take that. I wouldn't say that there's any significant cost structure changes in the first quarter. As I commented earlier, our contribution margin tends to be somewhere around 40% depending on product mix, so that works the same way as the top line goes down. That would be a starting point. I think the other thing to look at would be the fourth quarter, which, as I mentioned, contained a full year's worth of bonuses in that fourth quarter. So, if you're going to try to do a bridge between Q4 and Q1, you need to make an adjustment for that full year's worth of bonuses in the fourth quarter and adjust that profit up in Q4 for that.

Pete Osterland: Okay. That's helpful. So then, also, I wanted to see if you could give a little more detail on the assumed revenue growth in 2024. Are you assuming a similar revenue split by segments for revenue in 2024 or does your guidance assume relatively higher growth in either Aero or Test?

Pete Gundermann: We would anticipate most of the growth coming on the Aero side. That's where the penalty was from the pandemic, and that's where the big turnaround really has been. I mean, if you look at our business by sources of income, our Test business actually was relatively stable. It's down a whole lot, so it's probably not going to go up a lot until we get this Army radio test program resolved and figured out.

Similarly, business jet revenues have been relatively stable. The last quarter was particularly strong, enabled by supply chain. Military Aircraft also has been pretty stable. So, the big swing that took us from \$772 million down to \$450 million or whatever it was, was largely in the commercial transport side of the business and the rebound back to that level also is largely on the commercial transport side of the business.

Pete Osterland: Great. And then, I just had one last one on the bookings environment. It looks like, in the fourth quarter, your book-to-bill was a little bit lower versus what you put up in the rest of the year, although I understood that's relative to a higher revenue number. I just wanted to get a sense of how bookings are trending to begin the first quarter in Aerospace so far.

Pete Gundermann: I don't know if I have much to say specifically there. I can tell you that we have regular interactions among the sales professionals across our business, and I guess I would describe the environment as continuing to be target rich. We think that there continues to be pretty strong demand. We're going to watch it, of course, because bookings over the first quarter and second quarter will start to have an impact on revenue as we work towards the end of the year, but the feedback I'm getting is, the tone of our team is pretty positive there. And on the Test side, if we get this radio test program under wraps and underway sometime soon, that will have a pretty positive influence also in the year as we get towards the end of it.

Operator: [Operator Instructions] Our next question comes from Jon Tanwanteng from CJS Securities.

Jon Tanwanteng: Congrats on the nice performance in the quarter. Pete, my first question is, can you talk about the Army's recent FARA cancellation and the reallocation of resources to FLRAA and maybe tell us how that impacts you over the longer term?

Pete Gundermann: Well, it's a little bit of an early question, Jon, because we don't really know how this ramp-up is going to happen. As you know and probably most listeners on the call know, we're part of the Bell V-280 FLRAA team. Bell won that competition against Sikorsky Lockheed team, and the 2 are set to compete against FLRAA. I can't speak for the Army, I can't speak for Bell, and we're still learning the details, but I would tell you, I guess, from my perspective, that freeing up the system and the money to concentrate on FLRAA makes sense to me and is good for us. We can concentrate our resources. Again, I can't speak for Bell, but Bell can concentrate their resources on 1 program instead of 2 and the Army also, so I'm okay with it, especially since we were on the winning team. That's all right with me.

Jon Tanwanteng: Fair enough. Got it. Can you give us just a little bit more color on the demand from Boeing that you're expecting beyond Q1. You mentioned a hole from rescheduling, and I was just wondering what your assumptions are in production run rates or the demand rates from you as you go through the year and what's assumed in the guidance.

Pete Gundermann: I didn't mean to imply a hole. It seems to be more of a reschedule. Boeing has been anticipating a ramp on 737 and, like many suppliers, I think we were getting those kinds of cues.

We ship, basically, as they tell us to and they update shipping plans in our higher-volume facilities every 12 or 15 weeks. We don't always know what their production rate is. You would assume that our production rate is somehow correlated to their production rate, but every once in a while, it becomes apparent that they're a little bit ahead of us or they're a little bit behind us. Our hunch is that they were a little bit behind us, so they probably accumulated some inventory and they're rescheduling things. I think we're still thinking that the word on the street is that they're going to build at 35 to 38 737s a month. While that's not 45 or whatever they're planning to go to by the end of 2024, it's a heck of a lot more than they were building back in 2020, which I think was about 0. It's a minor kind of headache for us, but it's not a hold by any means. It's just a reallocation of inventory, I would say.

Operator: Our next question comes from Tony Bancroft with Gabelli Funds. It looks like we're having technical issues with Mr. Bancroft, so at this time, we'll move to our next question, which comes from Ryan McElvenny with Mann Investment Group.

Ryan McElvenny: Congratulations on the results and the continued recovery from the pandemic. I think it speaks to the quality of the business and the management team. A more general question, if I may. When you think about the broader lighting and safety market and your panel business, could you just talk a little bit about the competitive landscape there, who the key competitors are, your current market share dynamics there? It's still very fragmented. How do you see that market evolving and the opportunity set there?

Pete Gundermann: Sure. You're asking about our lighting business in general, right?

Ryan McElvenny: Yes, sir.

Pete Gundermann: It's one of our major thrusts. For those who don't know, we're involved in aircraft lighting really across the spectrum, business jet, military, commercial transport. We're active in the cockpit, we're active in the exterior and we're active in the cabin, so the range of products includes the lights you see on the outside of an airplane, the flashing white or red or red and green or landing lights.

If you are sitting in the cabin and you push that reading light above your head in the 37 or 777, that's our assembly for sure, and if you're in the cockpit, there's a whole bunch of things that light up, a whole bunch of indicators. We do a lot of work through major avionics companies that end up in aircraft cockpits.

I would venture to say that we are one of the larger aircraft lighting companies in the world. We do lighting in various places in our company, but if you add it all together, we're one of the larger. The competitive nature of the business with our lighting product line is, like some of our other product lines, the consolidation that's happened in the industry over the last 10 or 15 years has made us one of the more prominent stand-alone available suppliers to the big OEMs. That has, so far, worked in our favor, and I'm hoping that it does for a long time, because that's one of our differentiators. We're big enough to do what it is that we need to do, what the customers are asking from us, but we're small enough to do it, we would like to think, in a more prompt, effective and customer intimate kind of way.

So, the aerospace industries, like a lot of other industries, the reputation business, and we've been picking up share, so we're enthusiastic about it. We consider our business to be based on 4 strategic thrusts, and that's one of them.

Ryan McElvenny: Got it. That's very helpful. Maybe just a quick follow-up on that. I know it may be difficult to estimate, but when you think about your market share and sort of the main players that you're up against, particularly maybe in terms of the military segment, are there any data points you have there that might be worth helping us to understand the company a little better?

Pete Gundermann: Well, we do the exterior lighting suite on the Joint Strike Fighter, the F-35, for example. That's a high-volume, high-value program, and we have a big portion of it. We are not active in the cockpit. There's a story there back in the day, there were international work share arrangements, so we were kind of precluded from that. That would give you an example of what we're involved with.

Operator: Our next question is a follow-up from John Tanwanteng from CJS Securities.

Jon Tanwanteng: I was wondering if you could, first, walk through your cash flow expectations for the year, especially as we head into Q1 and maybe revenue comes down, you collect on receivables, and then, second as your EBITDA clients back up, what kind of conversion you can expect.

David Burney: Sure. Pete, I assume you want me to take that one?

Pete Gundermann: Go ahead. We're not in the same place, obviously, for those who are listening.

David Burney: We expect to return to cash flow positivity as we move through 2024. It'll start off slow at the top line, but as we move through into the second, third and fourth quarters, we expect to generate significant cash flow from operations. We'll have increased CapEx for the year compared with where we've been during the pandemic, where we really cut back on spending there. It will be in the neighborhood of \$20 million in terms of CapEx. A lot of that is related to specific programs and new tooling for programs, testing setups for programs that we've won.

I'm not going to give you specific numbers. We've never given specific guidance on cash flow, but do expect it to return to significant cash flow generation as we move through the year, so that it's significantly north of what our net income will be for the year.

Jon Tanwanteng: Got it. And then, any phasing to the CapEx plans as you go through the year?

David Burney: Yes. It's going to be more heavily weighted toward the back half of the year, I think, but not significant. It's always a little bit difficult for us to predict specific quarters with the CapEx. A lot of things get moved out. Very rarely does anything get moved in. For modeling purposes, I think I would probably look at it as it's going to be more or less rounding if you try to break it out separately by quarters. I'd probably just take your model and take the midpoint of our range and divide it by 4, I think.

Jon Tanwanteng: Okay. Fair enough. Finally, obviously, with all the cash flow questions, what's the expectations for a potential refinancing and working down at high-cost debt that you have?

David Burney: As I mentioned, as we return to profitability here and positive cash flow, we'll have more options available to us. I'm not ready to get into those at this point. Obviously, our interest cost is pretty high right now and our amortization of our term loan eats up a lot of cash, so we're going to continue to look at the alternatives and the best options for us as we move through the year here.

Operator: Our next question comes from Tony Bancroft with Gabelli Funds.

Tony Bancroft: Great job on the quarter. I just want to ask a follow-up about FLRAA. Obviously, we listened to the Textron call the other week and they had some really positive news. It seems like things are going well there. Maybe just more of a 30,000-foot view of FLRAA, any incremental updates there? I know you talked a lot about electrification of the aircraft and you have a comparative advantage there. Maybe just some color or just maybe a little review of how that program impacts you positively.

Pete Gundermann: Sure. It's going to be a really important program long term for our company. When I look at it, I would say that it has the potential and probability to be the single largest program that the company has ever undertaken. A lot of that has to do with the shipset content that we are developing. A lot of it's based on architectures that we've already proven out, and thus, we think are relatively low risk. But the shipset content should be substantial, and it's still moving around, so it's premature to nail it down. I think I've played this game with you, Tony, where you pick a theoretical wide-body airplane and

imagine all the things we could possibly put onto it. There's never been such an airplane, we've never done it, but if you add an antenna on top, a full lighting suite on the exterior escape path lighting, a full load of PSUs, and the full load of our IFE equipment, you'd probably get somewhere in the neighborhood of \$750,000 for that airplane in terms of Astronics content. The range of numbers that we're talking about for FLRAA are all well north of it.

For us, a pretty substantial opportunity. I think we surprised some people in the industry that we were able to pull it off. We're, basically, doing the entire electrical system from generators, after the generators to the end-use systems. So, we're involved with all the electronic circuit breakers and a lot of the switching in the electrical system, and obviously, we're trying to plan for and support the range of what that aircraft might be asked to do over 30 or 40 years of use. It's a pretty big task, but Bell has been a really good partner for us and with us. I mean we've done their 505. We did their 525. We did their FARA prototype actually before FLRAA, and then we did FLRAA. We know that organization pretty well, and I think they know us pretty well. I think it's going to be a really great program. It's something the Army really needs.

Tony Bancroft: That's pretty good overview. Then again, actually, we've been back and forth on this one, too, with anything that you're seeing incremental also maybe a little bit 30,000 feet view, but with in-flight entertainment and, on the commercial transport side, retrofitting cockpits, you can maybe give us a view on what the customer is talking to you about and what they want in a longer-term view there? Just any thoughts there?

Pete Gundermann: I'd say the biggest trend that we see is that narrow-body operators around the world are adapting in-seat power in a way that they never really have before. It's a trend that was very helpful to us as we navigated through the pandemic as well as we did, but it's just picking up speed. We developed a system largely in the pandemic or as the pandemic was beginning that we're partnered with Southwest Airlines. They were the target customer. There was a lot of back and forth, and we've developed a system, on our dime, with our IP that they endorsed and so far have agreed to put on their MAX fleet. There's an NG portion of that fleet that I expect we'll be talking about sometime also here in the near future.

It turns out that Southwest desire and the unique architecture of the system has found a lot of favor all around the world from India to China to Europe, so we're booking a lot of orders there. That will be a major driving force for us in the IFEC world for a long time.

The other trend I would say that's positive is that connectivity is getting better and more ubiquitous, not less, and we are involved in that in a number of ways also with some of the leading connectivity suppliers. Some of them are a little more reluctant to let us use their name than others, which they're the customer so it's their right, but we're pretty active in that space. That's also, I think, a positive trend that's going to serve us well for quite a while.

Tony Bancroft: And then, lastly, anything with litigation on what you have talked about in the 10K? Anything update there, what's going on? I know we talked about it a little bit before, but anything incremental?

Pete Gundermann: Well, as you know, we have a long-running dispute with Lufthansa Technik that has been going on for more than a decade, with not much going on these days. There are little things happening here and there, but that's likely to pick up as we get towards the end of 2024. There's a chance - and I will dare say chance - that those things get resolved in 2025, which would be kind of nice. That would be a change.

As far as the Teradyne suit in our Test business, we actually got a very favorable ruling in December where we basically won on all counts. Of course, as these things go, either side has the right to appeal,

and we understand that Teradyne intends to appeal. The orbit that takes is a little bit unpredictable. It's probably something that will play out in the middle of 2024, but it shouldn't be, at least to begin with, as expensive as what we've been through, because all the fact finding has been found. We'd hope for a little bit of a break there in terms of expense, but we won't know until we get there.

Operator: Thank you. Ladies and gentlemen, this concludes our question-and-answer session and today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.

Note: This transcript has been edited slightly to make it more readable. It is not intended to be a verbatim recreation of the Astronics Corporation (ATRO) financial results teleconference and webcast that occurred on the date noted. Please refer to the webcast version of the call, which is available on the Company's website (astronics.com), as well as to information available on the SEC's website (sec.gov) before making an investment decision. Please also refer to the opening remarks of this call for ATRO's announcement concerning forward-looking statements that were made during this call.