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HEICO

Ticker: HEI, HEI.A (NYSE)
Investment Recommendation: Sell
Sector: Industrials
Industry: Aerospace & Defense
Stetson University RGIP Team 1

Closing Price: $235
Target Price: $210
Downside: 11%

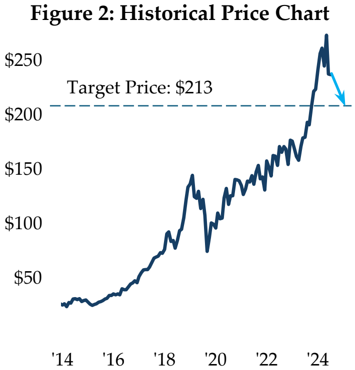
Joseph Despard, Gigi Kiniyalocts, Jennings Pitts Jr., Steven Vetter, Conrad Voigt

Figure 1: Company Factsheet

Consensus Price Target	$265.53
52-Week High	$283.60
52-Week Low	$178.20
Market Cap ($)	28.80B
Shares Outstanding	54.99M
Average Volume (TTM)	420.22k
Basic EPS (TTM)	$3.70
P/E (TTM)	63.62x
P/S (TTM)	8.45x

Source: Bloomberg

Figure 2: Historical Price Chart

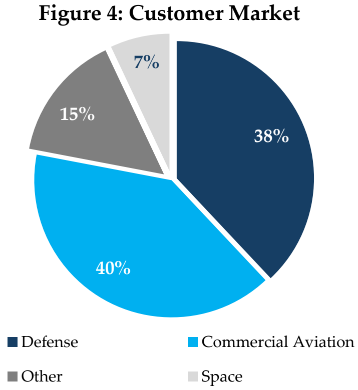


Source: Bloomberg

Figure 3: Significant Subsidiaries

Source: HEICO Website - Subsidiaries

Figure 4: Customer Market



Source: HEICO Investor Relations

HEICO Corporation (NYSE: HEI), an aerospace products and services company, faces significant downside due to its governance weakness, overstated intangible assets, insufficient R&D spending, competitive pressures, and margin compression. These key drivers support HEICO's value at $210 per share, representing a downside of 11% from its closing price on January 24, 2025 of $235 (Figure 1 & 2).

BUSINESS DESCRIPTION

HEICO is a diversified technology company that has established itself as a leader in providing innovative solutions across the aerospace, industrial, defense, and electronics sectors. Founded in 1957, the company operates through two primary segments: the Flight Support Group (FSG) and the Electronic Technologies Group (ETG). Headquartered in Hollywood, Florida, HEICO operates internationally with greater presence grounded in the United States and France.

Flight Support Group

FSG is the main revenue generator for HEICO, representing 68% of 2024 revenue. This segment specializes in aftermarket parts and maintenance, repair, and overhaul (MRO) services for the aerospace sector. With over 35 subsidiaries, within their FSG, HEICO has locations ranging from southeastern United States to the Middle East, Europe, and Asia. FSG designs and produces FAA-approved Parts Manufacturer Approval (PMA) components. These components serve as alternatives to original equipment manufacturer (OEM) parts, allowing airlines, repair stations, and military operators to limit their overhead costs. Beyond manufacturing, HEICO's MRO services allow critical aircraft systems to remain operational and compliant with regulatory standards. Additionally, the group's distribution network supplies both HEICO-manufactured and OEM parts to customers throughout the aerospace supply chain.

Electronic Technologies Group

HEICO's ETG pairs with their FSG offerings by focusing on the development and manufacturing of advanced electronic components. ETG serves critical industries such as aerospace, defense, space exploration, medical technology, and telecommunications. Its product portfolio includes high-performance power electronics, electro-optical devices, and communication systems, all of which are designed to meet the demanding requirements of these sectors. ETG contributes a smaller portion of HEICO's revenue, due to higher performance standards within these industries. With over 40 subsidiaries mainly in the United States, their recent acquisition of Exxelia geographically expands their ETG segment into Europe and Asia (Figure 3).

Business Model

HEICO's business model is reliant on inorganic growth, acquiring niche businesses that align with its core competencies, which allows the company to expand its product offerings and enter new markets. In 2023, their acquisition of Wencor Group for $2.1B expanded HEICO's offerings in the aerospace sector, particularly in its FSG segment (Figure 3). This acquisition allowed HEICO to experience notable growth in 2024 in their FSG segment. However, their ETG segment has seen deceleration, with 0.3% revenue growth, despite the acquisition of Exxelia in 2023.

HEICO's ability to generate revenue stems mostly from FSG, leveraging its experience in aftermarket parts and MRO services to address the needs of the aerospace industry, while ETG delivers components to high-reliability sectors (Figure 4).

INDUSTRY ANALYSIS & COMPETITIVE LANDSCAPE

The Aerospace and Defense (A&D) industry, valued at $857B in 2023, is driven by three key segments: Maintenance, Repair, and Overhaul (MRO), Original Equipment Manufacturers (OEMs), and Defense Contractors (Figure 5). MRO, generating about 12% of the industry-wide revenue, focuses on maintaining and extending aircraft operational life.

Aerospace Electronics Manufacturing (AEM) provides to all three segments, through products such as avionics components in MRO, integrated systems in OEMs, and radar and guidance technologies in defense.

Market Trends & Competition

Maintenance, Repair, and Overhaul Market: The aerospace aftermarket continues to demonstrate growth, driven by increasing demand for cost-efficient MRO services. In 2023, global MRO market spending reached $104B, with projections to grow to $124B by 2034 at a compound annual growth rate (CAGR) of 1.8%. This growth is fueled by rising aircraft utilization, delays in new aircraft deliveries, and extended service lives of older fleets. North America is the largest market, expected to grow from $24B in 2024 to $30B by 2034 (CAGR, 2.5%), driven by fleet expansion and advanced MRO infrastructure. The Asia-Pacific region, the second largest, will see moderate growth from $20B to $21B (CAGR, 0.5%), reflecting its mature market status. Western Europe faces stagnation, with a slight decline in projected MRO spending (CAGR, -0.1%), indicative of fleet modernization and efficiency improvements. Emerging regions demonstrate robust growth, with Eastern Europe leading at a 7% CAGR driven by expanding fleet sizes and enhanced regional capabilities, while the Middle East is projected to grow at a 2.4% CAGR, as the region invests in local MRO infrastructure to reduce reliance on external markets (Figure 6).

Aerospace Electronics Market: This market is propelled by the rising adoption of satellite communications and the increasing complexity of defense systems (Figure 7). Poised for significant growth, AEM has a global market size of $119B which is projected to reach $224B by 2034 (Figure 8). This expansion is driven by advancements in avionics, satellite communications, and defense electronics, alongside increasing demand for high-reliability systems. Propelled by military avionics and advanced commercial technologies, North America contributes 37.4% of the global share in 2023. Asia-Pacific is set to grow rapidly, fueled by rising investments in avionics for expanding fleets in China and India. Europe remains steady, focusing on satellite systems and defense modernization, while emerging regions such as the Middle East show growing demand for AEM through local investments and industrial diversification.

Competitive Landscape & Market Position*:* HEICO's competitive landscape is dominated by larger players such as Safran and TransDigm, which benefit from broader product portfolios and superior market positioning. This dominance in aerospace components and systems underscores the critical importance of economies of scale in this industry. This highlights HEICO's limited capacity to achieve the cost efficiencies and global reach necessary to compete effectively due to its smaller scale. Other peers within the industry include AAR Corporation, Woodward, and Howmet are affected similarly, but Howmet benefits from a larger portion of high-margin revenues coming from their engine-making prowess. AAR Corporation and Woodward have smaller revenues than HEICO with revenues of $2.3B and $3.3B, respectively. HEICO, Woodward, and AAR Corp. face resource constraints and operate within a narrower scope compared to their larger competitors, which presents challenges to expanding their market share. Overall, HEICO's peer group collectively accounts for 19.2% of the MRO market. HEICO's market share stands at 1.7% of the overall MRO market, reflecting 8.9% of the peer group (Figure 9). Safran dominates with an 11.6% global share, while other players maintain smaller portions of the market.

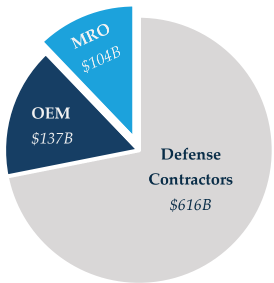
Tailwinds

Aftermarket Component Innovation: As airlines grapple with rising maintenance costs and delayed new aircraft deliveries, peers' PMA parts offer significant cost advantages. Airlines that adopt PMA components can save up to 30% compared to OEM parts without compromising quality or compliance. The industry's continued investment in lightweight, high-performance technologies aligns with trends toward improved fuel efficiency and operational reliability.

Digital Transformation in MRO: The adoption of Internet of Things (IoT), predictive analytics, and digital twins is reshaping the aftermarket landscape. Investments in data-driven tools enable airlines to optimize maintenance schedules, reduce downtime, and extend fleet lifespans. This aligns with the 10% CAGR projected for digitalized MRO services.

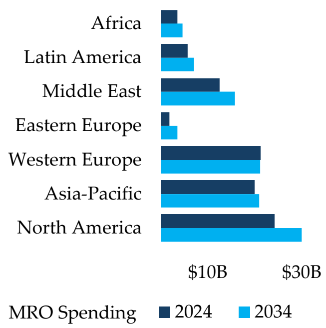
Unmanned Aerial Vehicles (UAVs): The rapidly expanding UAV market presents significant opportunities for avionics and electronic technologies. With applications spanning defense, surveillance, and logistics, UAVs demand lightweight, high-performance, and cost-efficient

Figure 5: A&D Market Size



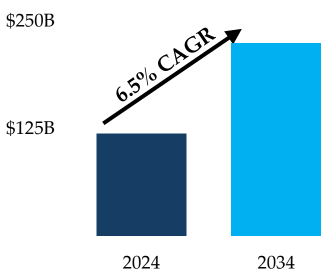
Source: Statista

Figure 6: MRO Market by Region



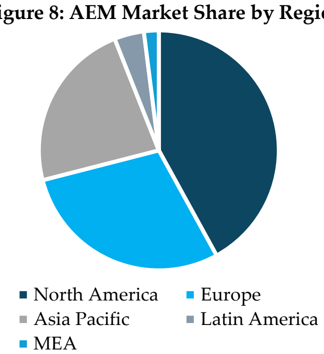
Source: Statista

Figure 7: AEM Market Size Projections



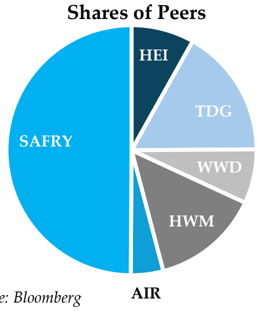
Source: Precedence Research

Figure 8: AEM Market Share by Region



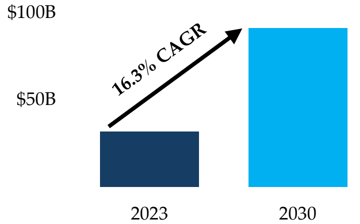
Source: Precedence Research

Figure 9: Comparative AEM Market Shares of Peers



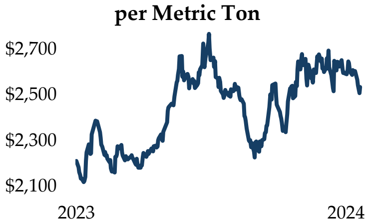
Source: Bloomberg

Figure 10: Global UAV Market Size



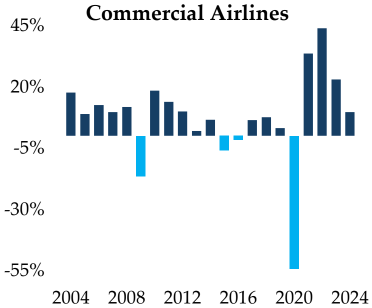
Source: Fortune Business Insight

Figure 11: Aluminum Spot Price per Metric Ton



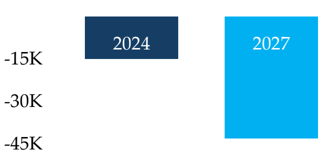
Source: Bloomberg

Figure 12: Revenue Growth of Commercial Airlines



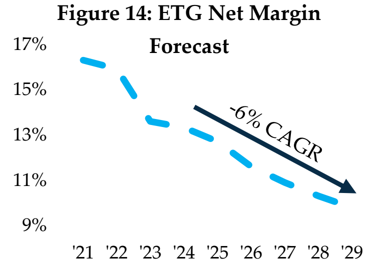
Source: Statista

Figure 13: Shortage of AMT Workers in North America



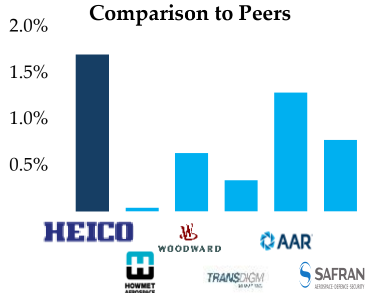
Source: Aviation Technician Education Council

Figure 14: ETG Net Margin Forecast



Source: Team Analysis

Figure 15: Amortization Rate Comparison to Peers



Source: Bloomberg & Team Analysis

components (Figure 10). For instance, its avionics systems have been integrated into high-profile defense UAV programs like the MQ-9 Reaper.

Low-Earth Orbit Satellites (LEO): The tripling of the LEO satellite market by 2033 offers opportunities for the industry to provide critical components for satellite communications, earth observation, and data collection technologies. Demand for efficient and durable satellite systems increases, causing growth throughout the industry.

Headwinds

Raw Material Price Volatility: Volatility in input costs, driven by geopolitical tensions and natural disasters, continue to strain the aerospace aftermarket and HEICO. Aluminum and other key materials have seen price surges, with aluminum alone increasing by 20% in 2024 (Figure 11, Appendix 13).

Economic Sensitivity of Aftermarket Spending: The cyclicality of the aviation sector affects aftermarket demand during economic downturns, as airlines cut discretionary spending on non-essential upgrades and MRO services. Prolonged global slowdowns compress revenues throughout HEICO's aftermarket segment (Figure 12).

Regulatory Hurdles: Compliance with evolving FAA regulations, such as expansions of SMS requirements, and EASA standards, including CS-25 for large aircraft, imposes significant costs and complexity on PMA parts suppliers. Recent industry challenges, such as fraudulent titanium parts identified in 2024, with components found with parts supplied by Spirit AeroSystems, which affected several OEMs, have heightened scrutiny and increased operational burdens for HEICO.

Labor Shortages in MRO Services: The MRO industry faces a critical shortage of skilled aviation maintenance technicians (AMTs), with North America alone currently reporting a shortfall of 15,000 workers, expected to grow to 43,000 by 2027. Turnover rates are at 13%, almost 3.5 times higher than the national average of 3.8%, exacerbating workforce instability (Figure 13).

Competition from OEMs: Airlines remain hesitant to transition away from OEM-exclusive parts due to perceived risks or warranty concerns requiring continued education and demonstration of compliance, reliability, and cost-saving advantages throughout the OEM and MRO industry.

INVESTMENT SUMMARY

HEICO faces significant challenges to its long-term growth potential. Slowing revenue growth, declining margins, and underinvestment in high-growth markets highlight structural inefficiencies that hinder HEICO's ability to adapt to evolving industry dynamics. Their issues not only stem from their aggressive accounting practices and poor governance but also from HEICO's lack of strategic R&D and capital expenditures which limits organic growth. While HEICO claims to offer cost-efficient, high-reliability components for niche applications, this narrow focus limits its growth potential compared to larger competitors with broader portfolios and indicates revenue deceleration and margin pressure.

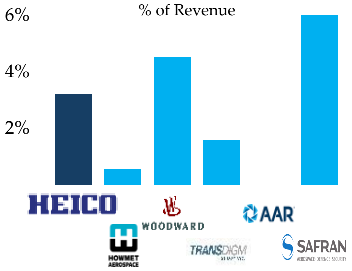
Revenue Deceleration & Margin Pressures

HEICO's core segments, MRO and aerospace electronics, are experiencing decelerated growth rates with a CAGR of 1.9%-2.5% projected through 2034 while their peers are looking to sustain 5-10% CAGR in these segments. Their sluggish performance is compounded by declining profitability, as evidenced by a drop in margins within HEICO's ETG segment. This compression in 2024 reflects HEICO's difficulty in sustaining its competitive performance amid rising input costs and market saturation (Figure 14). Furthermore, the decline in ETG net margin underscores HEICO's overreliance on mature markets, leaving them vulnerable to shifts in demand dynamics.

Overstatement of Intangible Assets

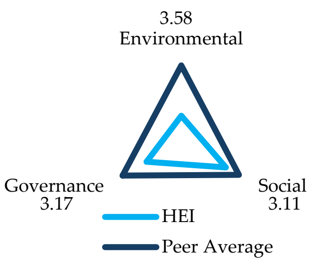
HEICO's reliance on acquisitions in 2023 has led to an excessive accumulation of goodwill and intangible assets, exacerbated by its practice of amortizing these assets alongside the depreciation of tangible assets. Compared to peers, this approach may lead to overly aggressive amortization schedules, distorting key financial ratios like ROA and debt-to-equity, making the company appear more efficient or less leveraged than it truly is. Over-amortization also increases the risk of impairment charges, damages investor confidence, and invites potential tax scrutiny if asset lifespans are overstated. Additionally, the mismatch between tangible and intangible asset life cycles could complicate financial planning and asset management, raising concerns about the sustainability of HEICO's performance.

Figure 16: Research & Development Spending



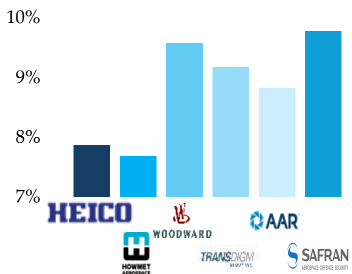
Source: Bloomberg & Team Analysis

Figure 17: ESG Scores



Source: Team Analysis

Figure 18: WACC Comparisons



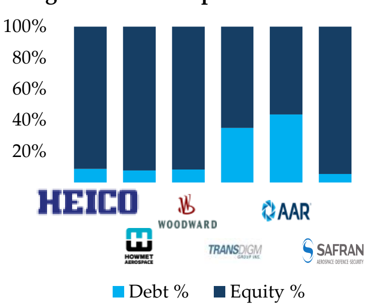
Source: Bloomberg

Figure 19: Cost of Debt Inputs

Weighted Avg. Spread	0.47
Risk Free Rate	4.21
Pre-Tax Cost of Debt	4.68
Effective Tax Rate	17%
After-Tax Cost of Debt	3.86
Debt Adjustment Factor	1.38
Adjusted After Tax CoD	**5.33**

Source: Bloomberg & Team Analysis

Figure 20: Peer Capital Structures



Source: Bloomberg

Low Research & Development Compared to Peers

HEICO's lack of investment in research and development (R&D) relative to industry leaders hampers the company's ability to enter high growth markets such as unmanned aerial vehicles (UAVs), low Earth orbit (LEO) satellites, and advanced avionics (Figure 16). As competitors aggressively invest in these innovative segments, HEICO is stagnating in MRO markets and legacy aerospace products. HEICO's dearth of strategic diversification restricts its ability to capitalize on emerging opportunities and reinforces its dependence on cyclical and regionally mature markets.

Intensifying Competitive Hurdles

Peer dominance in aerospace components and systems results in HEICO's niche focus and limited capacity to compete effectively on a global scale. HEICO's strategy of targeting only specific market segments might hinder its ability to compete effectively on a larger scale. HEICO's constrained resources and narrower scope leave it overshadowed, limiting its potential for sustained growth and market share expansion.

Governance & ESG Weakness

ESG shortcomings further erode investor confidence in HEICO. Governance issues, coupled with poor DEI performance, signal HEICO's lack of adaptability to modern corporate priorities. Additionally, the absence of sustainability initiatives alienates ESG-focused investors and raises concerns about HEICO's long-term resilience in an era of increasing regulatory and societal focus on corporate responsibility (Figure 17).

VALUATION

In the analysis of HEICO, their financials were modeled using multiple intrinsic and relative valuation methods, which results in a $189 target price with a 20% downside from HEICO's current price of $235. The deployed valuation techniques include both perpetuity growth and EV/ EBITDA Discounted Cash Flow (DCF) models which are combined with multiple relative methods based on price and enterprise value.

Weighted Average Cost of Capital | Equity-heavy structure presses cost of capital upward

Cost of Equity: The cost of equity is determined by using an augmented Q-factor model, which integrates various factor betas related to market conditions and company-specific characteristics. The cost of equity derived stands at 8.0%, supported by a risk-free rate of 4.21%, reflecting the one-year average of the 10-year Treasury yield (Figure 18). The model incorporates statistically significant betas for the risk-free rate (-2.25) and market premium (0.98). These along with other factors, combined for an R^2 of 0.50, provide an appropriate fit to the model, underscoring the drivers of equity costs in this analysis.

Cost of Debt: The cost of debt is calculated at 5.3%, reflecting the inputs of a weighted average spread of 0.47% and a risk-free rate of 4.21%. These inputs result in a pre-tax cost of debt of 4.68%, which is adjusted for the tax deductibility of interest payments using an effective tax rate of 17% and a debt adjustment factor of 1.38 (Figure 19). The underlying model incorporates these components to reflect the adjusted after-tax cost of debt.

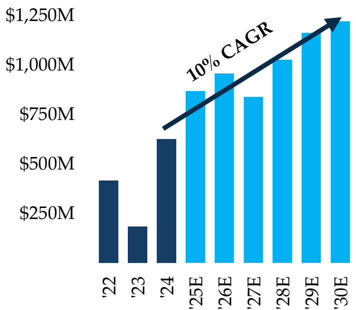
Capital Structure: The company's capital structure is heavily weighted toward equity, with 93.3% of the total capital financed through equity and the remaining 6.7% funded by debt (Figure 20). This equity-focused approach limits the company's flexibility by reducing its exposure to debt financing, potentially constraining its ability to leverage lower-cost capital for funding operations and growth. This structure contributes to the overall WACC of 8.%.

Intrinsic Valuation | Forecasted growth shows overvaluation

The DCF forecast analysis was comprised on a quarterly basis to ensure the model's precision. The forecast model assumes the forecasted period to be Q1 2025 through Q4 2030 to estimate the value of HEICO. This model demonstrates cash flows resulting in a current, one-year, and mid-year valuation, flexing a three-stage, five-year forecasting period (Figure 21).

Perpetuity Growth Discounted Cash Flow Model: Based on the forecast period and the perpetual period, HEICO's estimated terminal growth rate of 2.46% aligns with long-term historical GDP growth trends and reflects the sustainable expansion potential of the Maintenance, Repair, and Operations (MRO) industry at a 1.8% CAGR (Appendix 4). This valuation method utilizes long-term growth

Figure 21: Free Cash Flow to Firm



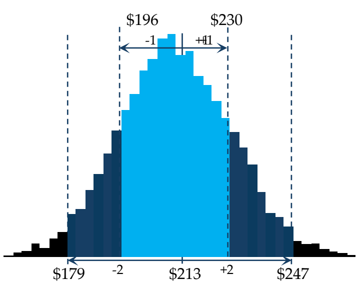
Source: Bloomberg & Team Analysis

Figure 22: EV/EBITDA Exit Multiple

HEI	29.68
AIR	11.16
HWM	20.2
SAFRY	25.83
TDG	22.75
WWD	17.66
Exit Multiple	23.85

Source: Team Analysis

Figure 23: Monte Carlo Simulations



Source: Team Analysis

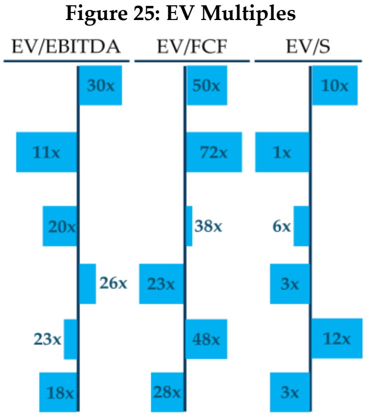
Figure 24: Sensitivity Table Inputs

Terminal Growth	2%-3%
WACC	6.9%-8.9%
Price Range	$102-$184

EV/EBITDA	21.8x-25.8x
WACC	6.9%-8.9%
Price Range	$180-$228

Source: Team Analysis

Figure 25: EV Multiples



Source: Team Analysis

prospects of HEICO, considering their current industry environment. This cash flow model yields a mid-year target price of $130, showing a downside of 45% from its closing price.

EV/EBITDA Multiple Discounted Cash Flow Model: An EV/EBITDA multiple of 23.85x was applied to the projected EBITDA of the final quarter in the forecast, generating an intrinsic value of the company using its weighted average cost of capital and forecasted free cash flow to firm. The EV/EBITDA multiple DCF model provides a valuation by incorporating HEICO-specific and industry-based metrics into the model, such as the peer market weighted average of EV/EBITDA ratios, ensuring a tailored valuation process (Figure 22). This EV/EBITDA multiples cash flow model yields a mid-year target price of $204 showing a downside of 13% from its closing price.

Overall, the perpetuity growth DCF emphasizes intrinsic value based on long-term assumptions, while the EV/EBITDA multiples DCF offers a comparative analysis grounded in market trends, resulting in the final intrinsic value of $189 from an 20/80 split between the perpetuity growth model and the EV/EBITDA Multiple Model. By placing greater emphasis on the Multiple Model, the intrinsic valuation better captures HEICO's fair value in the context of current industry sentiment. This approach integrates forward-looking growth prospects with present market conditions, providing a comprehensive assessment of HEICO's intrinsic value.

Intrinsic Valuation | Sensitivity Analysis

Monte Carlo Analysis: HEICO's Monte Carlo simulation applies the analysis to a valuation scenario using 10,000 iterations (Figure 23). The key inputs—cost of equity (mean: 8.0%, standard deviation: 0.27%, after-tax cost of debt (mean: 5.2%, standard deviation: 0.45%), terminal growth rate (mean: 2.46%, standard deviation: 0.25%), and EV/EBITDA multiple (mean: 23.85, standard deviation: 6.0)—were modeled as normal distributions to capture variability. Intrinsic valuation predictions were derived using a DCF approach, integrating WACC and terminal value projections of multiple scenario outputs. The results were normally distributed around HEICO's current intrinsic valuation of $167 with a maximum valuation of $281, a minimum of $137, and a mean of $213 with a standard deviation of $17. 92.3% of the simulations indicated overvaluation. This pronounced skew toward overvaluation underscores a compelling case for reevaluating HEICO with the bullish scenario valuation providing 5% upside while the bearish scenario valuation provides 24% downside, utilizing a 95% confidence interval.

Perpetuity Growth Discounted Cash Flow Model: Testing the sensitivity of the inputs on the perpetuity growth DCF, two inputs were tested, terminal growth rate and weighted average cost of capital (WACC). With the most bullish market assumed using a 3% terminal growth rate and an industry-low 6.9% WACC, the target price results to be $190. There are no scenarios of the 25 scenarios tested which results in upside, supporting the Monte Carlo simulation's conclusion (Figure 24).

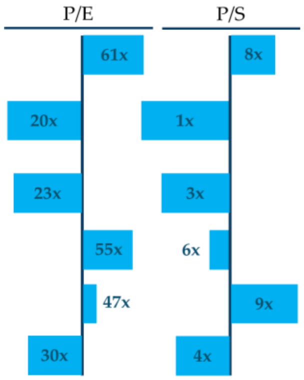
EV/EBITDA Multiple Discounted Cash Flow Model: Testing the sensitivity of the inputs on the EV/EBITDA multiple DCF, two inputs were tested, EV/EBITDA peer average multiple and weighted average cost of capital (WACC). With the most bullish market assumed using a market weighted EV/EBITDA of 25.8x and a 6.9% WACC, the target price results to be $239. Only one of the 25 scenarios results in upside, supporting the Monte Carlo simulation's conclusion and the sensitivity analysis of the perpetuity growth DCF model (Figure 24).

Relative Valuation | Methodology

The peers used for the relative valuation models were TransDigm, Woodward, Howmet, AAR Corporation, and Safran. Justifying each multiple implies that HEICO's multiples are historically high in comparison to their peers over the last ten years. Using trailing peer market-weighted averages for this comparison alongside justified averages within the industry to determine the historical relative value of each company, HEICO was found to be overvalued by 8% resulting in a relative value of $216.

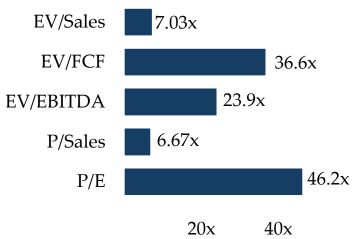
Enterprise Value Multiples: Enterprise value multiples of EV/EBITDA, EV/Free Cash Flow (FCF), and EV/Sales show a 32% downside from an equally weighted valuation of the multiples used. Using the same historical relative valuation, this EV multiple method resulted in a $161 target price down from the closing price of $235. The EV/EBITDA relative valuation provided a $178 target price, the EV/FCF multiple valuation yielded a $151 target price, and the EV/Sales valuation multiples returned a $15 target price (Figure 25). The multiples, EV/EBITDA, EV/FCF, and EV/Sales show overvaluation as HEICO's multiple values, 29.68x, 49.69x, and 9.5x, respectively, exceed the peer market weighted

Figure 26: Price Multiples



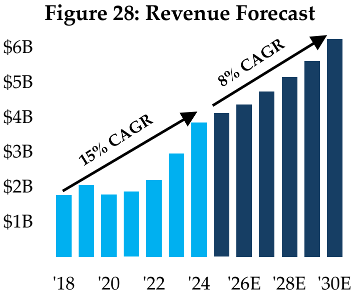
Source: Team Analysis

Figure 27: Peer Market Weighted Average Multiples



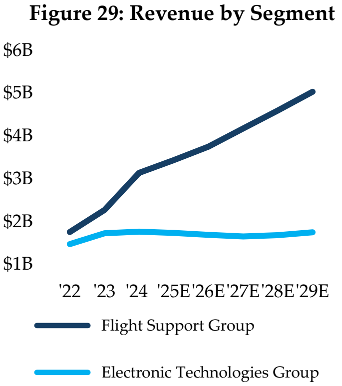
Source: Bloomberg & Team Analysis

Figure 28: Revenue Forecast



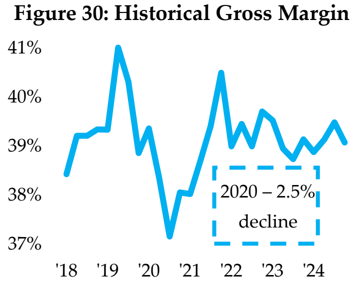
Source: Bloomberg & Team Analysis

Figure 29: Revenue by Segment



Source: Bloomberg & Team Analysis

Figure 30: Historical Gross Margin



Source: Bloomberg

average of their peers (Figure 26). EV multiples in comparison to HEICO's industry on average trades at only a 22% premium showing that there is still a 10% relative downward pressure on HEICO's target price.

Price Multiples: Price multiples of Price to Earnings (P/E), Price to Sales (P/Sales) demonstrate a 28% downside from an equally weighted valuation of the price multiples used. This price multiple relative valuation method resulted in a $172 target price down from the closing price of $235. The P/E relative valuation provided a $159 target price, and the P/Sales multiple valuation yielded a $184 target price (Figure 26). The multiples, P/E, and P/Sales show overvaluation as HEICO's multiple values, 61.3x and 8.17x, respectively, exceed the peer market weighted average of their peers (Figure 29). Price multiples in comparison to HEICO's industry on average trade at a 22% premium based on the last 5 years showing that there is still a 6% relative downward pressure on HEICO's target price.

Relative Valuation | Sensitivity Analysis

Enterprise Value Multiples: Testing the sensitivity of HEICO EV multiples and peer market weighted averages on their enterprise value multiples relative valuation, 25 scenarios were tested for each of the three multiples evaluated. The price target of the most bullish scenario of the EV multiple scenario analysis results in only a slight 1% upside at $238 from inputs shown in Appendix 10.

Price Multiples: Testing the sensitivity of HEICO price multiples and peer market weighted averages on their price multiples relative valuation, 25 scenarios were tested for each of the three multiples evaluated (Figure 27). The average price target of the most bullish scenarios of the price multiple scenario analysis results in only a 8% upside, matching HEICO's WACC of 8%, at $255 which is from inputs shown in Appendix 10.

FINANCIAL ANALYSIS

Revenue | Historical performance and expected revenues

HEICO's revenue performance from 2019 to 2024 showcases notable recovery and growth, driven primarily by the Flight Support Group (FSG), which accounted for 68% of total sales in 2023. FSG's revenue rose from $1.24B in 2019 to an estimated $2.64B in 2024, reflecting an 18% CAGR (Figure 28). This growth stemmed from acquisitions adding $643.5M in 2023 to 2024 and organic expansion in replacement parts and repair services, which grew 13% in 2023. However, a 25% revenue drop in 2020 due to COVID-19 disrupted this trajectory, followed by a swift rebound in post-pandemic demand. The ETG segment, contributing 33% of sales in 2024, grew from $834M in 2019 to $1.26 billion in 2024, achieving an 8.5% CAGR.

Revenue projections were developed using a sum-of-parts model, including FSG's three subsegments—Aftermarket Replacement Parts, MRO, and Specialty Parts—and ETG's two subsegments: Aerospace & Defense Electronics and Electronics for Other Industries (Figure 29). Aftermarket Replacement Parts, FSG's largest subsegment, is expected to achieve a 9–11% CAGR through 2029, compared to 30-60% growth seen in 2022-2024, constrained by slower U.S. defense spending growth and market saturation.

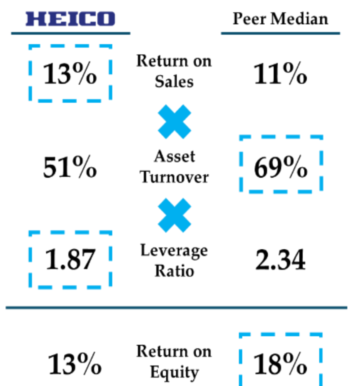
FSG's revenue is projected to grow to $5.03B by 2030, reflecting a 4.4% CAGR, a significant slowdown compared to its historical rate of 15.4% from 2017 to 2024. Market maturity in aviation and defense, along with rising alloy and tungsten costs, are key challenges. Replacement parts and repair services are expected to maintain 10–12% year over year growth through 2025, but future expansion hinges on new product approvals and acquisitions. ETG's revenue is forecasted to reach $1.8B by 2030, growing at a 4.6% CAGR.

Aerospace & Defense Electronics sales are projected to decline 7–10% between 2025 and 2027, while Electronics for Other Industries is expected to see a decline of 0.33% quarterly over three years. Rising costs for critical materials such as tin, gold, and tungsten are significant headwinds. HEICO's overall revenue growth is projected to slow, with a CAGR of 6.6–8.9% between 2025 and 2029 (Figure 28). As the company's future growth depends on the performance of FSG's Aftermarket Replacement Parts and Specialty Parts subsegments, ETG faces significant hurdles, particularly in Aerospace & Defense Electronics. HEICO's trajectory reflects a transition from rapid growth to steady expansion, with acquisitions attempting to inorganically offset looming organic margin compressions and market saturation.

Figure 31: Net Profit Margin

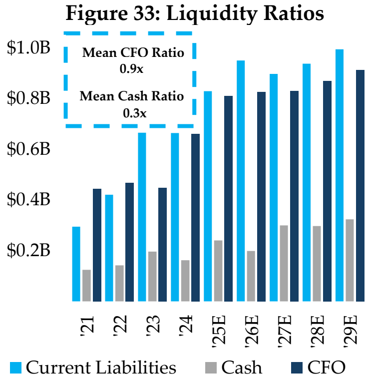
Source: Bloomberg

Figure 32: DuPont Analysis



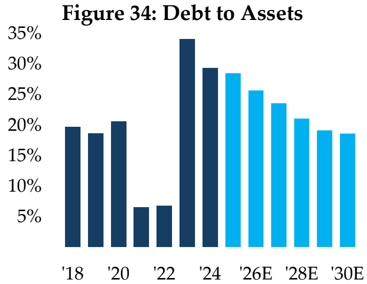
Source: Team Analysis

Figure 33: Liquidity Ratios



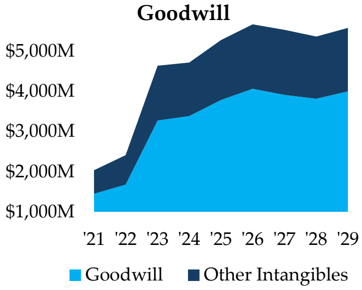
Source: Bloomberg & Team Analysis

Figure 34: Debt to Assets



Source: Bloomberg & Team Analysis

Figure 35: Intangible Assets & Goodwill



Source: Bloomberg & Team Analysis

Profitability | Shrinking margins and mixed profitability metrics

Operating margins have shown mixed performance across HEICO's segments, with FSG's operating margins improving slightly from 21.3% in 2022 to 22.5% 2024, while ETG saw a noticeable decline from 27.7% to 22.8% during that same period. HEICO's operating margins overall decreased from 22.5% in 2022 to 21.57% in 2024. Higher raw material and labor costs, combined with pricing pressures and acquisition-related expenses from purchases like Exxelia Group and Wencor during this period, contributed to the decline. Historically, HEICO's gross margins saw a peak in Q2 2019 at 40.6% followed by a decline of 250 bps. A similar trend followed in Q4 2021 and has seen a decline of 150 bps (Figure 30). Between 2018 and 2024, the company had a CAGR of -5.11% for ROA and – 3.6% for ROIC.

DuPont Analysis: HEICO's profitability, as assessed through a DuPont analysis, reveals a return on equity (ROE) of 13%, which is significantly lower than the peer median of 18%. Notably, its net profit margin of 13% exceeds the peer median of 11% (Figure 32). Additionally, HEICO, according to their balance sheet, maintains a lower leverage ratio of 1.87x, compared to the peer median of 2.34x (Figure 33). However, their asset turnover ratio of 51% underperforms the peer median of 69%, reflecting the company's focus on niche products and markets, which generally results in lower sales volume and less efficient use of assets.

Balance Sheet Health | Mixed liquidity metrics, leverage trends, and asset quality analysis

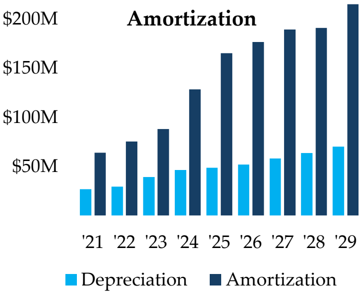
Liquidity: HEICO has a current ratio of 3.1, indicating ample capacity to cover short-term liabilities. This figure exceeds the industry median of 2.1 and reflects a conservative approach to liquidity. The quick ratio is 1.1 in 2024, overall reflecting consistent liquidity management. HEICO prioritizes stability and flexibility over aggressive growth and expansion. This suggests that excess capital is retained to support ongoing acquisitions and operational investments rather than deployed toward new higher-growth opportunities or debt reduction strategies and signals an overly cautious strategy that restricts capital deployment.

Conversely, their cash ratio shows low cash on hand in comparison to current liabilities standing at 0.3 which means their cash can cover only 30% of their current liabilities. Most companies in the industry will have this metric around 50% of their current liabilities. In 2024, HEICO's CFO/Current Liabilities ratio stood at 1.0 showing healthy operating cash flows in comparison to their current obligations with an average of 0.9 for the last five years and projected into the future (Figure 33).

Solvency: The company's debt rose significantly from $1.2B to $2.46B, primarily due to the issuance of senior unsecured notes. The proceeds from these notes were used to fund strategic acquisitions, such as the purchase of Wencor Group, and to refinance existing borrowings. HEICO's higher debt load requires close monitoring, particularly in terms of debt servicing capacity and interest coverage moving forward (Figure 34). HEICO's debt-to-equity ratio shows a clear upward trend, rising from 0.09 in 2021 to 0.58 in 2024. This trend raises concerns about whether the company's balance sheet can sustain such higher levels of debt without impacting its long-term financial stability with interest expenses already increasing from $6.4M in 2022 to $149.3M reported in 2024. This may put pressure on HEICO's cash flow and its ability to grow profit if the debt is not effectively managed.

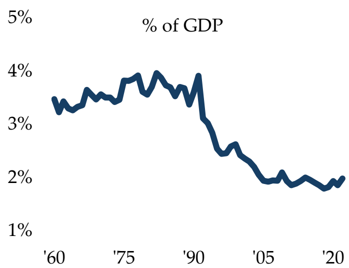
Asset Quality: HEICO's heavy reliance on acquisitions in 2023 has led to a disproportionate accumulation of goodwill and intangible assets, which now outsize its property, plant, and equipment (PP&E) by seven times (Figure 35). Amortizing intangible assets at a rate 2.3 times higher than the depreciation of its long-term tangible assets raises concerns about inflated amortization (Figure 36). This aggressive amortization approach distorts financial ratios like return on assets (ROA), asset turnover, and debt-to-equity, causing HEICO to appear less leveraged. In HEICO's 2024 10-K, they mention that the carrying amount of intangible assets may not be fully recoverable even with impairment tests on an annual basis. With 62% of their assets in goodwill and intangibles, which are more susceptible to impairment, HEICO shows concern for realizing the full value of their intangible assets. An impairment of a significant portion of their intangibles will have a material adverse effect on HEICO's business, financial condition and results of operations. A possible mismatch between the life cycles of tangible and intangible assets complicates financial planning and asset utilization, while potential tax benefits from over-amortization could attract scrutiny from tax authorities if the economic life of the assets is deemed overstated. With only 2% of assets in cash and equivalents, HEICO's liquidity is limited, adding to concerns about the sustainability of its financial performance.

Figure 36: Depreciation & Amortization



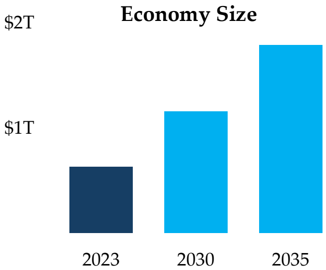
Source: Bloomberg & Team Analysis

Figure 37: Global Defense Spending



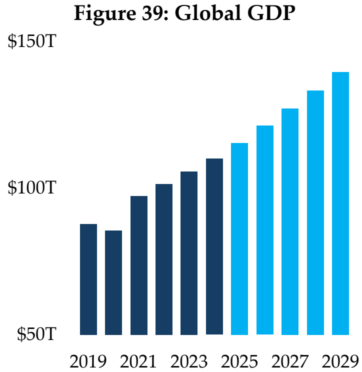
Source: World Bank

Figure 38: Global Space Economy Size



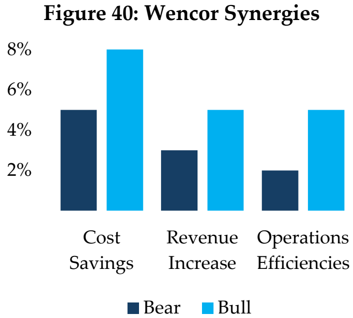
Source: Statista

Figure 39: Global GDP



Source: World Bank

Figure 40: Wencor Synergies



Source: Team Analysis

Additionally, the company's reliance on goodwill as a significant portion of its assets exposes it to heightened risk, as any downward adjustments could materially impact the balance sheet and long-term profitability.

INVESTMENT RISKS

Macroeconomic Risks | Resilient Defense Spending and Geopolitical Catalysts

Global defense spending reached $2.4T in 2023, driven by military modernization amid geopolitical tensions (Figure 37). Examples include Germany's €100B investment and Japan's plan to double spending by 2027. The Ukraine conflict has accelerated NATO upgrades, while the Indo-Pacific's strategic importance drives their investment. Market demand for UAVs, electronic warfare, and hypersonic technologies supports HEICO's growth. HEICO's proprietary technologies and aftermarket components are positioned to benefit, with the 2023 Exxelia acquisition enhancing its military capabilities and access to high-margin defense contracts.

Valuation Impact: The growing defense budgets and geopolitical tensions potentially increase HEICO's revenue from defense contracts and long-term projects. As nations prioritize mission-critical components, HEICO's specialized offerings lead to higher margins and revenue growth. Factoring this into valuation, this growth would push intrinsic valuation to a 0% upside at a $235 target price.

Mitigation Factor: De-escalation of conflicts or geopolitical stabilization could lower defense spending, reducing the anticipated demand for HEICO's products. Potential delays or reallocations in defense budgets due to economic downturns or political shifts could further limit spending growth. Additionally, competition from larger defense contractors may erode market share.

Macroeconomic Risk | Expanding Space Economy

The space economy is projected to triple in size, growing from $630B in 2023 to $1.8T by 2035 (Figure 38). This growth is driven by advancements in low-earth orbit (LEO) satellites, reusable rockets, and space-based infrastructure. Satellite deployment for communication, Earth observation, and defense applications is accelerating, with major investments from companies like SpaceX and Blue Origin.

Valuation Impact: While HEICO's exposure to space technologies is limited, its electronic components and specialized parts that support satellite systems ensure indirect participation in this high-growth segment, potentially enhancing ETG segment revenue causing increased valuation to only half the effect of defense spending and geopolitical catalysts yielding $227 intrinsic value with 3% downside.

Mitigation Factor: High competition and rapid technological changes in the space economy could make it challenging for HEICO to maintain its relevance. Dependency on larger players for contracts may also introduce pricing pressures.

Macroeconomic Risk | Positive Macroeconomic Environment

The aerospace and defense industry benefits from favorable macroeconomic conditions, with global GDP projected to grow at an average annual rate of 2.7% over the next decade (Figure 39). Advances in fuel efficiency and the adoption of sustainable aviation fuels (SAF) helps airlines mitigate volatile energy prices, enhancing sector resilience.

Valuation Impact: A stable macroeconomic environment supports sustained growth across commercial and defense markets, providing HEICO with opportunities to lessen margin compression from inflation causing better profitability and net margin resulting in a $236 target price, seeing minimal upside of 0.4%.

Mitigation Factor: Global economic instability, rising interest rates, or unforeseen shocks could negatively impact GDP growth and reduce discretionary spending on aviation and defense sectors, undermining HEICO's growth potential.

Idiosyncratic Risk | Monetization of Wencor Acquisition Synergies

HEICO's 2023 acquisition of Wencor strategically bolsters its position in the FAA-approved PMA aftermarket segment (Figure 40). By integrating Wencor's customer relationships, repair service expertise, and complementary portfolio, HEICO can capture significant synergies. The Flight Support Group (FSG) will benefit from bundling aftermarket parts with repair services, offering airlines cost-effective solutions amidst fleet modernization delays.

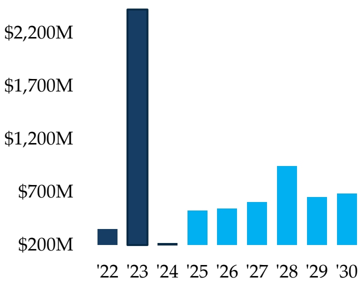
Valuation Impact: The acquisition is expected to drive margin expansion and cross-selling opportunities, accelerating HEICO's growth in the aviation aftermarket. This results in a 3% upside, just below the risk-free rate and returning only a quarter of HEICO's WACC at a target price of $243.

Figure 41: Exxelia Acquisition

Target	Exxelia
Deal Date	1/7/2023
Price	€453M Cash
	€14M Liability
Ownership	94% acquisition
	6% employee
Industries	Aerospace, defense, space, medical, telecommunication

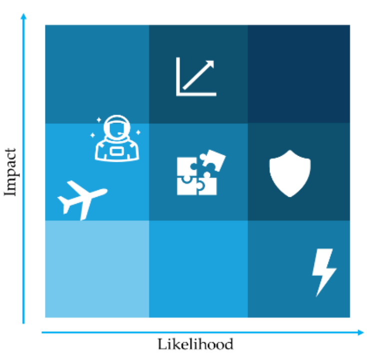
Source: HEICO Website

Figure 42: Projected M&A



Source: Bloomberg & Team Analysis

Figure 43: Risk Heatmap



Source: Team Analysis

Figure 44: Climate Disclosures

Mitigation Factor: Integration challenges, including cultural mismatches and operational inefficiencies, could limit the expected synergies. Delays in realizing cross-selling opportunities may reduce near-term financial benefits.

Idiosyncratic Risk | Growth Through Proprietary Technologies

The 2023 acquisition of Exxelia enhanced HEICO's capabilities in mission-critical components, including military-grade capacitors and RF filters, expanding its footprint in high-growth defense markets (Figure 41). With rising defense budgets and intensifying global security concerns, HEICO's focus on proprietary technologies positions it to secure long-term contracts and recurring revenue streams.

Valuation Impact: HEICO's strategic acquisitions and innovative product development are likely to drive earnings growth, improve margins, and strengthen its position in defense markets. This results in a 6% upside, just below the risk-free rate and returning only half of HEICO's WACC at a target price of $248.

Mitigation Factor: Technological obsolescence or shifts in defense procurement priorities could undermine the demand for HEICO's proprietary products. Overreliance on specific technologies may expose the company to concentrated risks.

Idiosyncratic Risk | Historical Mergers & Acquisitions Success

HEICO's track record of successful mergers and acquisitions (M&A) has been a key growth driver (Figure 42). Recent acquisitions, such as Wencor and Exxelia, have enhanced its capabilities and expanded its portfolio in both aviation and defense sectors. Effective integration of these acquisitions strengthens HEICO's competitive edge and operational efficiencies.

Valuation Impact: Successful M&A activities are expected to contribute significantly to HEICO's revenue and market leadership, driving long-term shareholder value. This results in a 2% downside at a target price of $231 from the expected uptick in revenues.

Mitigation Factor: Overpaying for acquisitions or failure to integrate acquired businesses effectively could erode margins and diminish the long-term benefits of HEICO's M&A strategy. (Figure 43)

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

HEICO faces challenges in key ESG areas, including environmental disclosures, DEI initiatives, CSR engagement, and governance practices, which could hinder its ability to align with industry peers. HEICO's ESG scoring framework evaluates a company's performance in environmental impact, social responsibility, and governance practices. Environmental performance is assessed through sustainability disclosures and climate-related risks from their 10-K and Bloomberg, while the social component focuses on DEI efforts, workplace culture, and social issues from Glassdoor, their 10-Ks, and their websites. Governance is measured by leadership effectiveness, transparency, and employee satisfaction, incorporating insights from platforms like Glassdoor, their 10-K, and Bloomberg to assess corporate accountability and ethical decision-making.

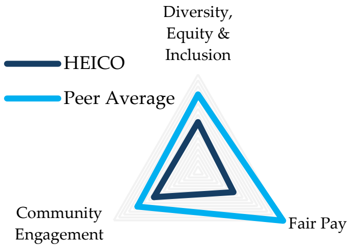
Environmental Sustainability

Climate Disclosures: HEICO has minimal to no climate-related disclosures in its 10-K filings or on its website, lacking detailed reporting on its environmental impact or sustainability initiatives. Compared to its peers, HEICO is behind in adopting frameworks like TCFD and does not set clear targets for reducing emissions or addressing climate risks. While other companies such as Howmet Aerospace and Safran provide comprehensive climate disclosures, HEICO's reporting remains limited and does not offer transparency on its climate strategy (Figure 44).

Environmental Strategy: HEICO lags its peers in environmental responsibility and climate strategy. Unlike companies such as Howmet and Safran, HEICO lacks a net-zero emissions path, climate policies, and alignment with global climate goals like the Paris Agreement. HEICO's lack of a comprehensive climate strategy and failure to implement key practices, such as climate audits and executive pay incentives tied to sustainability, put the company at a disadvantage in attracting environmentally conscious investors. As sustainability becomes an essential factor for investors and regulators, HEICO's failure to integrate these practices limits its long-term growth potential.

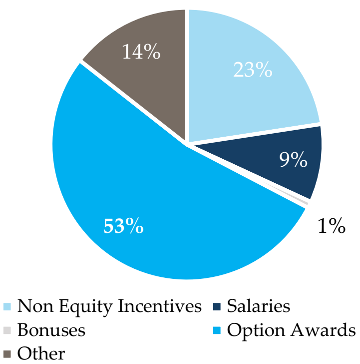
Social Responsibility

Figure 45: Social Responsibility



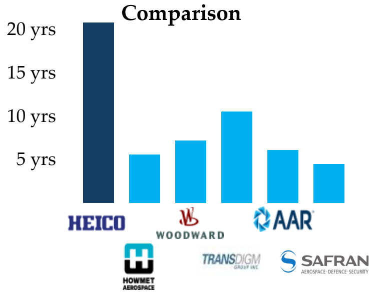
Source: Glassdoor & 10-Ks

Figure 46: Executive Compensation



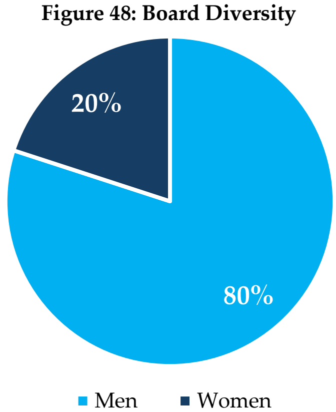
Source: Bloomberg

Figure 47: Board Tenure Comparison



Source: Bloomberg

Figure 48: Board Diversity



Source: Bloomberg

Diversity, Equity, and Inclusion (DEI) Model: In the industry's DEI framework from Glassdoor, HEICO trails its peers in DEI performance measuring satisfaction, hiring, and reporting of underrepresented demographic groups. HEICO scores only 31%, the lowest in the group, due to gaps in transparency, low satisfaction scores for women, and a lack of data on racial inclusivity (Figure 45). HEICO's DEI efforts suffer from inadequate reporting, with racial satisfaction data limited to only white employees, and no data for LGBTQ+ or disabled employees satisfaction ratings. HEICO's DEI score highlights the need for more transparent reporting and a commitment to improving satisfaction for underrepresented demographics within the workplace.

Corporate Social Responsibility (CSR) Engagement*:* In the social engagement scoring analysis of the ESG framework, HEICO's CSR efforts are the lowest in comparison to peers, scoring only 36% by the proprietary scoring model using their 10-K and their website, indicating limited engagement with philanthropy and community development (Figure 45). HEICO highlights initiatives in education and diversity improvement but lacks transparency in key areas such as scholarships and community service. In comparison, Safran scores 84%, displaying an extensive CSR strategy, including scholarships, sustainability programs, and corporate giving. Companies like Woodward and TransDigm show moderate CSR engagement within a peer group with a median score of 49%.

Corporate Governance

Executive Compensation and Tenure: HEICO's average board tenure of 21 years, significantly exceeding peers like Safran (4 ½ years) and TransDigm (5 ½ years), along with its executive compensation structure heavily reliant on option awards ($28M) and non-equity incentives ($12M), raises governance concerns (Figure 46 & 47). Excessive board tenure risks stagnation, groupthink, and misalignment with industry trends, while the overemphasis on stock options incentivizes short-term stock price focus over sustainable growth. Together, these factors may weaken accountability, reduce adaptability, and undermine investor confidence compared to peers with shorter tenures and more balanced compensation structures. Adopting measures like term limits, staggered renewals, and a more equitable pay mix could enhance governance and align HEICO with industry best practices.

Employee Sentiment on Governance: Indicated in the HEICO peer group governance sentiment scoring model, HEICO's governance sentiment is the lowest in the group, with an employee sentiment reflecting concerns about leadership effectiveness and ethical management. Employee reviews cite "inept and unethical management," highlighting governance issues. TransDigm's governance sentiment reflects significant dissatisfaction as well, while Woodward showed the best governance sentiments of the group. HEICO's underperformance against the peer median points to a need for leadership improvements, better management practices, and enhanced transparency in governance.

Governance Disclosures: HEICO's corporate governance disclosures are insufficient, scoring low in comparison to TransDigm's. Critical areas like ethics, compliance, and executive compensation are underreported within their 10-K, with minimal focus on succession planning and risk management. HEICO's sufficiency in governance was scored using the volume certain terms were used in a beneficial manner to peer companies and HEICO in relation to their market cap and revenue.

Board Diversity: HEICO's board diversity is concerning, with limited racial diversity, three members of the same family serving on the board, and limited gender diversity raising questions about independence and governance effectiveness (Figure 48). In contrast, TransDigm, Howmet, Safran, AAR Corp., and Woodward have more diverse and independent boards, suggesting that HEICO could benefit from greater diversity in age, race, and military background to enhance their decision-making processes.

Appendix 1: Contents and Overview

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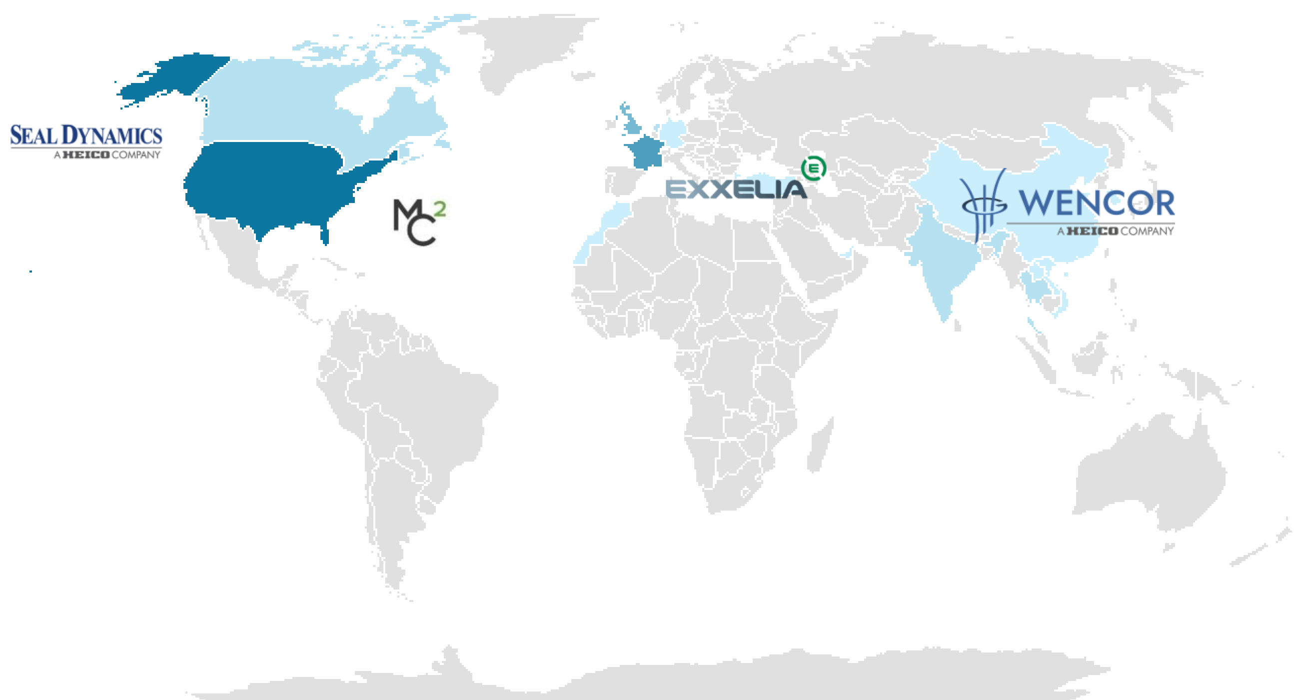
Appendix 2: Global Locations of Subsidiaries



Appendix 3: Augmented Q-Factor Cost of Equity Model

Regression Statistics	
Multiple R	0.7084
R Square	0.5018
Adjusted R Square	0.4558
Standard Error	6.5545
Observations	72

The Augmented q-Factor Model (q6 model) by Hou et al. extends the original q-factor model by adding an expected growth factor. This factor captures return variations not explained by the existing factors: market excess returns, size, investment, and profitability. The expected growth factor improves the model's ability to explain return variations across assets. The q6 model is particularly useful for estimating the cost of equity, as it addresses unexplained anomalies and provides higher explanatory power compared to the Fama-French and CAPM models.

ANOVA	df	SS	MS	F	Significance F
Regression	6	2812.6555	468.7759	10.9116	0.0000
Residual	65	2792.4811	42.9612		
Total	71	5605.1366			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	1.5878	1.1625	1.3658	0.1767	-0.7339	3.9095
Risk-Free Rate	-2.2537	2.5715	-1.4045	0.0872	-5.3808	1.8733
Market Premium	0.9833	0.1688	5.8239	0.0000	0.6461	1.3205
Size (SMB)	0.0513	0.2445	0.5491	0.2820	-0.5366	0.6393
Investment (CMA)	-0.4009	0.2268	-1.7266	0.1244	-1.0536	0.2518
Profitability (RMW)	-0.1416	0.3702	-0.4827	0.3032	-0.8809	0.5976
Expected Growth	-0.2481	0.2553	-2.0448	0.1877	-1.1574	0.6613

The regression output for the q6 model shows an R-squared of 50.18% and an adjusted R-squared of 45.58%, explaining a significant portion of the variance in asset returns. The F-statistic of 10.9116 (p-value 0.0000) confirms the model's overall significance.

The market premium has the largest impact (coefficient 0.9833, p-value 0.0000), indicating a strong positive relationship with returns. The risk-free rate has a negative coefficient (-2.2537) and marginal significance (p-value 0.0872). Size (SMB), Investment (CMA), Profitability (RMW) and Expected Growth are not significant (p-values above 0.1), but contribute to the overall fit.

The cost of equity is calculated by summing the risk-free rate with the product of each factor's coefficient and long-term mean value, then annualizing the result. The final calculated cost of equity is 8.04%, providing a reliable and precise estimate as a basis for the intrinsic valuation.

Appendix 4: Spread Analysis Cost of Debt Model

Name of Bond	Year to Maturity	Outstanding	Weight	Spread to 10 year
HEI 5.35 2033	5.522	600 M	50%	62.66
HEI 5.25 2028	4.966	600 M	50%	31.46

Weighted Average Spread	0.47
Risk Free Rate	4.21
Pre-Tax Cost of Debt	4.68
Effective Tax Rate	17%
After-Tax Cost of Debt	3.86
Debt Adjustment Factor	1.38
Adjusted After Tax Cost of Debt	**5.33**

Risk Free Rate: Given that HEICO is domiciled and conducts most of its business in the United States, the 10-year treasury is an appropriate proxy for the risk-free rate. To avoid distortions due short-term volatility the one-year average of this rate was used.

Debt Adjustment Factor: The value of 1.38 reflects HEICO's BBB rating as well as other company and country specific credit risks.

Appendix 5: Free Cash Flow to Firm Additional Inputs

Terminal Growth Rate	Rate	Weight
Long Term Inflation	2.34%	30%
Real GDP	2.00%	40%
Weighted Industry Growth	3.21%	30%
MRO Industry Growth	*1.80%*	*70%*
AEM Industry Growth	*6.50%*	*30%*
Terminal Growth Rate	**2.46%**	

Terminal Growth Rate: Long-term inflation, GDP growth, and industry growth are used as proxies for the perpetual growth rate. The sub-industry weights reflect HEICO's revenue structure, while the other factors are evenly weighted. Long-term inflation is sourced from the one-year average of the FED's 30-year inflation expectation, while other data is obtained from the OECD and Statista.

Weight of Equity	93.29%
Cost of Equity	8.04%
Weight of Debt	6.71%
After Tax COD	5.33%
Weighted Average Cost of Capital	7.86%

WACC: The value was calculated combining the inputs from the previously discussed Cost of Debt and Cost of Equity models with HEICO's capital structure.

Appendix 6: Free Cash Flow to Firm Methodology

In Millions of USD	FY 2022	FY 2023	FY 2024	2025 FYE	2026 FYE	2027 FYE	2028 FYE	2029 FYE	2030 FYE
Revenue	**$2,208.32**	**$2,968.11**	**$3,857.70**	**$4,118.74**	**$4,367.30**	**$4,737.17**	**$5,159.57**	**$5,618.01**	**$6,256.09**
(-) COGS	$1,345.56	$1,814.62	$2,355.97	$2,516.02	$2,667.86	$2,893.33	$3,151.64	$3,431.67	$3,821.43
Gross Profit	**$862.76**	**$1,153.49**	**$1,501.73**	**$1,602.71**	**$1,699.45**	**$1,843.84**	**$2,007.93**	**$2,186.34**	**$2,434.66**
(-) Operating Expense	$365.92	$528.15	$677.23	$720.15	$763.61	$828.29	$902.14	$982.30	$1,093.87
EBIT	**$496.84**	**$625.34**	**$824.51**	**$882.56**	**$935.83**	**$1,015.55**	**$1,105.79**	**$1,204.04**	**$1,340.79**
(-) Income Tax Expense	$100.40	$110.90	$118.50	$117.26	$114.25	$116.50	$112.25	$96.32	$103.59
NOPAT	**$396.44**	**$514.44**	**$706.01**	**$765.30**	**$821.59**	**$899.06**	**$993.54**	**$1,107.72**	**$1,237.21**
(+) Depreciation	$96.33	$130.04	$175.33	$201.98	$212.87	$228.59	$254.66	$285.70	$321.00
(+) Non-Cash Adjustments	$12.65	$15.48	$18.78	$21.79	$25.29	$29.38	$34.12	$39.63	$46.03
NWC	$592.37	$1,018.95	$1,236.20	$1,295.09	$1,331.76	$1,644.25	$1,863.74	$2,036.75	$2,194.30
Hist	$534.21	$592.37	$1,018.95	$1,236.20	$1,295.09	$1,331.76	$1,644.25	$1,863.74	$2,036.75
(-) Change in NWC	($58.16)	($426.59)	($217.25)	($58.89)	($36.66)	($245.29)	($178.00)	($184.76)	($287.90)
(-) CAPEX	($31.98)	($49.43)	($58.26)	($62.27)	($66.06)	($71.73)	($77.92)	($84.85)	($94.48)
FCFF	$415.28	$183.94	$624.61	$867.91	$957.02	$840.00	$1,026.40	$1,163.45	$1,221.84
PV FCFF				**$835.69**	**$854.36**	**$695.25**	**$787.63**	**$827.75**	
PV FCFF					**$921.50**	**$749.89**	**$849.53**	**$892.80**	**$869.29**

Perpetuity Growth Method	
Terminal Growth Rate	2.46%
Last 4Q FCF	$1,221.84
Terminal Value	$23,188.76
(+) PV of Terminal Value	$16,497.89
(+) PV of Free Cash Flow	$4,555.10
Implied Enterprise Value	$21,052.99
(-) Debt	($2,324.42)
(+) Cash	$240.11
Equity Value	$18,968.68
Shares Outstanding	140.5
Target Price	**$ 135.01**
Up/Downside	**-43%**

Multiples Method	
EV/EBITDA Exit Multiple	23.85x
FY2030E EBITDA	$1,626.49
Terminal Value	$38,797.19
(+) PV of Terminal Value	$27,602.68
(+) PV of Free Cash Flow	$4,555.10
Implied Enterprise Value	$32,157.78
(-) Debt	($2,324.42)
(+) Cash	$240.11
Equity Value	$30,073.47
Shares Outstanding	140.5
Target Price	**$ 214.05**
Up/Downside	**-9%**

DCF Weights	
Perpetual Growth Method	20%
Multiples Method	80%

1 Year	
Valuation:	$198.24
Up/Downside:	-16%

Mid-Year	
Valuation:	$189.19
Up/Downside:	-19%

Current	
Valuation:	$180.14
Up/Downside:	-23%

Perpetuity Growth Method	
Terminal Growth Rate	2.46%
Last 4Q FCF	$1,163.45
Terminal Value	$22,080.47
(+) PV of Terminal Value	$15,709.38
(+) PV of Free Cash Flow	$4,009.81
Implied Enterprise Value	$19,719.19
(-) Debt	($2,229.40)
(+) Cash	$162.10
Equity Value	$17,651.89
Shares Outstanding	140.50
Target Price	**$ 125.64**
Up/Downside	**-46%**

Multiples Method	
EV/EBITDA Exit Multiple	23.85x
FY2029E EBITDA	$1,489.74
Terminal Value	$35,535.18
(+) PV of Terminal Value	$25,281.89
(+) PV of Free Cash Flow	$4,009.81
Implied Enterprise Value	$29,291.70
(-) Debt	($2,229.40)
(+) Cash	$162.10
Equity Value	$27,224.40
Shares Outstanding	140.50
Target Price	**$ 193.77**
Up/Downside	**-17%**

Multiples Method	
Valuation:	$203.91
Up/Downside:	-13%

Perpetuity Growth Method	
Valuation:	$130.32
Up/Downside:	-44%

Appendix 7 - Sensitivity Analysis - Intrinsic Valuation

		EV/EBITDA				
		21.8x	22.8x	23.9x	24.8x	25.8x
WACC	6.9%	$195	$204	$212	$220	$228
	7.4%	$192	$200	$208	$216	$224
	7.9%	$188	$196	$204	$211	$219
	8.4%	$184	$192	$200	$207	$215
	8.9%	$180	$188	$196	$203	$211

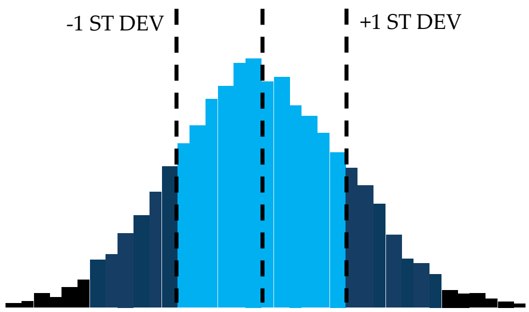
		Terminal Growth Rate				
		2.00%	2.25%	2.50%	2.75%	3.00%
WACC	6.9%	$148	$156	$164	$174	$184
	7.4%	$133	$139	$146	$153	$162
	7.9%	$121	$126	$131	$137	$144
	8.4%	$110	$115	$119	$124	$129
	8.9%	$102	$105	$109	$113	$117

Appendix 8 - Monte Carlo Simulation Inputs – Intrinsic Valuation

Monte Carlo Simulation		
Inputs	Mean	Std Dev
Cost of Equity	8.041	0.268
After Tax Cost of Debt	5.330	0.453
Terminal Growth Rate	2.460	0.250
EV/EBITDA Multiple	23.853	5.963
Relative Valuation	223.082	19.087

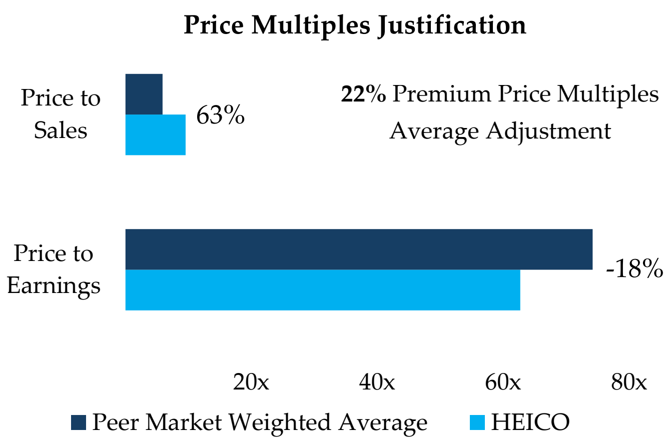
Max	Min	Mean	Std Dev	Iterations
$281.09	$137.35	$212.97	17.45	10000

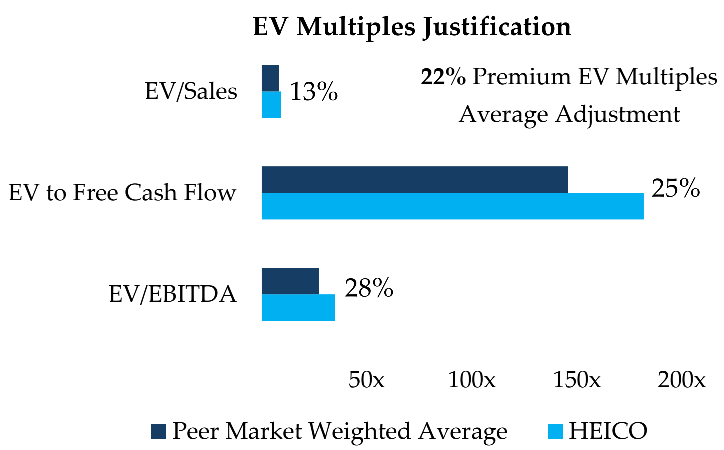
-2 Std Dev	-1 Std Dev	+1 Std Dev	+2 Std Dev	Undervalued	Overvalued
$178.77	$195.62	$230.32	$247.17	702	9298



The simulation was conducted using the inputs from the augmented q factor cost of equity model. Six factors with different standard deviations were imputed into this reference.

Appendix 9 – Historical Relative Valuation Adjustment





To perform the relative valuation of HEICO accurately, it is essential to analyze comparative financials within the context of their past trends. A historical valuation adjustment accounts for HEICO's consistent premium in multiples its over peers within the relative valuation.

The 10-year historical average of price and enterprise value multiples was used to conduct the relative valuation, which compares HEICO's current multiples against the long-term trend. Over the past 10 years, HEICO's multiples have consistently traded at a 22% premium compared to the peer market average. Current multiples (P/E, P/Sales, EV/EBITDA, EV/FCF, EV/Sales) for HEICO exceed those of its peers, suggesting unadjusted overvaluation of 32% and 28% for EV multiples and price multiples respectively. Then, the historical premium of 22% is added back to these figures, resulting in adjusted downsides of 10% for EV multiples and 6% for price multiples. This approach ensures that the historical premium is factored into the relative valuation adjustments, aligning with HEICO's consistent market premium over peers. While these adjustments acknowledge HEICO's historical premium, the relative valuation still yields an aggregate downside of 8%.

Appendix 10 - Sensitivity Analysis - Relative Valuation

Peers EV/EBITDA	EV/EBITDA - HEICO				
	26.68x	28.18x	29.68x	31.18x	32.68x
26.85x	$243.05	$229.56	$216.06	$202.57	$189.08
25.35x	$228.85	$214.56	$200.27	$185.98	$171.68
23.85x	$212.86	$197.67	$182.48	$167.29	$152.10
22.35x	$194.73	$178.52	$162.31	$146.10	$129.89
20.85x	$173.99	$156.61	$139.24	$121.86	$104.48

Peers P/E	P/E - HEICO				
	51.30x	56.30x	61.30x	66.30x	71.30x
56.20x	$262.58	$241.09	$219.60	$198.12	$176.63
51.20x	$241.05	$217.46	$193.88	$170.29	$146.70
46.20x	$214.86	$188.72	$162.58	$136.44	$110.30
41.20x	$182.31	$153.00	$123.69	$94.38	$65.07
36.20x	$140.78	$107.42	$74.06	$40.70	$7.34

Peers EV/FCF	EV/FCF - HEICO				
	39.69x	44.69x	49.69x	54.69x	59.69x
42.60x	$258.02	$229.67	$201.32	$172.98	$144.63
39.60x	$240.97	$210.48	$179.98	$149.49	$118.99
36.60x	$221.13	$188.13	$155.14	$122.15	$89.15
33.60x	$197.74	$161.80	$125.86	$89.92	$53.98
30.60x	$169.77	$130.31	$90.85	$51.38	$11.92

Peers P/Sales	P/Sales - HEICO				
	7.17x	7.67x	8.17x	8.67x	9.17x
7.67x	$257.26	$241.52	$225.78	$210.03	$194.29
7.17x	$241.52	$224.68	$207.84	$190.99	$174.15
6.67x	$223.42	$205.31	$187.21	$169.10	$151.00
6.17x	$202.38	$182.80	$163.23	$143.66	$124.09
5.67x	$177.63	$156.33	$135.03	$113.73	$92.43

Peers EV/Sales	EV/Sales - HEICO				
	8.50x	9.00x	9.50x	10.00x	10.50x
8.02x	$227.06	$212.01	$196.95	$181.89	$166.84
7.52x	$210.05	$193.99	$177.93	$161.87	$145.81
7.02x	$190.60	$173.40	$156.20	$138.99	$121.79
6.52x	$168.17	$149.65	$131.13	$112.61	$94.09
6.02x	$142.02	$121.96	$101.90	$81.84	$61.78

Appendix 11 – Final Valuation Calculation: Intrinsic & Relative

50% Weight
EV Multiples
$213

50% Weight
Price Multiples
$224

70% Weight
Relative Valuation
$219

11% Downside
Intrinsic Valuation
$210

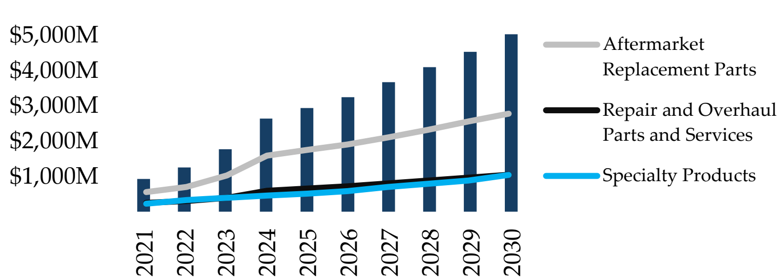
30% Weight
Intrinsic Valuation
$189

80% Weight
EV/EBITDA Multiple
$204

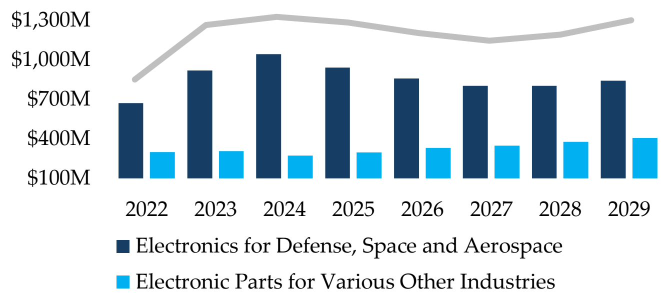
20% Weight
Perpetuity Growth
$130

Appendix 12 - Revenue Build & Forecasts Associated

Flight Support Group Revenue



Electronic Technologies Group Revenue

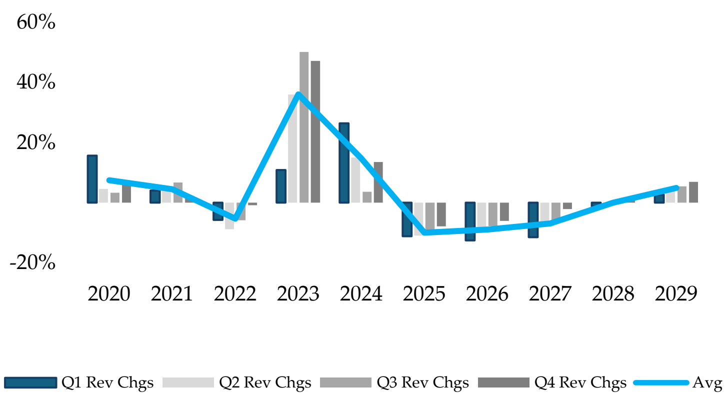


Sum-of-Parts Revenue Build – YOY % Change

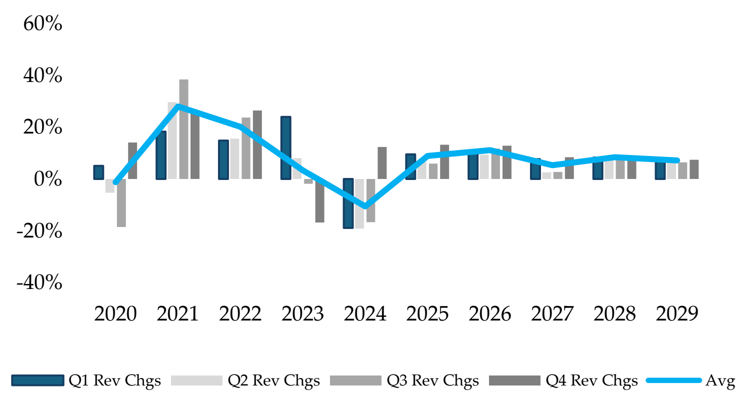
In Millions of USD	FY 2022	FY 2023	FY 2024	2025 FYE	2026 FYE	2027 FYE	2028 FYE	2029 FYE
Flight Support Group								
Revenue (Segment sold to) YOY % Change								
Aerospace	33%	44%	59%	7%	11%	13%	11%	11%
Defense and Space	41%	37%	46%	11%	11%	13%	11%	11%
Other	49%	25%	13%	-1%	11%	13%	11%	11%
Aftermarket Replacement Parts	30%	50%	66%	10%	9%	11%	11%	10%
Repair and Overhaul Parts and Services	27%	38%	68%	11%	11%	12%	11%	10%
Specialty Products	61%	23%	17%	15%	16%	23%	13%	13%
Electronic Technologies Group								
Revenue								
Aerospace	-9%	11%	5%	-2%	-4%	-3%	3%	6%
Defense and Space	19%	29%	9%	3%	-4%	-3%	3%	6%
Other	16%	112%	16%	-42%	-4%	-3%	3%	6%
Consistent Segments (Business wing who manufactured)								
Electronic Component Parts for Defense, Space and Aerospace Equipment	-5%	37%	15%	-10%	-9%	-6%	0%	5%
Electronic Component Parts for Equipment in Various Other Industries	20%	2%	-11%	9%	11%	6%	8%	7%

Electronic Technologies Group Quarterly Deceleration Model

Electronic Components for A&D



Electronic Components for Others



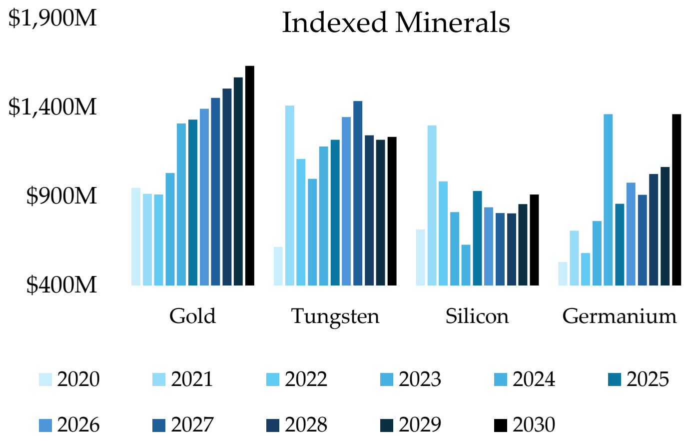
Appendix 13 - Mineral Price Analysis: Index for Cost of Revenue

Indexed in Millions of USD	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY	2025 FYE	2026 FYE	2027 FYE	2028 FYE	2029 FYE
Alloy	$2,147	$2,367	$2,550	$2,501	$2,436	$2,518	$2,553	$2,600	$2,598	$2,596
Tin	$20,544	$39,373	$24,754	$25,152	$28,152	$28,529	$28,451	$28,602	$28,638	$28,732
Plastic	$230	$314	$281	$265	$270	$282	$268	$263	$274	$285
FSG	**$22,921**	**$42,054**	**$27,585**	**$27,918**	**$30,858**	**$31,329**	**$31,272**	**$31,465**	**$31,510**	**$31,614**
Gold	$949	$915	$912	$1,032	$1,311	$1,332	$1,394	$1,456	$1,507	$1,571
Tungsten	$12,340	$28,225	$22,216	$19,993	$23,640	$24,385	$26,931	$28,745	$24,876	$24,398
Silicon	$7,150	$13,000	$9,850	$8,125	$6,300	$9,319	$8,398	$8,070	$8,057	$8,568
Germanium	$533	$708	$583	$763	$1,363	$859	$978	$909	$1,027	$1,067
ETG	**$20,971**	**$42,847**	**$33,561**	**$29,912**	**$32,613**	**$35,895**	**$37,701**	**$39,180**	**$35,468**	**$35,603**

Mineral Price Trends and Impact: Tracks historical and current prices of key minerals, linking their fluctuations to production cost increases

Standardized Index: Establishes a Mineral Price Index to quantify price changes and their impact on cost of revenue effectively

Cost of Revenue Correlation: Highlights how rising mineral prices, especially in critical areas like lithium and cobalt, directly drive production costs



In Millions of USD	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY	2025 FYE	2026 FYE	2027 FYE	2028 FYE	2029 FYE
Cost of Revenue/Raw Mineral Index	3%	1%	2%	3%	4%	4%	4%	4%	5%	5%
Raw Mineral Index	$43,892	$84,901	$61,145	$57,830	$63,471	$67,224	$68,973	$70,645	$66,978	$67,217
Cost of Revenue	$1,104.88	$1,138.26	$1,345.56	$1,814.62	$2,355.97	$2,520.50	$2,667.09	$2,893.53	$3,153.08	$3,432.94
Profit Margin	38%	39%	39%	39%	39%	39%	39%	39%	39%	39%
Revenue	$1,787.01	$1,865.68	$2,208.32	$2,968.11	$3,857.67	$4,118.74	$4,367.30	$4,737.17	$5,159.57	$5,618.01
Operating Expenses	$305.48	$334.52	$365.92	$528.15	$677.23	$727.88	$769.02	$846.92	$923.53	$1,010.48
Operating Expense/Revenue	17%	18%	17%	18%	18%	18%	18%	18%	18%	18%
Operating Income	$376.65	$392.90	$496.84	$625.34	$824.47	$870.35	$931.20	$996.72	$1,082.96	$1,174.59
Revenue FSG	**924.81**	927.089	**1,255.21**	**1,770.19**	**2,639.35**	**2,937.75**	**3,248.56**	**3,675.22**	**4,095.97**	**4,531.60**
Cost of Revenue FSG	$576.98	$563.81	$607.03	$876.04	$1,145.43	$1,174.64	$1,209.24	$1,288.77	$1,483.39	$1,614.60
Gross Margin	38%	39%	52%	51%	57%	60%	63%	65%	64%	64%
Revenue ETG	**874.99**	959.17	**972.48**	**1,225.22**	**1,263.63**	**1,237.32**	**1,188.99**	**1,152.58**	**1,181.81**	**1,247.98**
Cost of Revenue ETG	$527.90	$574.45	$738.54	$938.58	$1,210.54	$1,345.86	$1,457.85	$1,604.76	$1,669.69	$1,818.35
Gross Margin	40%	40%	24%	23%	4%	-9%	-23%	-39%	-41%	-46%

Appendix 14 - Depreciation & Amortization Schedule

In Millions of USD	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2025 FYE	2026 FYE	2027 FYE	2028 FYE	2029 FYE
Capital Expenditures	($41.87)	($28.94)	($22.94)	($36.18)	($31.98)	($49.43)	($58.26)	($62.20)	($65.96)	($71.54)	($77.92)	($84.85)
Property, Plant & Equipment	$154.74	$173.35	$168.85	$193.64	$225.88	$321.85	$339.00	$378.98	$407.20	$454.74	$495.28	$539.29
Disposal of PP&E	$54.47	$47.02	$48.37	$50.70	$47.82	$67.29	$70.24	$70.42	$74.58	$96.36	$98.64	$110.23
Acc Depreciation	$181.73	$204.71	$227.03	$250.90	$269.46	$297.57	$321.49	$345.47	$371.20	$414.53	$449.64	$489.73
Property, Plant & Equipment, Gross	$342.44	$385.33	$401.34	$450.59	$502.96	$634.67	$664.11	$742.43	$797.73	$890.84	$970.28	$1,056.49
FSG	3.9%	3.4%	3.6%	3.1%	3.1%	2.9%	3.7%	3.5%	3.4%	3.4%	3.4%	3.5%
Depreciation	$13.32	$13.07	$14.34	$13.99	$15.66	$18.70	$24.50	$26.08	$27.37	$30.46	$33.00	$36.84
ETG	2.7%	2.8%	2.9%	2.8%	2.7%	3.2%	3.3%	3.0%	3.1%	3.1%	3.1%	3.2%
Depreciation	$9.23	$10.96	$11.72	$12.84	$13.60	$20.48	$21.81	$22.60	$24.53	$27.57	$30.53	$33.30
Intangibles/PP&E	4.73	4.72	4.89	4.51	4.78	7.30	7.10	7.10	7.10	6.90	6.90	6.90
Goodwill	$1,114.83	$1,268.70	$1,383.17	$1,450.40	$1,672.43	$3,274.33	$3,380.30	$3,778.94	$4,060.38	$4,404.26	$4,796.97	$5,223.19
Other Intangible Assets	$506.36	$550.69	$579.04	$582.31	$733.33	$1,357.28	$1,334.80	$1,492.21	$1,603.35	$1,739.14	$1,894.21	$2,062.51
FSG												
Amortization	$19.53	$19.64	$19.96	$20.65	$24.27	$36.96	$66.36	$63.87	$68.70	$75.40	$82.13	$92.85
ETG												
Amortization	$33.34	$40.55	$43.43	$43.43	$51.30	$51.30	$62.26	$101.70	$108.28	$114.17	$109.00	$122.72
Amortization/Depreciation	2.34	2.50	2.43	2.39	2.58	2.25	2.78	3.40	3.41	3.27	3.01	3.07

Potential for Aggressive Accounting: Companies might adopt overly aggressive amortization schedules, leading to misleading profit patterns

Financial Ratios Distortion: Distorted figures in key financial ratios like ROA, asset turnover, and debt-to-equity ratios, making the company appear more efficient or less leveraged than it really is

Impairment Risks: Over-amortizing can result in significant impairment charges if the true value of assets is realized later

Market Perception and Investor Confidence: Investors could become wary if the amortization practices seem inconsistent or unclear

Tax Implications: Over-amortization could result in tax benefits but might invite scrutiny from authorities if they believe the asset's economic life is overstated

Mismatched Asset Life Cycles: The difference between the physical life cycle of tangible assets and the potentially arbitrary life cycles of intangible assets could create issues in financial planning and management

Appendix 15 - Pro Forma Financial Statements

Income Statement

In Millions of USD 3 Months Ending	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2025 FYE	2026 FYE	2027 FYE	2028 FYE	2029 FYE	2030 FYE
Income Statement												
Total Revenue	**$2,055.65**	**$1,787.01**	**$1,865.68**	**$2,208.32**	**$2,968.11**	**$3,857.67**	**$4,118.74**	**$4,367.30**	**$4,737.17**	**$5,159.57**	**$5,618.01**	**$6,256.09**
Cost of Revenue	$1,241.81	$1,104.88	$1,138.26	$1,345.56	$1,814.62	$2,355.97	$2,516.02	$2,667.86	$2,893.33	$3,151.64	$3,431.67	$3,821.43
Gross Profit	**$813.84**	**$682.13**	**$727.42**	**$862.76**	**$1,153.49**	**$1,501.70**	**$1,602.71**	**$1,699.45**	**$1,843.84**	**$2,007.93**	**$2,186.34**	**$2,434.66**
Total Operating Expenses	$356.74	$305.48	$334.52	$365.92	$528.15	$677.23	$720.15	$763.61	$828.29	$902.14	$982.30	$1,093.87
Selling, General & Administrative Expense	$356.74	$305.48	$334.52	$365.92	$528.15	$677.23	$778.07	$763.61	$828.29	$902.14	$982.30	$1,093.87
Operating Income	**$457.10**	**$376.65**	**$392.90**	**$496.84**	**$625.34**	**$824.47**	**$882.56**	**$935.83**	**$1,015.55**	**$1,105.79**	**$1,204.04**	**$1,340.79**
Depreciation & Amortization	$83.50	$88.56	$93.02	$96.33	$130.04	$175.33	$214.26	$228.88	$247.60	$254.66	$285.70	$321.00
EBITDA	**$540.59**	**$465.21**	**$485.92**	**$593.18**	**$755.38**	**$999.81**	**$1,096.82**	**$1,164.71**	**$1,263.16**	**$1,360.45**	**$1,489.74**	**$1,661.79**
Interest Expense	$21.70	$13.16	$7.29	$6.39	$72.98	$149.31	$148.00	$148.00	$148.00	$148.00	$148.00	$148.00
Other Non-Operating (Income) Expense	-$2.44	($1.37)	($1.44)	($0.57)	($2.93)	($2.40)	($2.00)	($2.00)	($2.00)	($2.00)	($2.00)	($2.00)
Pre-Tax Income	$437.84	$364.86	$387.06	$491.02	$555.28	$677.57	$736.56	$789.83	$869.55	$959.79	$1,058.04	$1,194.79
Income Tax Expense	$78.10	$29.00	$57.30	$100.40	$110.90	$118.50	$117.26	$114.25	$116.50	$112.25	$96.32	$103.59
Net Income (Incl. Minority Interest)	$359.74	$335.86	$329.76	$390.62	$444.38	$559.07	$619.30	$675.59	$753.06	$847.54	$961.72	$1,091.21
Minority Interest	$31.85	$21.87	$25.54	$38.95	$40.79	$44.98	$38.00	$38.00	$38.00	$38.00	$38.00	$38.00
Net Income (GAAP)	**$327.90**	**$313.98**	**$304.22**	**$351.68**	**$403.60**	**$514.09**	**$581.30**	**$637.59**	**$715.06**	**$809.54**	**$923.72**	**$1,053.21**
Net Margin	**15.95%**	**17.57%**	**16.31%**	**15.92%**	**13.60%**	**13.33%**	**14.11%**	**14.60%**	**15.09%**	**15.69%**	**16.44%**	**16.83%**
Basic Weighted Avg. Shares	133.64	134.75	135.78	136.01	137.18	138.50	139.15	139.81	140.46	140.60	140.73	140.86
Basic EPS, GAAP	**2.45**	**2.33**	**2.24**	**2.59**	**2.94**	**3.71**	**4.18**	**4.56**	**5.09**	**5.76**	**6.56**	**7.48**

Condensed Balance Sheet

In Millions of USD 3 Months Ending	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2025 FYE	2026 FYE	2027 FYE	2028 FYE	2029 FYE	2030 FYE
Condensed Yearly Balance Sheet												
Assets												
Current Assets	**$813.73**	**$1,165.63**	**$937.39**	**$1,152.73**	**$1,855.34**	**$2,062.20**	**$2,422.22**	**$2,669.61**	**$3,080.20**	**$3,257.09**	**$3,829.64**	**$4,614.15**
Cash & Cash Equivalents	$57.00	$406.85	$108.30	$139.50	$171.05	$162.10	$298.04	$387.23	$604.52	$560.66	$893.63	$1,344.68
Accounts Receivable	$274.33	$210.43	$244.92	$294.85	$509.08	$538.50	$602.01	$646.84	$701.62	$764.18	$832.08	$926.59
Inventories	$420.32	$463.21	$478.05	$582.47	$1,013.68	$1,170.90	$1,308.99	$1,406.47	$1,525.59	$1,661.62	$1,809.26	$2,014.75
Pre-Paid Expenses & Other	$18.95	$24.71	$26.05	$41.93	$49.84	$78.50	$87.76	$94.29	$102.28	$111.40	$121.30	$135.07
Contract Assets	$43.13	$60.43	$80.07	$93.98	$111.70	$112.20	$125.43	$134.77	$146.19	$159.22	$173.37	$193.06
Non-Current Assets	**$2,155.48**	**$2,382.09**	**$2,561.02**	**$2,942.77**	**$5,339.72**	**$5,530.50**	**$5,735.31**	**$6,218.26**	**$6,513.12**	**$7,190.71**	**$7,605.65**	**$8,170.52**
Property, Plant & Equipment	$173.35	$168.85	$193.64	$225.88	$321.85	$339.00	$378.98	$407.20	$388.97	$379.03	$401.08	$454.74
Property, Plant & Equipment, Gross	$385.33	$401.34	$450.59	$502.96	$634.67	$664.11	$742.43	$797.73	$776.31	$767.40	$819.74	$890.84
Goodwill	$1,268.70	$1,383.17	$1,450.40	$1,672.43	$3,274.33	$3,380.30	$3,778.94	$4,060.38	$3,906.17	$3,811.31	$3,998.00	$4,534.35
Other Intangible Assets	$550.69	$579.04	$582.31	$733.33	$1,357.28	$1,334.80	$1,492.21	$1,603.35	$1,621.21	$1,546.74	$1,555.07	$1,790.51
Other	$162.74	$251.03	$334.68	$311.14	$386.27	$476.40	$85.18	$147.33	$596.77	$1,453.63	$1,651.50	$1,390.93
Total Assets	**$2,969.21**	**$3,547.71**	**$3,498.41**	**$4,095.50**	**$7,195.06**	**$7,592.70**	**$8,157.53**	**$8,887.87**	**$9,593.32**	**$10,447.80**	**$11,435.29**	**$12,784.67**
Liabilities & Shareholders Equity												
Current Liabilities	**$289.14**	**$241.16**	**$294.88**	**$420.86**	**$665.34**	**$663.90**	**$829.09**	**$950.62**	**$831.42**	**$832.68**	**$899.26**	**$1,075.18**
Accounts Payable	$106.23	$76.24	$85.54	$116.55	$205.89	$198.40	$221.80	$256.60	$207.31	$206.13	$201.30	$207.80
Current Maturities of Long-Term Debt	$0.91	$1.05	$1.52	$1.65	$17.80	$4.10	$14.96	$57.68	($44.21)	($88.68)	($50.78)	$68.32
Accrued Taxes	$3.05	$1.65	$0.96	$12.46	$8.55	$5.57	$6.32	$6.69	$7.80	$20.44	$17.85	$19.40
ST Lease Liabilities	$0.00	$15.20	$15.40	$16.30	$24.80	$41.66	$46.58	$50.05	$54.28	$59.13	$64.38	$71.69
Deferred Revenue	$41.80	$41.40	$46.00	$76.70	$24.50	$41.16	$46.01	$49.44	$53.63	$58.41	$63.60	$70.82
Other Payables & Accruals	$137.20	$105.60	$145.50	$197.20	$383.80	$441.37	$493.42	$530.17	$552.62	$577.26	$602.90	$637.14
Non-Current Liabilities	**$790.77**	**$1,069.07**	**$646.19**	**$687.51**	**$2,952.13**	**$2,868.01**	**$2,993.06**	**$2,953.93**	**$3,068.31**	**$3,116.90**	**$3,121.07**	**$3,239.79**
Long-Term Debt	$552.41	$730.25	$225.22	$275.24	$2,436.71	$2,225.30	$2,309.47	$2,222.76	$2,303.44	$2,290.38	$2,236.70	$2,308.92
Deferred Income Taxes	$51.50	$55.66	$40.76	$71.16	$131.85	$114.20	$92.95	$96.67	$76.89	$77.32	$68.75	$69.27
Deferred Tax/Inc Tax Expense	$2.26	$2.87	$1.95	$2.16	$3.94	$2.51	$2.61	$2.67	$2.64	$2.76	$2.86	$2.67
Other Non-Current Liabilities	$184.60	$280.29	$378.26	$338.95	$379.64	$526.00	$588.03	$631.83	$685.34	$746.45	$812.77	$858.92
Total Liabilities	**$1,086.29**	**$1,315.90**	**$948.88**	**$1,119.59**	**$3,637.11**	**$3,529.30**	**$3,819.54**	**$3,901.88**	**$3,897.09**	**$3,946.83**	**$4,017.47**	**$4,312.29**
Total Shareholders' Equity	**$1,882.92**	**$2,231.82**	**$2,549.53**	**$2,975.91**	**$3,557.96**	**$4,063.60**	**$4,337.99**	**$4,985.99**	**$5,696.23**	**$6,500.97**	**$7,417.82**	**$8,472.38**
Additional Paid in Capital	$284.61	$299.93	$320.75	$397.34	$578.81	$665.50	$743.98	$799.39	$833.24	$870.39	$909.06	$960.68
Retained Earnings	$1,397.33	$1,688.05	$1,949.52	$2,253.93	$2,605.98	$3,093.55	$3,643.41	$4,247.70	$4,926.90	$5,697.38	$6,578.57	$7,584.42
Deferred Compensation Obligation	$4.23	$4.89	$5.30	$5.30	$6.32	$6.32	$6.75	$7.15	$7.76	$8.45	$9.20	$10.25
Accumulated Other Comprehensive Income	($16.74)	($9.15)	($8.55)	($46.50)	($40.18)	($46.20)	($56.15)	($68.26)	($71.67)	($75.25)	($79.01)	($82.96)
Total Liabilties & Shareholders Equity	**$2,969.21**	**$3,547.71**	**$3,498.41**	**$4,095.50**	**$7,195.06**	**$7,592.90**	**$8,157.53**	**$8,887.87**	**$9,593.32**	**$10,447.80**	**$11,435.29**	**$12,784.67**

Condensed Statement of Cash Flows

In Millions of USD 3 Months Ending	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	2025 FYE	2026 FYE	2027 FYE	2028 FYE	2029 FYE	2030 FYE
Condensed Cash Flow Statement												
Cash from Operating Activities												
Net Income	$327.90	$313.98	$304.22	$351.68	$403.60	$514.11	$581.30	$637.59	$715.06	$809.54	$923.72	$1,053.21
Depreciation & Amortization	$83.50	$88.56	$93.02	$96.33	$130.04	$175.33	$214.26	$228.88	$247.60	$254.66	$285.70	$321.00
Share-based Compensation Expense	$10.33	$10.13	$9.06	$12.65	$15.48	$18.78	$21.79	$25.29	$29.38	$34.12	$39.63	$46.03
Deferred Income Tax Benefit	($6.39)	($6.00)	($15.64)	$8.88	($26.53)	($22.00)	($22.00)	$3.35	$0.00	$0.00	$0.00	$0.00
Other Non-Cash Adj	$54.31	$50.99	$51.90	$59.72	$43.51	$120.94	$62.54	$63.42	$64.72	$69.14	$70.71	$75.25
Change in Non-Cash Working Capital												
Accounts Receivable	($28.98)	$71.52	($27.30)	($29.27)	($65.60)	($20.82)	($15.81)	($18.76)	($20.22)	($22.03)	($23.98)	($26.71)
Inventories	($30.08)	($28.32)	($10.12)	($89.19)	($124.78)	($132.93)	($59.19)	($62.99)	($66.71)	($72.66)	($79.11)	($88.10)
Accounts Payable	($3.85)	($30.33)	$6.91	$25.57	$10.98	($9.81)	($4.02)	($4.18)	($4.55)	($4.96)	($5.40)	($6.01)
Increase (Decrease) in Other	$30.64	($61.42)	$32.04	$31.49	$62.04	$17.97	$89.77	$84.59	$63.59	$63.98	$75.48	$71.91
Cash Flow from Operations	**$437.38**	**$409.13**	**$444.08**	**$467.86**	**$448.74**	**$661.57**	**$868.64**	**$957.18**	**$1,028.86**	**$1,131.81**	**$1,286.75**	**$1,446.57**
Cash from Investing Activities												
Acquisitions	($240.84)	($163.94)	($136.50)	($347.31)	($2,421.79)	($219.29)	($525.11)	($540.99)	($601.84)	($943.62)	($652.89)	($684.83)
Capital Expenditures	($28.94)	($22.94)	($36.18)	($31.98)	($49.43)	($58.26)	($62.20)	($65.96)	($71.54)	($77.92)	($84.85)	($94.48)
Other Investing Activites	($10.87)	($12.16)	($10.77)	($16.54)	($13.25)	($15.65)	($14.45)	($13.38)	($13.74)	($14.50)	($14.16)	($14.31)
Cash Flow from Investing	**($280.65)**	**($199.04)**	**($183.45)**	**($395.83)**	**($2,484.47)**	**($293.20)**	**($601.76)**	**($620.33)**	**($687.13)**	**($1,036.04)**	**($751.90)**	**($793.63)**
Cash From Financing Activities												
Dividends Paid	($18.69)	($21.55)	($23.00)	($24.47)	($27.37)	($29.07)	($31.44)	($33.30)	($35.86)	($39.06)	($42.53)	($47.36)
Proceeds from Exercise of Stock Options	$8.55	$6.96	$5.34	$2.35	$6.71	$7.95	$8.46	$8.96	$9.69	$10.55	$11.49	$12.80
Increase/Decrease in Borrowings	$25.93	$176.68	($506.47)	$48.99	$964.94	($248.92)	($15.96)	($58.68)	$0.13	($12.01)	($61.84)	($60.39)
Decrease in Capital Stocks	($64.01)	($12.12)	($3.79)	($25.95)	($14.85)	($29.91)	($33.49)	($95.11)	($39.86)	($42.64)	($48.20)	($51.86)
Other Financing Activities	($111.49)	($12.22)	($31.05)	($34.76)	$1,135.61	($89.44)	($46.18)	($53.42)	($58.53)	($56.47)	($60.81)	($55.08)
Cash Flow from Financing	**($159.72)**	**$137.74**	**($558.97)**	**($33.83)**	**$2,065.05**	**($389.39)**	**($118.61)**	**($231.54)**	**($124.44)**	**($139.63)**	**($201.89)**	**($201.89)**

Appendix 16 – Environmental, Social, and Governance Model

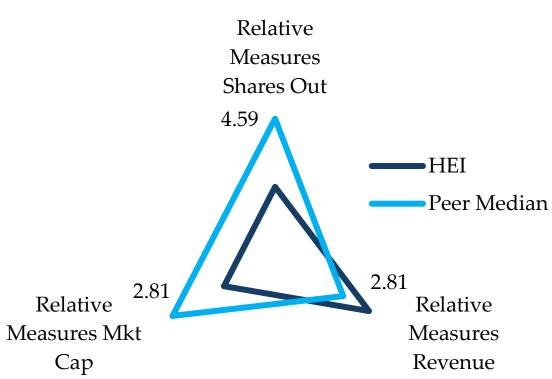
CSR Model – 10-K and Website Analysis

	HEICO	Howmet Aerospace	AAR	Woodward	Safran	TransDigm
Corporate Social Responsibility	0	1	0	1	1	0
Scholarships	0	1	1	0	0	1
Education programs	1	1	0	1	0	1
International community	1	1	0	1	1	0
Diversity and inclusion	1	1	0	1	1	1
Workplace diversity initiatives	1	1	0	1	1	1
Volunteer programs	0	1	0	1	1	1
Sustainability programs	1	1	0	1	1	1
Environmental impact initiatives	0	1	0	0	1	1
Community investment	0	1	0	1	1	1
Environmental, Social, & Governance	1	1	0	0	1	0
Sustainability reporting	0	1	0	1	1	0
Impact reporting	1	1	0	1	1	0
Corporate citizenship	1	1	0	0	1	1
Sustainability	1	1	1	1	1	1
Giving back	1	1	0	1	1	0
Social programs	1	1	0	1	1	0
Community engagement	0	1	0	1	1	1
Foundation	1	1	0	0	0	1
Community Development	0	1	0	1	1	1
Corporate giving	1	0	0	1	1	0
Impact initiatives	0	1	0	0	1	1
Donations	0	1	0	1	1	1
Average	36%	84%	4%	49%	67%	40%

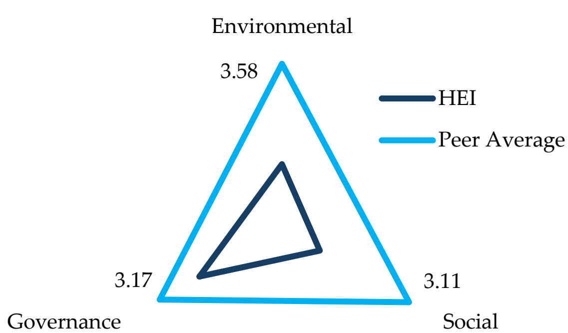
*Red represents not mentioned on website for CSR, green represents mentioned on website for CSR

*Artificial intelligence gave words associated with social responsibility to look for within peer websites

Governance Score Model – 10-K Sentiment



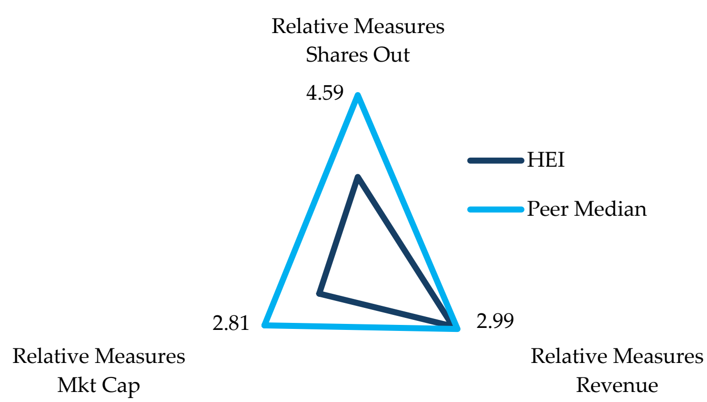
Overall ESG Score Chart



*For both the environmental score model and governance score model, 10-K sentiment was used to evaluate. Similar to the CSR model, artificial intelligence gave words associated with environmental sustainability and corporate governance due diligence.

*All metrics were measured relative to the market cap, revenue, and shares outstanding of each company.

Environmental Score Model – 10-K Sentiment



DEI Model – Glassdoor Analysis

	HEICO	Howmet Aerospace	TransDigm	Woodward	Safran	AAR	Peer Median
White	68%	72%	62%	68%	82%	n/a	70%
Black	n/a	66%	n/a	36%	66%	n/a	56%
Asian	n/a	92%	78%	n/a	88%	n/a	86%
Indigenous	n/a	n/a	n/a	n/a	88%	n/a	88%
Hispanic	n/a	82%	72%	78%	90%	n/a	81%
Standard Deviation - Race	n/a	11%	8%	22%	10%	n/a	13%
Score - Race	1.25	5.25	1.50	0.50	6.00	1.5	2.67
Men	76%	72%	66%	68%	80%	n/a	72%
Women	54%	70%	70%	66%	80%	n/a	68%
Standard Deviation - Gender	16%	1%	3%	1%	0%	n/a	4%
Score - Gender	2.00	4.00	4.00	2.00	6.00	1.50	3.25
Heterosexual	74%	76%	64%	68%	82%	80%	74%
LGBTQ+	n/a	64%	78%	72%	76%	n/a	73%
Standard Deviation - Sexual Orientation	n/a	8%	10%	3%	4%	n/a	6%
Score - Sexual Orientation	2.00	2.00	2.00	2.00	6.00	3.00	2.83
Non-disabled	74%	72%	70%	70%	82%	68%	73%
Disabled	n/a	n/a	n/a	68%	62%	n/a	65%
Standard Deviation - Ableness	n/a	n/a	n/a	1%	14%	n/a	8%
Score - Ableness	3.00	1.00	1.00	4.00	2.00	1.00	2.00
Not a Parent	60%	70%	64%	70%	80%	76%	70%
Caregivers	n/a	n/a	82%	n/a	84%	n/a	83%
Parent/Guardian	86%	70%	68%	70%	82%	n/a	75%
Standard Deviation - Parenthood	18%	0%	9%	0%	2%	n/a	6%
Score - Parenthood	1.88	2.63	1.50	2.63	6.00	2.63	2.88
Non-Veterans	72%	76%	74%	68%	80%	76%	74%
Veterans	n/a	46%	50%	66%	84%	n/a	62%
Standard Deviation - Veteran Status	n/a	21%	17%	1%	3%	n/a	11%
Score - Veteran Status	1.00	2.00	0.00	4.00	6.00	3.00	2.67
Total Reported	1.30%	3.14%	8.19%	7.97%	10.37%	0.63%	5.27%
Reporting Score	0.00	6.00	0.00	6.00	6.00	0.00	3.00
Median	73%	72%	70%	68%	80%	76%	73%
DEI Weighted Score %	31%	47%	28%	42%	89%	35%	46%

*N/a gives 0.25 points, yellow gives 0.5 points, red gives 0 points, green gives 1 point

*All categories of DEI (race, gender, orientation, ableness, parenthood, veteran status, reporting) equal weighted

*Above peer median is green, below peer median is red, equal to peer median is yellow