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WAIR - Q1 2016 Wesco Aircraft Holdings Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 04, 2016 / 10:00PM GMT

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PRESENTATION

Operator

Welcome to the Wesco Aircraft Holdings first-quarter FY16 earnings call. My name is Anna, and I will be your operator for today's call.

(Operator Instructions)

Please note that this conference is being recorded. I will now turn the call over to Jeff Misakian.

Jeff, you may begin.

Jeff Misakian - *Wesco Aircraft Holdings Inc. - IR*

Good afternoon, everyone, and thank you for participating in Wesco Aircraft's FY16 first-quarter earnings call and webcast. We've included slides with today's presentation to help illustrate some of the points being made and discussed during the call. These slides can be accessed by visiting our website at www.wescoair.com and clicking on Investor Relations.

We are joined today by Dave Castagnola, President and Chief Executive Officer, and Rick Weller, Executive Vice President and Chief Financial Officer.

Please turn to slide number 2.

As a reminder, today's conference call includes forward-looking statements within the meaning of Federal Securities regulations. Although the Company believes that such forward-looking statements are reasonable, we cannot assure you that any forward-looking statements will prove to be correct. Forward-looking statements are not guarantees of future performance. And involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those anticipated at the time the forward-looking statements are made.

Additional information relating to factors that may cause actual results to differ from our forward-looking statements can be found in the Company's filings with the Securities and Exchange Commission including the Company's annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Wesco Aircraft undertakes no obligation to update or revise forward-looking statements, except as required by law.

Now I would now like to turn the call over to Dave Castagnola.

Dave?

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

Thanks, Jeff.

Please turn to slide 3.

We reported adjusted diluted earnings in the first quarter of FY16 of $0.25 per share, consistent with the same period last year. Sales were impacted by the end of the large commercial contract on March 31 of last year that we have discussed in the past, as well as currency movement.

Our cost-reduction plan drove a significant decline in expenses and partially offset the lower sales results in the quarter. Through focused execution, we are driving incremental improvement in earnings leverage in the business. Results also benefited from reduced interest and income tax expense, which Rick will talk about in his remarks.

Please turn to slide 4.

We saw good progress across the business in the quarter. Underlying sales momentum improved in long-term contracts. We are progressing the implementation of our materials management and demand planning activities. And we are driving costs lower and improving productivity. Our site and supply consolidation efforts are on schedule, and we are enhancing our facility structure and flow.

The aerospace market continues with strong demand and expected growth in the mid-single digits over the next several years. And Wesco remains well-positioned, servicing a broad base of customers with a strategic portfolio of products and services that support commercial, military and business markets.

Please turn to slide 5.

Sales expanded in the first quarter, adjusted for the items I mentioned a moment ago. We recorded wins with strategic customers in the quarter, including the renewal of a multi-year contract with Triumph to provide hardware services and manage new sites.

More recently, we announced a renewal of our hardware services agreement with Gulfstream. And we signed a multi-year contract with another major tier 1 supplier to the Global Aerospace industry that extends hardware services and expands chemical services.

These agreements build on long-standing relationships with key customers and position us well on growth platforms. They also provide opportunities for expansion of our service offering in the future.

Our strategic sales pipeline continues to expand, with multiple opportunities at various stages. We expect to announce more agreements in the future.

Sales to strategic customers represent a strong opportunity to leverage Wesco's combined offering to top-tier global companies. And we are gaining momentum in this channel, as we continue to demonstrate and deliver Wesco's value proposition. While these wins are a key part of our FY16 sales expansion strategy, they are expected to primarily benefit growth in FY17 and FY18.

At the same time, regional sales activities through our global branch network are going after opportunities in the ad hoc market, while continuing to support LTA contract expansion. The increased focus on MRO sales efforts is making good progress, with the growing pipeline providing for future upside potential.

Please turn to slide 6.

Materials management activities are progressing. We are working to align inventory to demand, defining categorization to better link deliveries to period of supply, driving standardization, and establishing focused procurement metrics.

Demand planning improvements are being made to achieve stronger links between functions within Wesco and our supplier organizations. And strategic sourcing initiatives are under way. Ultimately, our objective is to improve material management and working capital efficiency. As these processes are new to Wesco, it will take time to see improvement reflected in our results.

Please turn to slide 7.

We took aggressive actions last quarter that target cost savings of $25 million to $30 million in FY16. And as a result, SG&A declined significantly in the first quarter compared to the same period last year and the previous quarter, with reductions in nearly every area of expense.

Our site and supply consolidation activities are progressing on schedule. We have closed or consolidated 12 facilities to date, with more planned this year. We are on track with the planned 14 to 16 site closures we told you about last quarter.

At the same time, improvements are being made in our facility structure to increase velocity and gain further efficiencies. We have established performance metrics to drive execution success while following a regular cadence of reporting to keep all areas on track.

I will now turn the call over to Rick for a review of the financial results, after which I will provide a few closing comments.

Rick?

Rick Weller - *Wesco Aircraft Holdings Inc. - EVP and CFO*

Thanks, Dave.

Please turn to slide 8.

Sales in the FY16 first quarter of $359.8 million decreased 4% compared to the same period last year. Foreign currency movements had a negative impact of approximately $6 million on FY16 first-quarter sales.

Net sales, excluding currency effects, were down 2% due to the end of a large commercial contract Dave mentioned earlier. The rest of our portfolio saw growth of approximately 3%, driven by increased business and new wins in long-term commercial and military contracts. As we told you last quarter, we expect sales momentum to increase in the second half of the year.

Please turn to slide 9.

Adjusted EBITDA was $45.6 million, or 12.7%, of sales in the FY16 first quarter. This compares with $48.8 million, or 13.1%, of sales in the same quarter last year. The most significant driver of the adjusted EBITDA margin decline was the impact of the large commercial contract and currency on gross margin, partially offset by lower SG&A.

Gross profit as a percentage of sales was 140 basis points lower in the FY16 first quarter compared to the same period last year. Improving the margins on other long-term contracts partially offset the impact of the large contract and currency.

SG&A as a percentage of sales was 16.5% in the FY16 first quarter, 130 basis points lower than the first quarter of last year, primarily due to a decline in payroll and other people-related costs. Adjusted for non-GAAP items, SG&A was 15.3% of sales compared to 16.0% in last year's first quarter.

Adjusted diluted earnings per share was $0.25, consistent with last year's first quarter. EPS was impacted by the same items I just discussed in adjusted EBITDA, offset by lower interest and income tax expense. The decline in interest expense reflects debt repayments made over the last year.

Our effective tax rate in the FY16 first quarter was reduced by a favorable mix of taxable income across jurisdictions and discrete tax items. We expect the effective tax rate for FY16 to be in the range of 32% to 33%, slightly lower than our previous guidance, primarily because of the favorable mix of taxable income across jurisdictions.

Please turn to slide 10.

Sales in North America were down 3% in the first quarter but approximately 2% higher when adjusted for the large contract. Shipments on the contract were made out of both segments last year at the request of our customer. Adjusted EBITDA margin in North America reflects this impact and mix, offset by reduced SG&A.

Please turn to slide 11.

Sales in the rest of the world segment declined 7% in the first quarter but were up approximately 7%, adjusted for currency and the large contract. The impact from the contract accounted for about 6 percentage points, while the currency effect was approximately 8 points. Adjusted EBITDA margin in the rest of the world was higher, due to higher underlying sales and lower SG&A.

Please turn to slide 12.

Net inventory was $22 million higher in the first quarter, primarily to support customer demand, which was consistent with our contract replenishment timing. The increase was about one-half the build in the first quarter of last year. Total debt was $948 million at December 31, 2015.

Free cash flow in the FY16 first quarter of $9.5 million reflected strong collections, offset by the timing of cash tax payments. Free cash flow was consistent with the same period last year. We paid down $5 million in debt in the first quarter, and continue to expect to use free cash flow for this purpose in FY16.

Now I will turn the call back to Dave for closing remarks.

Dave?

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

Thanks, Rick.

Please turn to slide 13.

We remain on track and expect to achieve the financial goals we laid out for FY16. We continue to target a net sales increase in the low single digits, supported by above-market growth in our underlying portfolio. The above-market growth is expected primarily in the second half of the year as we pass the impact of the previously-discussed declines.

We're on track for our goal of $25 million to $30 million in cost savings in FY16, which we continue to believe will be the primary driver of an improvement of approximately 100 basis points in EBITDA margin. Finally, we anticipate converting more than 100% of net income into free cash flow this year.

Please turn to slide 14.

We've made good progress in business performance in the first quarter of FY16. We've seen solid sales momentum, made headway in materials management and reduced costs in line with our plan. Our site and supply consolidation remains on track, and we continue to drive efficiencies.

As we discussed last quarter, we have put in place a strong foundation for success, transforming the Company to build upon Wesco's competitive position and robust value proposition in expanding markets. We are now building on that foundation, shifting to a performance-based culture with the necessary business discipline and focus driving execution and delivery of our FY16 goals.

While we still have much work to do, I'm pleased with our progress to date. As we progress through FY16, we will begin the next phase in our evolution to balance short-term execution with longer-term strategic timing.

I will now turn the call over to Jeff to direct the Q&A period.

Jeff?

Jeff Misakian - *Wesco Aircraft Holdings Inc. - IR*

Thank you, Dave.

With that, we will open up the call to your questions. We ask that you limit your questions to one initially to allow everyone a chance to participate. And we do appreciate your assistance in this progress.

Anna, may we have the first question please?

QUESTIONS AND ANSWERS

Operator

Yes, we have a question from Jason Gursky from Citi. Please go ahead.

Jason Gursky - *Citigroup - Analyst*

Good afternoon guys. I was wondering if we could just do a little bit deeper dive on the cadence for the year, particularly as it relates to cash flows and gross margins.

Just give us an idea of despite the perhaps under performance on the cash generation relative to net income this quarter, how it plays out for the rest of the year, whether we start picking it up here right away in the second quarter, if it's more back-end loaded. And same question on gross margins as well.

Rick Weller - *Wesco Aircraft Holdings Inc. - EVP and CFO*

Sure, Jason, this is Rick. God questions. First of all, I will talk a little bit about cash. Cash really is a matter of timing in terms of how we're looking at generating cash through the year.

I mentioned a couple of those points in my opening remarks, but coming back to the timing of cash tax payments, they are really between quarters, Q1 and Q2 is a factor as well the inventory build. That's not unusual, that calendarization of cost and expense for inventory buy that moves through the business each year.

We're typically buying for anticipation of stronger back half of the year revenue as we talked about in the opening remarks. So that has an impact in term of timing of cash generation.

I do think if you look at last year's cash generation, you see a similar pattern. A lot of our cash generating in the back half of the year, although I do anticipate we'd have a pretty strong Q2 cash.

With respect to margin, I think two things there. One is that we do have some impact in the first quarter of the year-over-year compare related to the large contract that I mentioned. And I think when we get past that, you will see more of a pattern of comparability in terms of margin performance that I think is going to even out and actually show a little bit of lift as the year progresses.

The second thing I would say about margin is that increased revenue because of leverage, particularly SG&A leverage, will continue to allow us to be able to see some increasing margins as the year progresses. But I think about our margin for the full year as being about equal to the last year's gross margin, I think it's still in our line of sight for the year.

Jason Gursky - *Citigroup - Analyst*

Okay, thanks guys.

Operator

Our next question is from Sheila Kahyaoglu from Jefferies. Please go ahead.

Sheila Kahyaoglu - *Jefferies LLC - Analyst*

Thanks for taking my question. One on the revenue line, I was wondering -- I know you said you factor in some acceleration in the second half -- if your guidance that you gave earlier -- late last year factors in some of the production rate cuts that have been announced recently.

Rick Weller - *Wesco Aircraft Holdings Inc. - EVP and CFO*

Yes, Sheila, very specifically we're seeing a couple of things going there in terms of production rate. But on the whole, as you step back and look at it, we are seeing overall production rates to be about flat.

And what we're really seeing is a little bit of lift in our long-term agreements from some of the new businesses that Dave mentioned in his opening remarks. And I think as the year progresses, that is where we're going to see a little bit of an increase there is from increased participation both on contract renewals as well as new business wins.

Sheila Kahyaoglu - *Jefferies LLC - Analyst*

And then if I could just slip one more in, in terms of margin, you have done a nice job of cutting down SG&A. If we could focus on the gross profit a little bit, is there any way you could characterize in terms of your cost base what percentage you associate with maybe the facilities that you're cutting down, the labor factor and just the raw materials factor?

Rick Weller - *Wesco Aircraft Holdings Inc. - EVP and CFO*

Yes, I characterize it this way Sheila. I think just in terms of overall SG&A cost being in the $25 million to $30 million range, I would characterize -- the people cost component of that is really roughly about two thirds of the overall cost impact. And the other third is across a number of expense categories including rent expense and other things that we're getting from consolidation of facilities themselves.

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

And that would be consistent, Sheila, to obviously what we are seeing in Q1 relative to the SG&A results.

Operator

Our next question is from Carter Copeland from Barclays. Please go ahead.

Carter Copeland - *Barclays Capital - Analyst*

Just a quick clarification on the flat production rates you were talking about, is that for your specific customer set? Presumably the answer is yes. And then the question just on the purchasing impacts, what you're seeing out there in terms of lead times for purchasing given what we've seen across industry with some of the lower production rates on some programs.

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

Well in terms of -- it's Dave, Carter. How are you? In terms of the purchasing side, what we're doing in a business like this is there is a huge lead time transformation of aligning our procurement to demand. So a lot of the inventory that we are bringing in, a lot of procurement we're realizing now was made within lead times 40 to 50 weeks ago.

We're seeing little bit of growth in lead times, but again, the focus that we're having here is to really work towards a more aggregated buy and a more aligned to a period of supply strategy with our suppliers to better provide them visibility and to better manage the way that we procure from them to deal with that. So we think those strategies are going to help us there. Probably over a whole inventory turn is probably the time frame that we expect to see that.

I think just relative to the rates, on our contract rates, we got actually pretty good performance through Q1, really good momentum in that JIT business. So we are positioned pretty well with the platforms. We have done a recent reforecasting of analysis of our all our JIT contracts, and they're holding up very well for the year in terms of production rate and performance, so we feel pretty good about that.

Carter Copeland - *Barclays Capital - Analyst*

Thanks for the color, Dave.

Operator

Our next question comes from Gautam Khanna from Cowen and Company.

Bill Ledley - *Cowen and Company - Analyst*

Thanks, it's Bill Ledley on for Gautam tonight. Had a couple questions for you. Just wanted to know if in the SG&A reduction if there's cash cost from severance or anything like that that may actually have skewed the SG&A a little bit higher than the underlying run rate? And then on the gross margin point, could you perhaps talk about the relative trend between hardware and chemical sales in the quarter just to get a sense of maybe there is mixed impacting it?

Rick Weller - *Wesco Aircraft Holdings Inc. - EVP and CFO*

Sure. This is Rick. On SG&A, we took a restructuring charge in the fourth quarter, and some of the expense ended up being cash into our Q1. We did forecast that, that's not something that came as a surprise to us We knew that would happen.

And there are other things that cycle through with respect to bonus payouts and things like that that are Q1 cash. But again, those are seasonal, they are expected, and they are things that really did not come as a surprise.

Our gross profit gross margins, really two things there. One is that we did have a little bit of a mix impact that we called out, and it really was all inside of the hardware business, LTA versus ad hoc and also a little bit stronger relative chemical sales.

Had a little bit of margin, not much but a little bit of impact that came because commodity pricing indices that we talked about before, those proportionately less than we had seen in the past. But there's still a little bit of margin impact there, but not a whole lot. But on balance, I think the gross profit was more year on year impacted by the large commercial contract.

Bill Ledley - *Cowen and Company - Analyst*

Okay thanks, that helps. If I could get one more in, just wanted to understand the sales trends regionally. And looks like rest of the world was down 6.5% and North America was down 3%.

And I understand the customer transition was larger in North America, but just trying to get a sense of what is driving that geographic sales performance. Thank you.

Rick Weller - *Wesco Aircraft Holdings Inc. - EVP and CFO*

Sure, I think when you talk about it, particularly in the rest of the world, sales was impacted by two things. One you mentioned which is a large commercial contract, but the other one is foreign exchange.

When you adjust for both of those, we actually had very good sales momentum in the rest of the world, and no reason to think that won't continue to be the case. North America's a little bit less, a little bit less impact. The commercial contract certainly was, but I think that is really more about the timing of how we're going to see ad hoc and some LTA momentum as we get into the back half of the year.

Bill Ledley - *Cowen and Company - Analyst*

Okay, thank you very much.

Operator

Our next question is from Chris Olin from Rosenblatt Securities.

Chris Olin - *Rosenblatt Securities - Analyst*

Can you talk a little bit about that you are seeing in MRO and maybe on the airline spending? And how do you feel about your position there and on a go forward basis?

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

Hello Chris, this is Dave. I think as we talked about in Q4 and really where we are in Q1 in terms of our position relative to MRO, we're certainly underrepresented in that market.

So what we're driving to now is really the embryonic stage of developing our organization and our strategy. And the results of that in Q1 really is to -- we realized really a pretty significant pipeline from a historical perspective relative to what Wesco has seen in the past.

In terms of the opportunities given where we are in that business, the opportunity is tremendous in terms of upside potential and the future for Wesco. The other thing we're seeing in the MRO market is the customers are looking for choices.

So we have the product, we have the facilities, we have the capability. So we see at this stage not too much worry about the broader macroeconomic trends relative to the MRO market. It's big enough for us, and our position in it is really significant upside potential for us in the future. And that's the way we're looking at it right now, Chris.

Chris Olin - *Rosenblatt Securities - Analyst*

Okay, thanks.

Operator

Our next question is from Myles Walton from Deutsche Bank.

Myles Walton - *Deutsche Bank - Analyst*

Hoping to start with on the contract extensions, if you can talk a little bit about the expansion of the award and the nature of the expansion, if it is value added, kitting, or if it's simply SKU shift from other distributors.

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

This is Dave, Myles. So let me talk about that. I will talk specifically about them to the depth that we are comfortable.

Triumph, obviously the agreement there extended our previous contract, where we provide integrated supply chain services for hardware. And it also -- so we not only have that, but it also expands the relationship to manage additional sites. So it also has added chemicals to that.

In terms of Wesco going to market as one integrated company now, this is a customer that we have a long-standing relationship with, we created a very, very good mutual win-win value equation with each other. From that, we were able to leverage that and grow it. So that particular win is not only a follow-on win, but it's a growth win for chemicals and hardware.

Gulfstream renewals, again is also to provide integrated supply chain services for hardware, primarily fasteners and electronic components. Primarily in North America, we have a long-standing agreement -- long-standing relationship with Gulfstream, and it really positions us well to grow with Gulfstream on some of their newer platforms.

The new agreement with the tier 1 supplier extends the supply chain services for hardware and expands chemical services. It deepens our relationships, and it also provides for further expansion of opportunities and it as well is for hardware and chemicals. So what we are seeing with those three wins really is our broader portfolio is being bought by these tier ones, and our ability to deliver that across the board is really creating the opportunity as I said earlier for a value proposition that in the past they would have to go to multiple suppliers to get.

Myles Walton - *Deutsche Bank - Analyst*

Just one follow-up on that topic, it doesn't look like there is any type of pre-buy to stock the inventory. And there's presumably either value add or existing SKUs that you can satisfy. And also it doesn't sound like there's any onboarding negative margin dilution at all.

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

So on the first question, for all the questions, yes, they are -- in our momentum case, we do not have to do additional near-term buying. And then we have the obviously the prerogative in terms of planning to bring the new sites online to make sure we have the hardware to support that.

And we are being very careful in terms of -- we have the ability as we continue to expand our portfolio and size of supply into these customers to increase that value proposition and also protect our margins overall. They look at us from a total value equation.

So whether it is price, whether it is SG&A reduction, whether it is working capital improvement, we provide all that to them. Whether it is scrap reduction with our chemical management services, all of these have significant intrinsic values to the tier 1s. That's how they look at our value proposition, and by going to market the way we do now, we really have increased our value proposition.

Myles Walton - *Deutsche Bank - Analyst*

Okay, and just one clarification, sorry to squeeze it in. The 100% cash conversion, that's versus your adjusted net income and EPS or versus the GAAP net income and EPS?

Rick Weller - *Wesco Aircraft Holdings Inc. - EVP and CFO*

I think that it's adjusted net income.

Myles Walton - *Deutsche Bank - Analyst*

Okay, thanks guys.

Operator

Our next question is from Mark Hamilton from Venor.

Mark Hamilton - *Venor Capital - Analyst*

Quick question for you, when you talk about low single digits being above the market, could you just talk a little bit more about how that is above the market? Is that you guys are underweight towards after market and that is performing a little worse than the overall market? Just curious how big an out performance are you expecting in your overall views in the market? Thanks.

Rick Weller - *Wesco Aircraft Holdings Inc. - EVP and CFO*

This is Rick, Mark. I guess the way to look at it is -- the point you're making about we look at the market that we planned, what is it that we service in that market and how are we looking at our growth.

Excluding the factors that we talked about earlier, the large commercial contract, we think we're going to track at or better that underlying market going in for some of the same things that Dave just mentioned in terms of programs and momentum into the back half of the year. So that is how we're reading it, that is how we're seeing our participation in that market for the year.

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

Mark, this Dave. Just to comment on that, particularly in our strategic customer accounts, to a lesser extent on MRO and to some extent on some of the LTA conversion growth, we're now being able to -- as we win those positions now, we are able to start to predict and anticipate when those will come in. So some of those even though they're longer term as I said earlier, some of that is going to be realized in the latter part of this year, and that will help us in that uptick.

Mark Hamilton - *Venor Capital - Analyst*

Got you, understood. Just to clarify, if you guys are above market low single digits, are you seeing the overall market as flat? Is that a good characterization, or how big of a relative out performance is that?

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

We're seeing the market -- the overall market for distribution just over mid-single digit. And we see ourselves just a bit north of that when we talk about higher than market performance.

Mark Hamilton - *Venor Capital - Analyst*

Got it, okay, thank you.

Operator

(Operator instructions)

We have a question from Kevin Ciabattoni from KeyBanc Capital Markets.

Kevin Ciabattoni - *KeyBanc Capital Markets - Analyst*

Good evening guys. Wondering if you could maybe give some specific examples of some of the material and working capital management initiatives that you took in the quarter and maybe talk a little bit about what -- I guess what inning you are in in that process as it plays out.

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

Kevin, I will take that one. With anyone, and that is a great question, we are in the early innings really, to use that analogy.

If you think about what we have done here in terms of bringing in as I mentioned last quarter, SIOP and demanding planning materials management. Where we are in the last quarter, we ran a significant materials management event where we identified and classified all our inventory. And then we did an alignment to demand. We had not had that at Wesco.

And from that, we took significant actions in Q4 relative to inventory as we understood that. We have now categorized that inventory to period of supply, and we are right in the process right now of a multi-week demand planning event where we are working to put in the detailed processes relative to how we're going to go to market relative to demand planning in order to buy to those categories by period of supply for the longer term.

And then as I said earlier, because we have somewhat of a long lead into some material, we have a lot of material that is coming that was ordered well in advance of all of this activity. So as we work through those receipts and we implement the new processes of demand planning material management, we should expect to see an evolution working with our suppliers and then a longer-term benefit in the future as we wash through that cycle in the performance.

Kevin Ciabattoni - *KeyBanc Capital Markets - Analyst*

Great, thanks and then maybe just one more for me. You guys mentioned you've got a pretty good pipeline in MRO right now relative to where it's been in the past. Is it simply a matter of building that pipeline out, or in order to get wins, do you guys see having to add additional infrastructure, inventory? What needs to go on there to transition that business out of the pipeline into actual wins?

Dave Castagnola - *Wesco Aircraft Holdings Inc. - President and CEO*

Kevin, Dave again. The pipeline we're growing now, we have the products and we have the infrastructure and facilities to support that.

And by the nature of that business, it fits us very well. It's ad hoc nature in business in many cases with some of our customers, yet it could have some LTA JIT type attributes depending on the sophistication or the need.

We are all over the world with our sites, we are aligned to all the tier 1s, we are very complementary in terms of where we are relative to where the MROs are. The current pipeline that we have though, as I said earlier, very complementary to what we have. And we are ready to go when we win those.

Kevin Ciabattoni - *KeyBanc Capital Markets - Analyst*

Okay, perfect, thanks.

Operator

We have no further questions at this time. Jeff, do you have any closing remarks?

Jeff Misakian - *Wesco Aircraft Holdings Inc. - IR*

Yes, just very brief. Thanks Anna Thanks everyone. On behalf of everyone here at Wesco, I'd like to thank you for your participation today. We do appreciate your interest in Wesco, and look forward to speaking to all of you again soon. Thanks and have a good evening.

Operator

Thank you ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.