



# Q3 2016 EARNINGS CALL PRESENTATION

August 4, 2016

**Dave Castagnola**

President and Chief Executive Officer

**Rick Weller**

Executive Vice President and Chief Financial Officer

Information in this presentation should be read in conjunction with Wesco Aircraft's earnings press release and tables for the fiscal 2016 third quarter

## Wesco Aircraft – Investor Relations

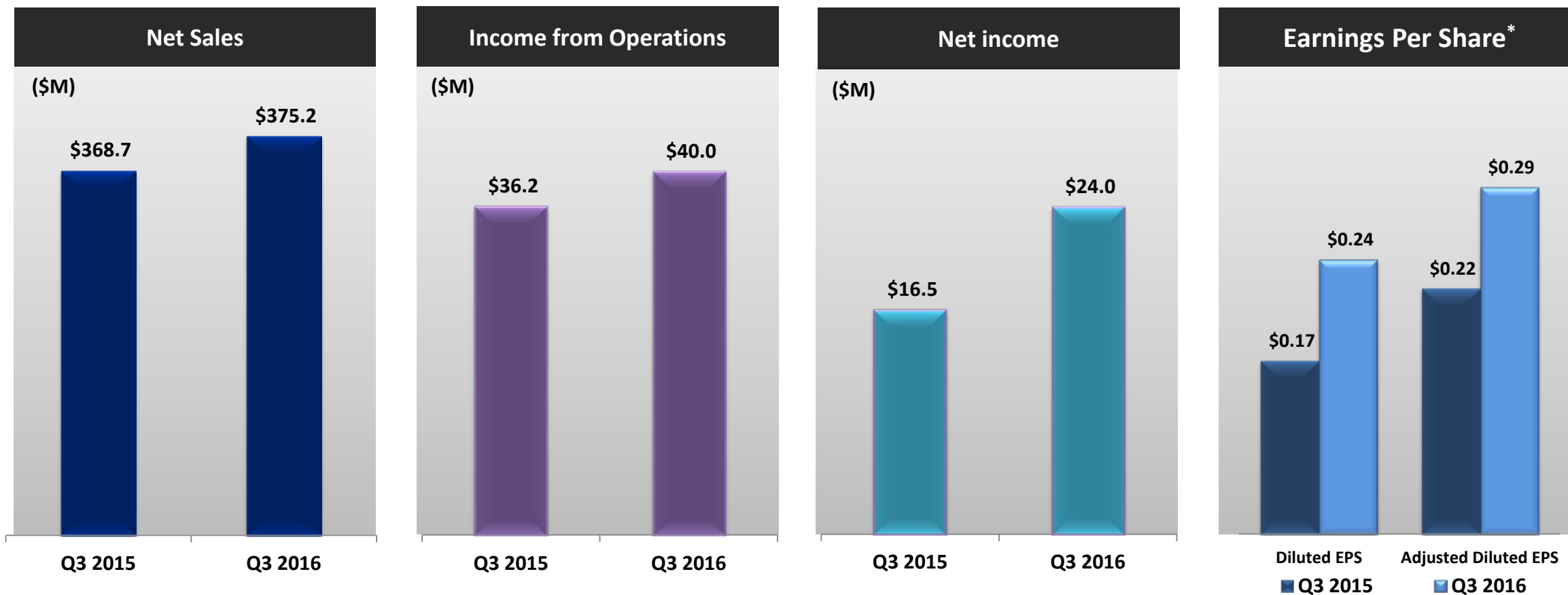
This presentation contains forward-looking statements (including within the meaning of the Private Securities Litigation Reform Act of 1995) concerning Wesco Aircraft Holdings, Inc. (“Wesco Aircraft “ or the “Company”). These statements may discuss goals, intentions and expectations as to future plans, trends, events, results of operations or financial condition, or otherwise, based on current beliefs of management, as well as assumptions made by, and information currently available to, management. In some cases, you can identify forward-looking statements by the use of forward-looking terms such as “achieve,” “address,” “anticipate,” “believe,” “continue,” “could,” “drive,” “expand,” “expect,” “forecast,” “goal,” “grow,” “improve,” “increase,” “outlook,” “potential,” “project,” “will,” “would” or similar words, phrases or expressions. These forward-looking statements are subject to various risks and uncertainties, many of which are outside the Company’s control. Therefore, you should not place undue reliance on such statements.

Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, the following: general economic and industry conditions; conditions in the credit markets; changes in military spending; risks unique to suppliers of equipment and services to the U.S. government; risks associated with the Company’s long-term, fixed-price agreements that have no guarantee of future sales volumes; risks associated with the loss of significant customers, a material reduction in purchase orders by significant customers, or the delay, scaling back or elimination of significant programs on which the Company relies; the Company’s ability to effectively compete in its industry; the Company’s ability to effectively manage its inventory; the Company’s ability to fully integrate the acquired business of Haas and realize anticipated benefits of the combined operations; risks relating to unanticipated costs of integration; the Company’s suppliers’ ability to provide it with the products the Company sells in a timely manner, in adequate quantities and/or at a reasonable cost; the Company’s ability to maintain effective information technology systems; the Company’s ability to retain key personnel; risks associated with the Company’s international operations, including exposure to foreign currency movements; risks associated with assumptions the Company makes in connection with its critical accounting estimates (including goodwill) and legal proceedings; the Company’s dependence on third-party package delivery companies; fuel price risks; the Company’s ability to establish and maintain effective internal control over financial reporting; fluctuations in the Company’s financial results from period-to-period; environmental risks; risks related to the handling, transportation and storage of chemical products; risks related to the aerospace industry and the regulation thereof; risks related to the Company’s indebtedness; and other risks and uncertainties.

The foregoing list of factors is not exhaustive. You should carefully consider the foregoing factors and the other risks and uncertainties that affect the Company’s business, including those described in the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other documents filed from time to time with the Securities and Exchange Commission. All forward-looking statements included in this presentation (including information included or incorporated by reference herein) are based upon information available to the Company as of the date hereof, and the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

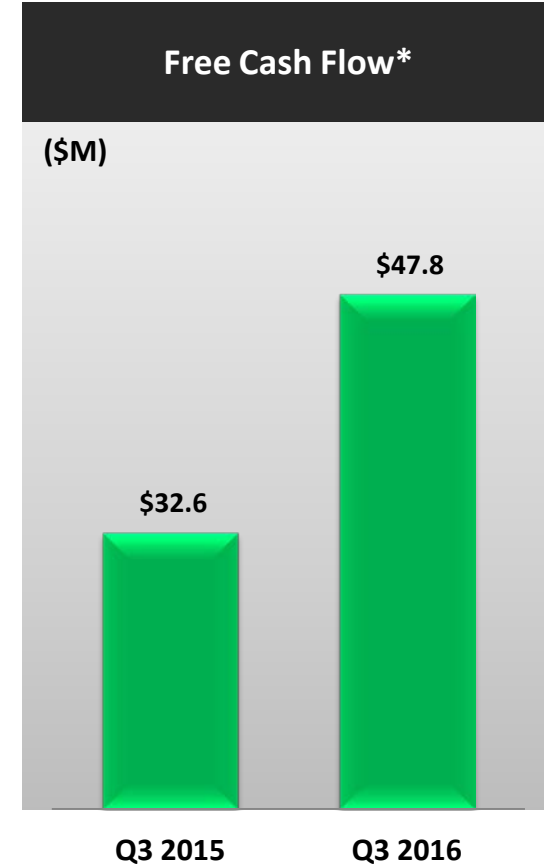
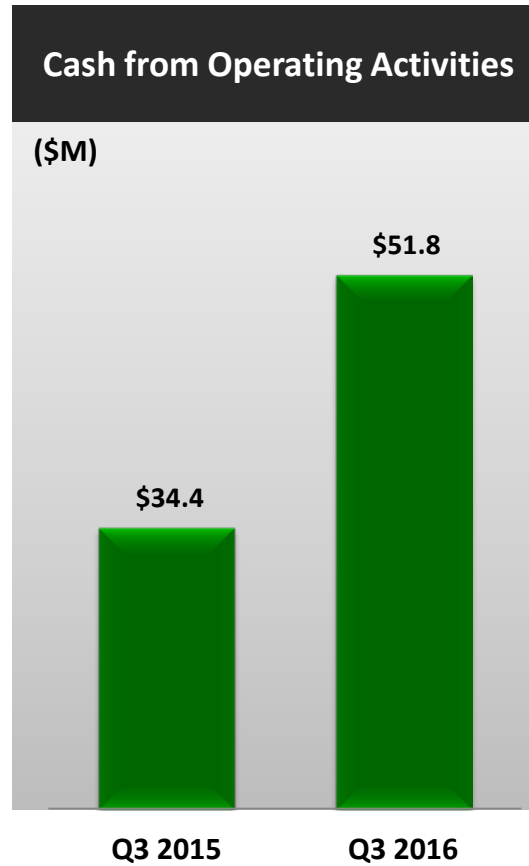
The Company utilizes and discusses Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), Adjusted Net Income, Adjusted Basic Earnings Per Share (EPS), Adjusted Diluted EPS, Net Sales Excluding Currency Effects, Net Sales Excluding Currency Effects and Large Commercial Contract and Free Cash Flow, which are non-GAAP measures its management uses to evaluate its business, because the Company believes they assist investors and analysts in comparing its performance across reporting periods on a consistent basis by excluding items that the Company does not believe are indicative of its core operating performance. The Company believes these metrics are used in the financial community, and the Company presents these metrics to enhance investors’ understanding of its operating performance. You should not consider Adjusted EBITDA and Adjusted Net Income as alternatives to Net Income, determined in accordance with GAAP, as an indicator of operating performance. Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Diluted EPS, Net Sales Excluding Currency Effects, Net Sales Excluding Currency Effects and Large Commercial Contract and Free Cash Flow are not measurements of financial performance under GAAP, and these metrics may not be comparable to similarly titled measures of other companies. See the Appendix for a reconciliation of Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Diluted EPS, Net Sales Excluding Currency Effects, Net Sales Excluding Currency Effects and Large Commercial Contract and Free Cash Flow to the most directly comparable financial measures calculated and presented in accordance with GAAP.

## Wesco Aircraft – Investor Relations



\* See appendix for reconciliation and information regarding non-GAAP measures.

## Wesco Aircraft – Investor Relations



\* See appendix for reconciliation and information regarding non-GAAP measures.

### Increased Recognition of Value in Broad Portfolio of Products and Services

**Higher revenue driven by contract sales growth**

**Commercial and military customer sales gaining traction**

**Business expansion and increased production/content**

**Renewals of hardware, chemical and electrical services**

**Pipeline expansion; opportunities growing**

**MRO pipeline/wins increasing**

**Ad hoc sales stable year-over-year, up sequentially**

**Driving Sales in Q4 2016 and into Fiscal 2017**

### Supply Chain Management Initiatives Progressing

**Improving supplier delivery performance**

**Strengthening materials management – aligning purchases to consumption**

**Securing long-term supplier agreements through strategic sourcing**

**Improved working capital performance**

**Improved inventory/delivery performance and lower material acquisition costs expected over the long term**

**Laying Foundation for Value Creation**

### **Continued Execution Across Operations Network**

**SIOP improving demand forecast accuracy**

**Forecast purchases to demand planning and period of supply**

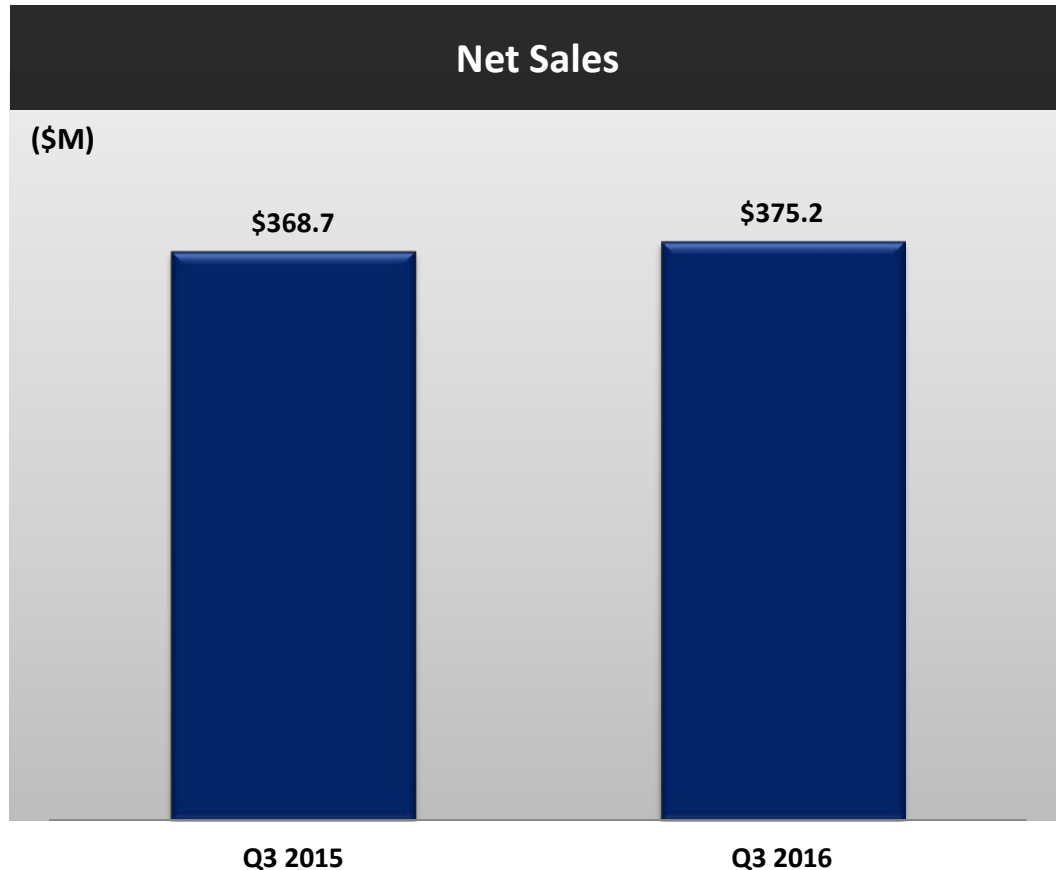
**Site consolidations – 14 facilities to-date**

**Enhancing logistics flow and delivery performance**

**Cross-functional team resourced to implement new business wins**

**More than 30 active implementations at multiple customer sites globally**

### **Continuous Improvement Driving Operational Efficiency**



**Net sales increase of 1.8%**

**Negative currency impact of \$6M**

**Net sales excluding FX up 3.4%\***

**Mid-single-digit growth in contracts**

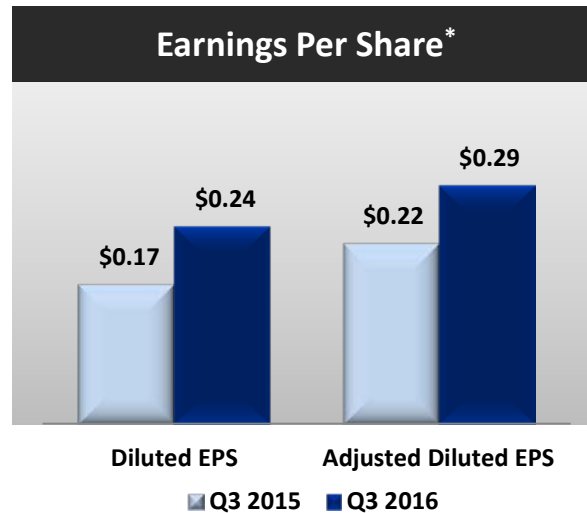
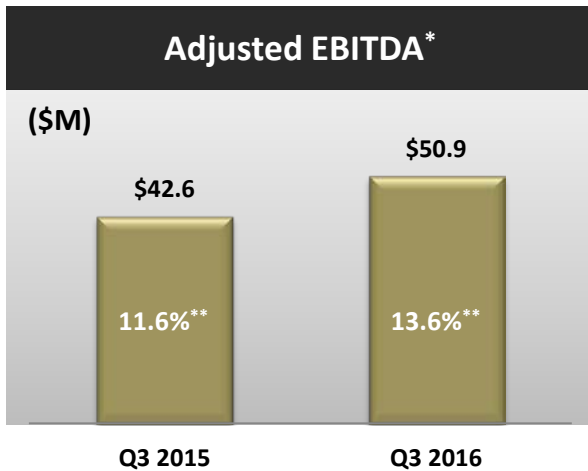
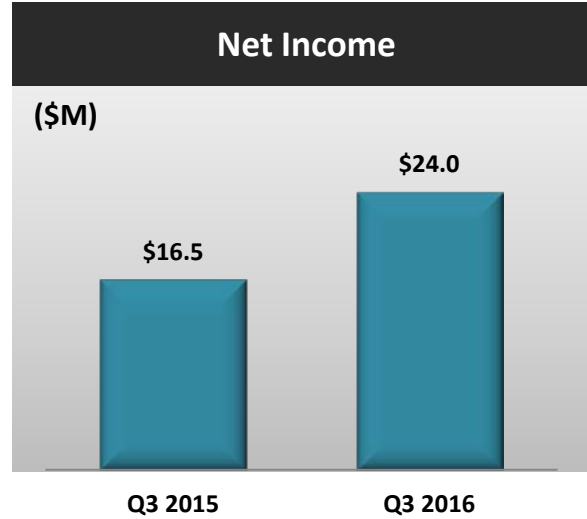
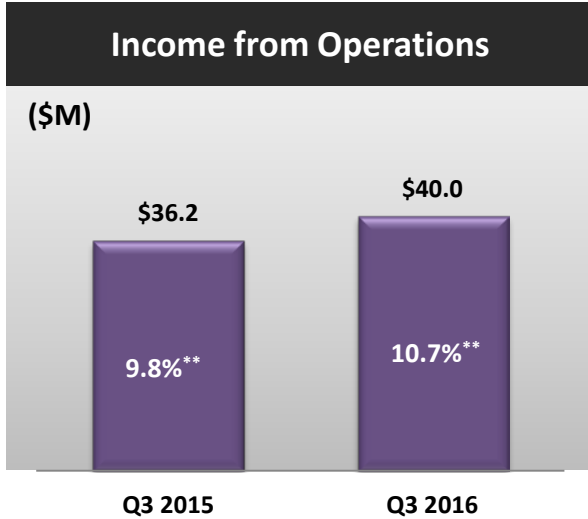
**Similar growth in hardware and chemicals**

**Ad hoc stable; higher than Q2 2016**

\* See appendix for reconciliation and information regarding non-GAAP measures.



## Wesco Aircraft – Investor Relations



Operating income up 11%; margin up 90 bps

SG&A as % of net sales down 240 bps

Lower people-related costs, bad debt, professional fees

Currency impact

Gross margin down 150 bps

Currency (50) bps

Inventory adjustments (50) bps

Commodity-based index change (40) bps

Contract/ad-hoc sales mix (10) bps

Transactional FX gain vs. loss in prior year

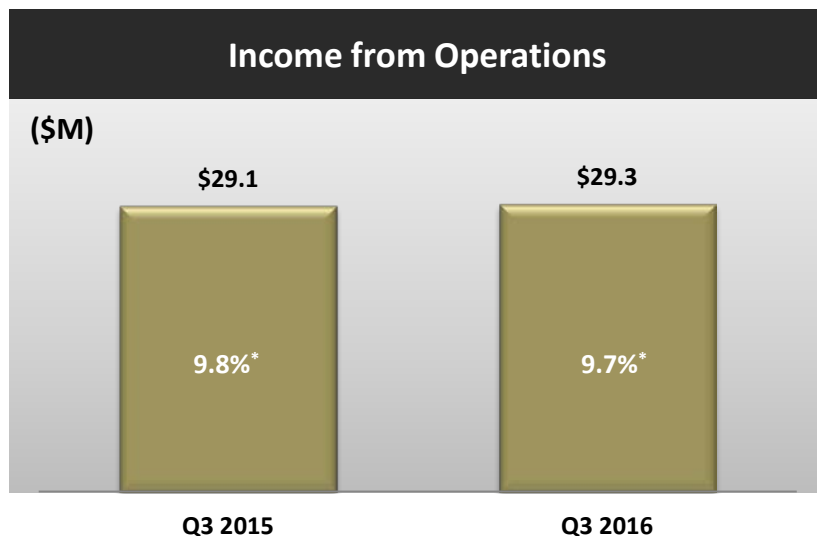
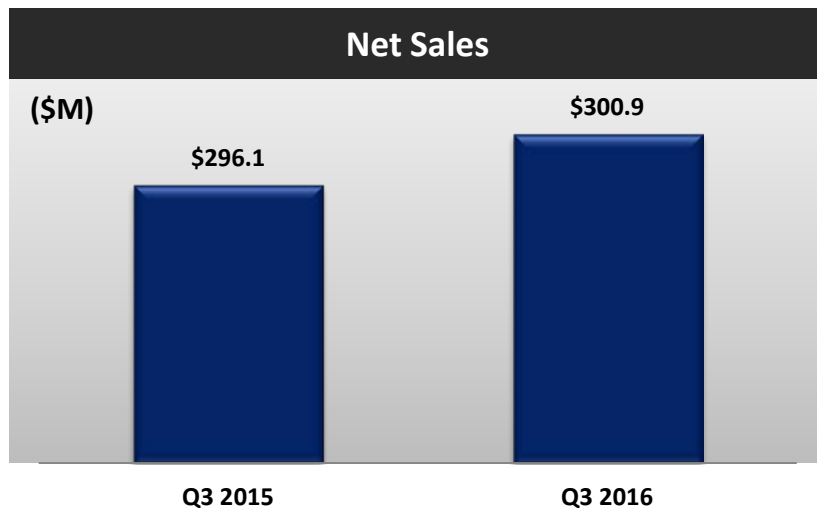
Adjusted EBITDA margin up 200 bps

Lower effective income tax rate

\* See appendix for reconciliation and information regarding non-GAAP measures.

\*\* As a percentage of net sales

## Wesco Aircraft – Investor Relations



\* As a percentage of net sales

**Net sales increase of 1.6%**

**Contract growth primary driver of higher sales**

**Increased production and content**

**New business wins/scope expansion**

**Operating income/margin relatively consistent**

**Gross margin decline of 260 bps**

**Ad hoc vs. contract sales mix**

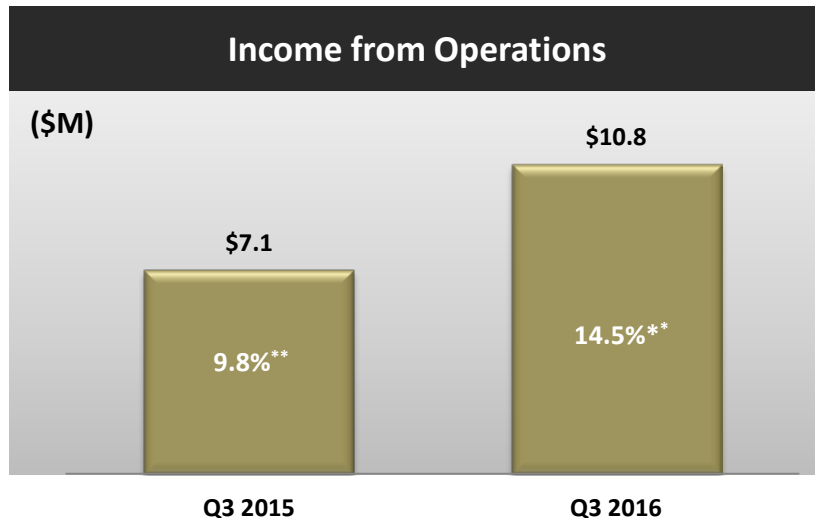
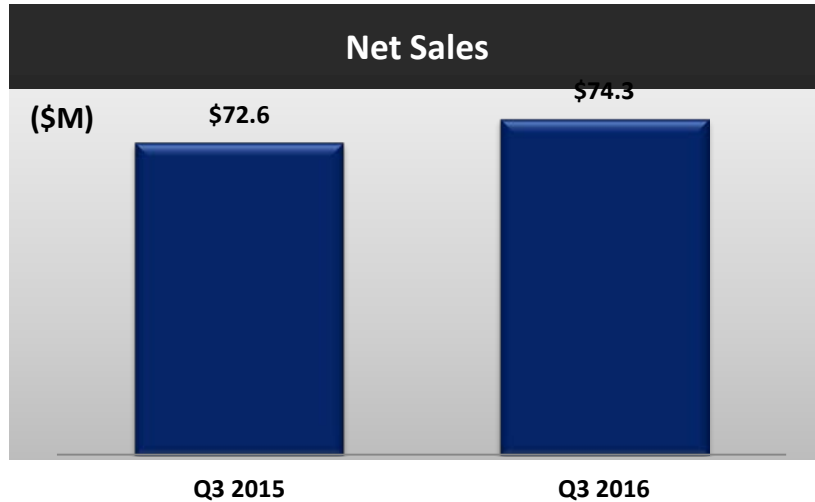
**Inventory adjustments**

**Commodity-based index change**

**SG&A as % of sales decrease of 250 bps**

**Lower people-related costs, bad debt, professional fees**

## Wesco Aircraft – Investor Relations



**Net sales increase of 2.3%**

Negative currency impact of \$6M

Sales adjusted for FX up 10.8%\*

Growth in ad hoc and contract sales

Increased production/content

New business/scope expansion

**Operating income/margin significantly higher**

**Gross margin increase of 250 bps**

Contract margins

Sales volume/mix

Offset by FX impact

**SG&A as % of net sales down 220 bps**

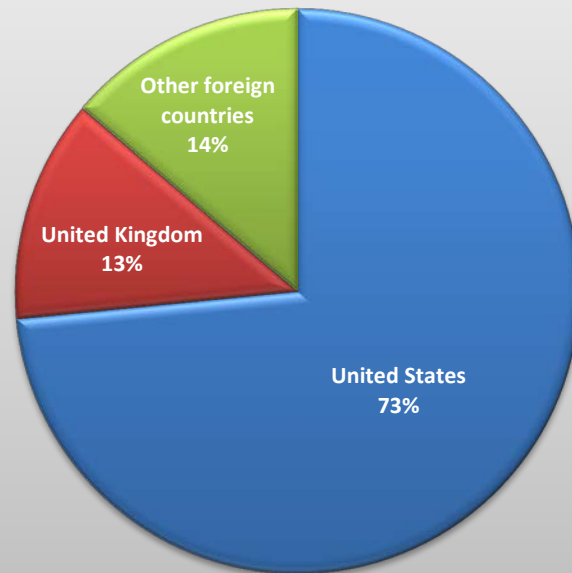
Primarily due to currency

\* See appendix for reconciliation and information regarding non-GAAP measures.

\*\* As a percentage of net sales

### Net Sales by Geographic Area \*

Fiscal 2015 Net Sales of \$1.5 billion



**Greater near-term uncertainty**

**Potential negative impact on U.K. and EU economies**

**Continue to monitor developments**

**Committed to U.K. customers and operations**

**Expected near-term impact primarily from currency**

**Hedges in place to substantially protect transactional FX exposure**

\* Data for the year ended September 30, 2015

## Wesco Aircraft – Investor Relations

(Dollars in Millions)	June 30, 2016	March 31, 2016	September 30, 2015
<b><u>At period end:</u></b>			
Cash and cash equivalents	\$65.5	\$63.0	\$82.9
Accounts receivable	260.6	274.7	253.3
Net inventory	714.2	710.8	701.5
Accounts payable	169.7	158.7	149.6
Total debt	876.9	922.9	952.9
Stockholders' equity	862.9	856.0	817.6

(Dollars in Millions)	June 30, 2016	March 31, 2016	June 30, 2015
<b><u>Quarter ended:</u></b>			
Net income	\$24.0	\$23.5	\$16.5
Adjustments to reconcile to operating cash flow	12.8	13.3	11.1
Working capital change	15.0	(32.6)	6.8
Net cash provided by operating activities	51.8	4.2	34.4
Purchase of property and equipment	(4.0)	(6.1)	(1.8)
Free cash flow*	47.8	(1.9)	32.6
Net income	24.0	23.5	16.5
Free cash flow conversion	199%	(8%)	198%

\* See appendix for reconciliation and information regarding non-GAAP measures.

**Steady progress throughout Wesco's business**

**Overall currency-adjusted sales performance in line with expectations**

**Ad hoc sales below expectations vs. higher contract sales performance**

**Mix shift relative to expectations pressured adjusted EBITDA margin**

**Cost management efforts led to lower SG&A**

**Sales mix shift and currency pressure create challenges in Q4**

**Taking actions to address challenges, primarily through incremental cost savings, as well as benefit from commodity index and pricing changes**

**Committed to Achieving Fiscal 2016 Financial Goals**

<b>Net sales percentage growth</b>	<b>Low Single-Digit</b>
Primarily higher contract growth	
<b>SG&amp;A reduction</b>	<b>\$25-30M</b>
Reduction in headcount, sites and spend \$10M from non-recurring items	
<b>Adjusted EBITDA margin improvement</b>	<b>~100 bps</b>
Primarily through SG&A reductions	
<b>Free cash flow conversion</b>	<b>&gt;100%</b>
Primary usage to pay down debt	
<b>Other items</b>	
Interest expense	\$35-38M
Capital expenditures	\$12-15M
Effective tax rate	29-30%





# APPENDIX

## Wesco Aircraft – Investor Relations

“Adjusted EBITDA” represents Net Income before: (i) income tax provision, (ii) net interest expense, (iii) depreciation and amortization and (iv) unusual or non-recurring items.

“Adjusted Net Income” represents Net Income before: (i) amortization of intangible assets, (ii) amortization or write-off of deferred financing costs and original issue discount, (iii) unusual or non-recurring items and (iv) the tax effect of items (i) through (iii) above calculated using an assumed effective tax rate.

“Adjusted Basic EPS” represents Basic EPS calculated using Adjusted Net Income as opposed to Net Income.

“Adjusted Diluted EPS” represents Diluted EPS calculated using Adjusted Net Income as opposed to Net Income.

“Net sales Excluding Currency Effects” represent net sales for the fiscal 2016 third quarter and year-to-date translated at the corresponding fiscal 2015 periodical average exchange rates.

“Net sales Excluding Currency Effects and Large Commercial Contract” represent net sales for the fiscal 2016 year-to-date period translated at the corresponding fiscal 2015 periodical average exchange rates, further adjusted to remove sales under a commercial hardware contract that ended on March 31, 2015 and sales in fiscal 2016 that were related to this contract.

“Free Cash Flow” represents net cash provided by operating activities less purchases of property and equipment.

Wesco Aircraft utilizes and discusses Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Diluted EPS, Net Sales Excluding Currency Effects, Net Sales Excluding Currency Effects and Large Commercial Contract and Free Cash Flow, which are non-GAAP measures our management uses to evaluate our business, because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. We believe these metrics are used in the financial community, and we present these metrics to enhance investors’ understanding of our operating performance. You should not consider Adjusted EBITDA and Adjusted Net Income as alternatives to Net Income, determined in accordance with GAAP, as an indicator of operating performance. Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Diluted EPS, Net Sales Excluding Currency Effects, Net Sales Excluding Currency Effects and Large Commercial Contract and Free Cash Flow are not measurements of financial performance under GAAP, and these metrics may not be comparable to similarly titled measures of other companies. See the following slides for a reconciliation of Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Diluted EPS, Net Sales Excluding Currency Effects, Net Sales Excluding Currency Effects and Large Commercial Contract and Free Cash Flow to the most directly comparable financial measures calculated and presented in accordance with GAAP.

## Wesco Aircraft – Investor Relations

**Wesco Aircraft Holdings, Inc.**  
**Non-GAAP Financial Information (UNAUDITED)**  
(In thousands, except share data)

	Three Months Ended		Nine Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>EBITDA &amp; Adjusted EBITDA</b>				
Net income	\$ 24,016	\$ 16,479	\$ 68,117	\$ 59,255
Provision for income taxes	9,360	7,961	26,906	31,113
Interest expense, net	9,325	9,335	27,436	28,054
Depreciation and amortization	6,790	6,553	20,843	19,815
EBITDA	49,491	40,328	143,302	138,237
Unusual or non-recurring items <sup>(1)</sup>	1,377	2,266	3,944	7,924
Adjusted EBITDA	\$ 50,868	\$ 42,594	\$ 147,246	\$ 146,161
<b>Adjusted Net Income</b>				
Net income	\$ 24,016	\$ 16,479	\$ 68,117	\$ 59,255
Amortization of intangible assets	3,945	3,987	11,864	11,987
Amortization of deferred financing costs	1,391	1,104	3,144	3,262
Unusual or non-recurring items <sup>(1)</sup>	1,377	2,266	3,944	7,924
Adjustments for tax effect	(2,259)	(2,580)	(6,382)	(8,322)
Adjusted Net Income	\$ 28,470	\$ 21,256	\$ 80,687	\$ 74,106
<b>Adjusted Basic Earnings Per Share</b>				
Weighted-average number of basic shares outstanding	97,929,438	97,004,276	97,511,590	96,924,545
Adjusted Net Income Per Basic Share	\$ 0.29	\$ 0.22	\$ 0.83	\$ 0.76
<b>Adjusted Diluted Earnings Per Share</b>				
Weighted-average number of diluted shares outstanding	98,599,215	97,964,138	98,108,904	97,818,380
Adjusted Net Income Per Diluted Share	\$ 0.29	\$ 0.22	\$ 0.82	\$ 0.76

<sup>(1)</sup> Unusual and non-recurring items in the third quarter and year-to-date periods of fiscal 2016 consisted of integration and other related expenses of \$157 and \$1,211, respectively, as well as business realignment and other expenses of \$1,220 and \$2,733, respectively. Unusual and non-recurring items in the third quarter and year-to-date periods of fiscal 2015 consisted of integration and other related expenses of \$1,936 and \$6,498, respectively, as well as business realignment and other expenses of \$330 and \$1,426, respectively.

## Wesco Aircraft – Investor Relations

**Wesco Aircraft Holdings, Inc.**  
**Non-GAAP Financial Information (UNAUDITED)**  
(In thousands)

	Three Months Ended		Increase / (Decrease)	Percent Change	Nine Months Ended		Increase / (Decrease)	Percent Change
	June 30, 2016	June 30, 2015			June 30, 2016	June 30, 2015		
<b><u>Consolidated</u></b>								
Net sales	\$375,186	\$368,706	\$6,480	1.8%	\$1,111,771	\$1,127,962	(\$16,191)	-1.4%
Currency effects	6,110	-	6,110		18,572	-	18,572	
Net sales excluding currency effects	\$381,296	\$368,706	\$12,590	3.4%	\$1,130,343	\$1,127,962	\$2,381	0.2%
Large commercial contract	-	-	-		(9,782)	(36,172)	26,390	
Net sales excluding currency effects and large commercial contract	\$381,296	\$368,706	\$12,590	3.4%	\$1,120,561	\$1,091,790	\$28,771	2.6%
<b><u>North America</u></b>								
Net sales	\$300,875	\$296,094	\$4,781	1.6%	\$889,816	\$899,193	(\$9,377)	-1.0%
Large commercial contract	-	-	-		(9,782)	(28,162)	18,380	
Net sales excluding large commercial contract	\$300,875	\$296,094	\$4,781	1.6%	\$880,034	\$871,031	\$9,003	1.0%
<b><u>Rest of World</u></b>								
Net sales	\$74,311	\$72,612	\$1,699	2.3%	\$221,955	\$228,769	(\$6,814)	-3.0%
Currency effects	6,110	-	6,110		18,572	-	18,572	
Net sales excluding currency effects	\$80,421	\$72,612	\$7,809	10.8%	\$240,527	\$228,769	\$11,758	5.1%
Large commercial contract	-	-	-		-	(8,010)	8,010	
Net sales excluding currency effects and large commercial contract	\$80,421	\$72,612	\$7,809	10.8%	\$240,527	\$220,759	\$19,768	9.0%

<sup>(1)</sup> In the year-to-date period ended June 30, 2015, the company sold \$36,172 of commercial hardware under a contract that ended on March 31, 2015, as previously disclosed. In the year-to-date period ended June 30, 2016, the company sold \$9,782 of additional commercial hardware related to this contract.

## Wesco Aircraft – Investor Relations

**Wesco Aircraft Holdings, Inc.**  
**Non-GAAP Financial Information (UNAUDITED)**  
(In thousands)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Consolidated EBITDA &amp; Adjusted EBITDA</b>				
Net income	\$24,016	\$16,479	\$68,117	\$59,255
Provision for income taxes	9,360	7,961	26,906	31,113
Interest expense, net	9,325	9,335	27,436	28,054
Depreciation and amortization	6,790	6,553	20,843	19,815
EBITDA	49,491	40,328	143,302	138,237
Unusual or non-recurring items	1,377	2,266	3,944	7,924
Adjusted EBITDA	\$50,868	\$42,594	\$147,246	\$146,161
<b>North America EBITDA &amp; Adjusted EBITDA</b>				
Net income	\$14,067	\$14,335	\$41,473	\$46,492
Provision for income taxes	6,872	6,848	19,853	25,304
Interest expense, net	8,233	8,825	24,073	25,016
Depreciation and amortization	5,769	5,539	17,771	16,694
EBITDA	34,941	35,547	103,170	113,506
Unusual or non-recurring items	1,054	2,222	3,589	7,468
Adjusted EBITDA	\$35,995	\$37,769	\$106,759	\$120,974
<b>Rest of World EBITDA &amp; Adjusted EBITDA</b>				
Net income	\$9,949	\$2,144	\$26,644	\$12,763
Provision for income taxes	2,488	1,113	7,053	5,809
Interest expense, net	1,092	510	3,363	3,038
Depreciation and amortization	1,021	1,014	3,072	3,121
EBITDA	14,550	4,781	40,132	24,731
Unusual or non-recurring items	323	44	355	456
Adjusted EBITDA	\$14,873	\$4,825	\$40,487	\$25,187

**Wesco Aircraft Holdings, Inc.**  
**Non-GAAP Financial Information - Free Cash Flow (UNAUDITED)**  
(Dollars in thousands)

	<b>Three Months Ended</b>			
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Free Cash Flow</b>				
Net cash provided by operating activities	\$ 51,767	\$ 34,381	\$ 17,386	50.6%
Purchase of property and equipment	(3,928)	(1,738)	(2,190)	126.0%
Free cash flow	<u>\$ 47,839</u>	<u>\$ 32,643</u>	<u>\$ 15,196</u>	46.6%
	<b>Nine Months Ended</b>			
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Free Cash Flow</b>				
Net cash provided by operating activities	\$ 66,593	\$ 83,853	\$ (17,260)	(20.6)%
Purchase of property and equipment	(11,161)	(4,650)	(6,511)	140.0%
Free cash flow	<u>\$ 55,432</u>	<u>\$ 79,203</u>	<u>\$ (23,771)</u>	(30.0)%



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