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EDITED TRANSCRIPT

WAIR - Wesco Aircraft Holdings Inc at JPMorgan Aviation, Transportation & Industrials Conference

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CORPORATE PARTICIPANTS

Dave Castagnola *Wesco Aircraft Holdings, Inc. - President & CEO*

Rick Weller *Wesco Aircraft Holdings, Inc. - EVP & CFO*

PRESENTATION

Unidentified Participant

Welcome back to the aerospace and defense track. We're going to continue this morning with Wesco Aircraft Holdings.

We're very pleased to have with us this morning Dave Castagnola, the CEO, and Rick Weller, the CFO, as well as Jeff Misakian from IR. Dave is going to lead it off with some words about the Company and then we'll go into a Q&A.

So, Dave, why don't you take it away?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

All right. Good morning, everyone. Everyone hear me all right? Welcome.

I'd like to take about 5 or 10 minutes and just bring everyone up to speed about Wesco and a little bit about ourselves, where we fit in the industry and what we've been doing since Rick and I joined the Company last May.

We're an established leader in the industry, full service provider of Class C hardware, chemicals and electrical components, primarily to the aerospace industry. You can see there our sales, our financials, 2,600 employees. We have 70 locations around the globe.

And there you can see our product and customer-type focus in terms of the type of work we have. Very comprehensive supplier, anywhere from distribution all the way through full service provider of those products.

We've been going through a lot of transformational change. Wesco, on the hardware side, was a family business started back in the 50s. Evolved to about a $700 million to $800 million business in the mid-2000s. Went public in 2011 and made a transformational acquisition of the chemical business in 2012. And then has gone through some, I would say, difficult growing pains in terms of swallowing an acquisition on its same size, dealing with itself in the public domain, and then working with the largest aerospace companies in the world.

So over the last six to seven months, both Rick Weller and I -- Rick, who's our CFO -- we've come in from the industry, a lot of experience. We've established a vision, goals, one culture, because we had multiple cultures in the Organization.

We looked at the industry we're in, the aerospace industry, and how we fit. And we validated our value proposition. I'll talk a little bit more about that. We've looked at our organization, which was a traditional branch and distribution network and we've aligned that to our market channels. I'll talk a little bit more about that.

We've taken aggressive action on our cost structure in Q4, with the reduction of sites, reduction of SG&A, and rightsizing the business for our future growth.

We're looking at the way we buy our inventory. We're a large procurer of hardware and chemicals. The business traditionally bought ad hoc, one at a time, and we are now moving to a forecast-based demand planning type of material acquisition.

And also, as a publicly traded company we've been aggressively deploying standard business processes through the business.

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All of it geared towards focusing the organization and delivering results.

So, we have a broad mix of customers. We have over 8,000 customers, but our top 25 to 29 customers represent about 65% to 70% of what we do. They're the largest Tier 1 aerospace customers in the world.

You can see our sales breakdown in terms of military and commercial.

We have a unique position in that we provide Class C hardware, chemicals, and electrical components to all of these major global Tier 1 companies. And by doing that, we're also on almost all of their platforms within their company. So we have a very good, diverse mix of products. Really minimizes risk and risk perturbations in the industry.

I mentioned earlier an evolution of this business. The Tier 1 industry, primarily Tier 1 aerospace companies, have been moving towards full-service providers like Wesco for over the last decade. That trend continues, where companies can aggregate their acquisition of this space of products through large providers like Wesco.

That way they do not have to have the procurement organization we can provide, which reduces SG&A. We can provide those products into their production lines, creating lean efficiencies, another reduction in SG&A, a reduction of direct labor costs.

We also buy and hold the inventory and then deliver that inventory on kanbans to their pull signals, which allows them to improve their working capital.

So from a Tier 1 perspective, that allows them to focus on their core competencies, while we provide value in terms of aggregated supply parts, so they get better pricing; reduction of SG&A for the items that I just mentioned; and, of course, better use of their free cash for other investment opportunities in their business. And Wesco has evolved its model to support that over time.

This is a view of all the products that the business provides. You can see them. And in terms of the bottom right is where we get into the vendor-managed inventory. We also have tooling services.

We also have chemical management services, where we have software that our customers use that manages the integration, distribution, usage of chemicals which reduces the scrappage of the chemicals. We have in some of our businesses over 1,400 users in some of our customers using our system to manage chemical management system in over 20 to 30 sites. And I'm talking about major Tier 1 aerospace companies.

We also have quality assurance so every single part we provide meets the quality standards of what's required in order to support the aerospace industry as well as on the chemical side to support the aerospace industry. So a very capable company.

So let me talk a little bit about the highlights investment-wise. So we're in a strong industry, aerospace, in terms of where we are relative to global GDP. Increasing demand for air travel. You can see the aerospace cycle.

Lot of discussions recently of whether the cycle's peaked or not. I think from a Wesco perspective, we have a very good position with our customers. Over 75% of our business is JIT LTA, just-in-time, LTA, long-term contracts, very predictable, with these top tier customers. About 25% of our business is ad hoc distribution, where we'll get a call for a product and we'll provide that product in.

So as the industry continues to expand and we see mid-single-digit growth in the aerospace industry and we see ourselves growing at or just above that in terms of our organic growth.

Very strong industry. I've been in the aerospace industry since 1978, so I've a lot of experience working. Rick comes from the commercial side and the industrial side of the industry. A lot of experience between him and I that we're bringing to Wesco to move the business forward.

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So, our path to market -- on the Class C hardware side, on the top left you're looking at a path to market. This is about a $7 billion to $7.5 billion per year opportunity. Two thirds of it go through service providers like Wesco in the top.

And you could see on the right-hand side some of the high-volume parts are still bought from air (inaudible) direct. But this allows -- and we'll talk about this in a moment -- this really allows a great opportunity for both customers and the supply chain side for using a provider like Wesco.

On the chemicals side, this is about a $4 billion space that we provide into.

So between the two, over $10 billion of market opportunity per year in the aerospace industry, which is growing at a mid-single-digit CAGR. So very robust opportunity in this business. We're well positioned in it, in a very, very good market.

So, very attractive growth profile. OEMs have been outsourcing to a model like Wesco for quite a time, and they continue to do that. You think about a large aerospace company that has gone through a consolidation, done a lot of acquisitions. They have multiple sites. They have multiple production systems. They have multiple MRP systems. They buy from multiple suppliers.

They could come to a provider like Wesco. They could come to a one-stop and we could integrate ourselves into any production system they have, any MRP system they have, and provide that value to them.

We talked about the aerospace cycle. There's a drive for efficiencies always in commercial aerospace and also in defense that we provide for the attributes I mentioned earlier.

And then, the market continues to evolve globally. So particularly in the US aerospace industry, continued pressure on costs, which drives a move to low-cost-country manufacturing, which creates logistical issues in terms of support. Wesco's very agile and very adaptable. We can move where our customers move and we could support them and reduce that risk in terms of their pursuit of low-cost manufacturing around the globe. And we do that.

So our value proposition is very interesting and very unique. You could see on the left-hand side, what we provide to our customers. I mentioned reducing overhead, improving working capital, the ability for us to aggregate demand and buy long better than they can do individually.

You could see on the right-hand side the value we bring to our suppliers. It improves utilization. We can forecast and provide them demand forecasts to better their production system. We provide access to a significant larger amount of customers -- I mentioned we have over 8,000 customers in total -- where the supplier who's now working with someone like Wesco can open up themselves to support that market, where it would be really difficult for them to do that on their own and it's not really a core competency that the larger material suppliers choose to do.

We've been working really hard on the business, aligning the Organization to the strategic market channels. Our strategic customers I mentioned, we've aligned ourselves to them. That's where we have most of our business. That's where a great opportunity to grow the business still exists.

In terms of the value that we could provide, we're a scalable business so the more work we do with the larger aerospace companies the more value we could provide back. It's a very volume-scalable business in terms of value.

We also have the large regional distribution network across the globe that we could service our customers. We've been underrepresented in the MRO market. Only 7% of our sales is in MRO, so that's about $100 million. Has not been a primary focus of the business over time. We have now put strong leadership in place and doubled our sales team in that effort in that market, and we expect to grow in that space.

We've also created marketing and business development to be more analytical about how we approach the future business. We also have some really exciting products and capabilities within the Company that, as a family business, haven't been taken to the next level. And we're looking at those very aggressively to take those to market.

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On the materials management side, I mentioned demand planning, materials management. This is a business that grew up around ad hoc, so ad hoc and distribution buying long one at a time. Yet the business really is a long-term business. It's much more like an aerospace company.

So we are moving towards forecasting demand, buying large, buying over long periods of time. Simpler, easier to plan, simpler transactions. Allows the suppliers to plan better. Creates a win/win in terms of value. And align our buying practices with the way we go to market with our customers. And we're working through that currently.

But we've also developed standardized metrics, best practices from some of the larger companies that we're bringing to Wesco so we could keep track of where we are and take corrective action as we go, to be more deliberate and more sustained and achieve what we say we're going to do.

All of that is being controlled by SIOP, which -- control demand planning. And it drives those improvements on the lower end of the chart. All of that is looking to drive productivity as we align our logistics and our operations for speed.

So we want to -- we've categorized our parts category 1, 2, 3 and 4. Categories 1 and 2 parts move in terms of 5 or 6 turns, very quick. So we want to make sure we've got that forecast data and we're buying long in that space, because speed to market gets you the sale. Also supports our long-term customers on our long-term contracts.

So financial performance of the Company, you can see net sales has grown pretty significantly, primarily driven by the acquisition of the chemical business, as I mentioned earlier.

Adjusted EBITDA, we're going through a transition phase where the Company a couple of years ago lost a large contract, which we continue to mention quarter over quarter. We're one quarter to go before we have that through. The mix of the chemical business and that program have put some pressure on our margins, but we're working through that. And we'll talk more about that in Q&A.

So here are the sales, adjusted EBITDA margin, and the adjusted EPS. As I mentioned earlier, we took significant actions in Q4. We looked at our inventory. We have moved our inventory to a consumption-base-period supply model. We took a scrappage of a large amount of our inventory that no longer had a path to market.

I mentioned the restructuring cost on sites, not so much about closing sites but more about our rightsizing the sites and realigning those to the market and positioning us for growth.

So we've got some underlying strength in the business. Through Q1 the materials management is progressing. The change of business from ad hoc buying to demand planning takes time to work through that inventory cycle. We're aggressively doing that and we're making a lot of progress.

So a lot of transformational change at the business over the last six months. We switched to execution, which is a big challenge for the business. And as leadership team we're watching that very closely and making sure we support our employees and give them the support they need in order for us to deliver the results that we've committed to our shareholders.

You can the financial summary of Q1. It's a little bit more detail of what I just talked about. And we'll talk about more of that in questions and answers.

For 2016 we've got a good underlying growth of the business above market. And what that means is as we work through the contract that was lost a couple years ago, although sales are down year over year as you look at that, the underlying business is growing better than market. So there's strength in the business in terms of growth.

And that growth will continue in the second half of this year into 2017 and 2018 with the organizational alignment and our sales strategies that I talked about.

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We were very aggressive in Q4, as I mentioned, delivering $25 million to $30 million of cost reduction savings in this fiscal year. We realized $7 million of that in Q1. So we're on track there and we're very pleased about that.

That's improved our ability to leverage EBITDA margins, so we're predicting a 100 basis point improvement at the close of this year, primarily driven through at this point the work we've done on the cost side. And we'll leverage that longer term going forward on the revenue side.

Free cash flow is greater than 100%. We've been focused on debt paydown over the last year. Rick will talk a little bit more about that as we get into the discussion. And you can see the other items.

So we're on track for 2016. This is a business that needs to be able to demonstrate that we can do what we say we're going to do. And we feel pretty confident about what we've done and where we are now to deliver those results going forward and grow the business.

So, strong foundation in place. We are a leader in the industry. We're positioned very well. I talked about that really good value proposition. We talk to our customers. We talk about chemicals, hardware, and electrical. They buy everything. They would like to buy that from one source and they would like to scale up the service that they get compared to the way they do it today.

I came out of that space. That's exactly what we were trying to do when we were on the Tier 1 side. So we understand that and we talk to our customers in that value equation conversation.

Sales are improving. We've got good momentum. I've talked about materials management where we can leverage COGS, better support our suppliers, and ensure that we have the vehicle to grow the business to support our customers going forward.

We have deployed lean enterprise excellence. A lot of companies talk about it; doing it is a different thing. We have a lot of experience in my background and Rick's in this field that we're driving. We're aligning all the logistical centers around the way we're buying product, the speed of delivering that product. And leaning on our logistics centers to support and be aligned with our customers.

And we're in a phase of balancing the execution of this business now, and now starting to think about three to four to five years ago, once we get to the right debt-to-equity ratio point, where we want to go next with the business going forward. And we've developed just now, launching a strategic planning process for the business for the first time in the history of the Company.

So, that's a very quick overview of Wesco. And certainly open it up to have some dialog with you. Thank you.

QUESTIONS AND ANSWERS

Unidentified Participant

Thanks very much, Dave. Now we'll go to Q&A. Just touch the microphone button there; when it's red it's on. Maybe I'll start off and ask a few questions and then I'll open it up to the audience as well.

It seems like you guys made a lot of progress recently in turnaround efforts. If you think about from an operational point of view over the course of 2016 maybe the two or three things that you think are most important to achieve this year.

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

Okay. So I think the question was, just to paraphrase it, over 2016 what are the most important things to be focused on in 2016. Certainly on the sales side we are getting really good traction on growing in the strategic customer account side, also on the MRO side, where I mentioned we're underrepresented.

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And we're making good progress. We've announced three major contract renewals and growth wins over the last quarter. And we are also making progress in terms of MRO. We now have the largest backlog of opportunity that we've ever had in the Company. It's important that we show progress there for maybe less so the second half of this year, but more so for 2017 and 2018. And we're starting to look at that now.

The other element I mentioned is the demand planning, the materials management. This is a very complex transformation for the Company. We're watching that very, very closely. We've brought in experts to help us. And we're going through that transformation and that dialog with our suppliers and it's being very well received.

Unidentified Participant

I'm sorry -- that's the SIOP?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

That's SIOP, yes.

Unidentified Participant

And so is there an investment there in terms of IT system? Or can you deploy that with the current IT systems that you have?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

We can deploy it with the current IT system we have.

Unidentified Participant

Okay. Great.

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

It's more about approach.

And then I think the third piece of it really is to ensure we drive and sustain the cost reduction that we put into the business. And to be honest, that was an area that I was most concerned about in Q4 and I feel the best about going forward, that the business has really demonstrated the ability to get after costs and sustained cost reductions. And it hadn't been asked to do that before, so I'm very encouraged about our progress there.

Unidentified Participant

Great. It seems like there's a lot of room for you to penetrate the commercial side of the market with chemicals. It seems like the chemicals piece of the business is very strong in defense right now and there's opportunity in chemicals. Is that because on the commercial side the manufacturers and suppliers are less likely to use distributors? Or is it because they're using other distributors and it's sort of a market share question?

And then, when you look at these companies, are there typically -- is it the same people making decisions about procuring chemicals and hardware and so it's the people that you know? Or is it different people?

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Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

All right. So, a couple of questions there. Let me answer the first one. Really the position we have on chemicals is strong on some of the military Tier 1 companies, just as a result of how the Haas business developed and grew and sought its position.

On the Wesco side, on the Class C hardware side, also more of a strong position on the commercial OE with some less position on the military side.

What's interesting now about Wesco combined is we're able to have a dialog with our customers who buy chemicals from us based on our position in the legacy Haas business and have discussions about hardware and have discussions about electrical components where we're underrepresented. And vice versa on the hardware side, because these customers buy all of that product.

The second part of your question was about who is buying. And I think in terms of the strategic customer accounts I think one of the advantages that we have coming from aerospace is we have a lot of relationships in the aerospace industry now. Personally I have a lot of relationships. And we're leveraging those relationships to have dialog at the C suite level, if that's appropriate, or at other levels of leadership where we could talk about the total value equation.

So, as a Tier 1 at the executive level they're thinking about total value. They're not thinking about what site prefers what method. And the Tier 1's have been moving there aggressively.

And they're all over the map in terms of their progress. Some Tier 1 companies are 100% into service and mature there. And with some of those customers we are not only positioned there but we have a roadmap of sites that we're converting with them, because they really have gone 100% to our model. And we can work there at the strategic sourcing level, with their CEO aware of and approving that.

In other customers where we're underrepresented we're having C-suite levels because we have relationships. We're talking about total value. And they've invited us in to assess where they are and where they're doing well. We tell them we can't provide them value. And where we can provide them value we're starting to outline those conversations and see if we can draw some win/win out of that.

And then other customers, frankly, aren't prepared yet to have a C-suite discussion or aren't prepared yet to procure centrally. And where we have to go to market still by unit, by business to business, or by site to site, we still nurture and support that. So there's no one model. We have the ability to adapt and be agile, depending on where the customer is.

But one of the advantages, again, to being aligned to the strategic customers, though, is to have that elevated discussion about everything we provide to them, so they can have a view of what the total value proposition is that we deliver to them.

Unidentified Participant

And then, on the MRO side, is it a similar landscape? Or is the value proposition any different in terms of what you're bringing and the way that they approach the procurement of Class C parts and chemicals any different than it is in manufacturing?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

Yes. So, the MRO side, yes, it is different. The OEMs have been moving towards, and continue to move aggressively towards, just-in-time LTA long-term contracts. The MRO market is a little bit different. It is more like an ad hoc market. They like to have flexibility. They like to go out to multiple suppliers. It's relationship driven. So the evolution of it is not like the OE side. It's more like a hybrid between our long-term business and ad hoc business.

So, not withstanding that, there is growth opportunities within that business to have long-term agreements. In fact, we just reached one a week or so ago, which is I think a three- to four-year agreement, which is an LTA for a portfolio of products. So we're, again, very adaptable.

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I think the key for us in the MRO aftermarket world is the fact that our business really did not do much work there. So this is a significant market, $1 billion to $2 billion. We do $100 million worth of work there in the past, most of it sold to distributors, distributing. So we have a tremendous upside opportunity to grow by focusing on that business.

Unidentified Participant

And are the customers mainly MRO shops or are they airlines? Is it a roughly even combination?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

It's a combination of both, yes.

Unidentified Participant

Maybe I'll take a question from the audience. There's a mic coming around.

Unidentified Audience Member

One thing that I haven't heard you explicitly call out, which we've kind of been hearing from some other players within the supply chain, is on the commercial OE side, specifically in fasteners, the destocking effect where you have customers, large OE customers, who are just essentially deferring orders, trying to take some of that inventory out of the system.

So is that something that you're seeing? Can you talk about it? And then I guess if it is happening, how long do you expect that to continue for?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

So the question's on destocking. So, our business, because of the nature of it and our customers, we're not seeing any destocking at all. So I think you might be hearing that from some of the primes who buy direct. How well they've bought and then what's happening with their production systems may have some influence on that. And I think you're hearing that from some of the supply base.

But in terms of Wesco, we are buying the same amount of product this year as we bought last year. We're buying it differently. So we're buying it around demand as opposed to buying it around historical standards. And we're buying it to the right level to support our JITs and LTAs. And we're buying it around the forecast. But we are not destocking the business.

What we are doing, though, is we're being aggressive to buy more of the product that moves fast, that our customers are asking for. We're also moving some product out. So, in other words, we ordered it 40 or 50 weeks ago to the old way Wesco did business and, frankly, we don't need it all. So we are working with the sup- -- we need it, we just don't need it right now. So we are moving, but we're not reducing.

And then we're also working with the suppliers where we don't have the parts, in fact, from a performance issue.

So our business is really focused on those three areas. And we are not destocking. We're not seeing that at all.

Unidentified Participant

Thanks. Maybe if we talk a little bit about how -- talk about the evolution of the business from sort of an ad hoc business to more of a just-in-time business with long-term contracts. If we think about aerospace distribution historically the return on sales has usually been relatively high compared

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to other industrial areas of distribution. And part of the reason for that was you had to have a very large inventory and it was tougher to generate a good return on capital.

As evolving to a model that's more contract based, is there a give and take there, where maybe the return on sales is not what we've seen historically but maybe you don't have to hold as much inventory and you get a better return on capital?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

So I think in terms of the business model itself, it's -- we're very much like an OEM manufacturer. The difference is our value add is providing those parts into our customers, into their production lines or managing the acquisition of those chemicals within their MRP systems. And our path to now buy and leverage that and be profitable is very much like any other aerospace company. And that's what we're really doing.

And then the key strategies you have relative to value creation and return on sales now are multifaceted. So we're working on fixed costs. So you see us working on SG&A. You see us looking at our site structure. You hear us talking about demand planning, material acquisition, and buying strategic sourcing into demand. That will allow better economies of scale with our suppliers and ultimately better value in the acquisition of that cost.

And then you see us deploying operational excellence in order to continue to drive the continuum of fixed cost reduction in our business while we grow top line. Those strategies will all deliver value to the business.

Unidentified Participant

And when you think about 2016 and looking to grow, excluding the loss of a customer, to grow above the market is there a split between commercial and defense? Or do you see relatively even growth in both pieces of the market?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

We're seeing military year over year is flat. And actually we've got very, very good positions with some of our top military customers on very, very good platforms. So we're actually seeing in Q1 some uplift in some of the military business. And we don't anticipate it going up significantly or going down for the duration of the year.

And in addition, on our commercial side we've had some really good performance in Q1. So our JIT contract performance in Q1 was better than we anticipated. And that gives us confidence going into the second half of the year when some of our sales strategies, which are really longer term, we're going to start to see some incremental benefit of that in the second half of the year. And both of those is what's giving us confidence on reaffirming out outlook.

Unidentified Participant

Great. And you mentioned being on growing platforms, having strong position on the defense side. If I recall, the F-35 has been and will be an important platform for Wesco. Is that still the case? And to the extent that it is, I would think that that will be an important driver as production ramps through the rest of the decade.

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

Yes. So the F-35 with our customer, Lockheed. Lockheed is one of our largest customers. We are on essentially everything that they produce by the nature of the way we provide product in. And, yes, we benefit from F-35. It's a [relevant] of our mix.

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I think the key for us, though, is we don't -- we're not really linked to any single customer. Because we provide into one customer, we're on multiple platforms, when you project that out, it really allows us a nice mix across both military and commercial markets. And it really mitigates the risk of any one thing -- of one product platform to the other.

Unidentified Participant

Yes. Without any platform or market segment having a really disproportionate impact on the business, one area within aerospace and defense that seems to be a little bit softer right now is business jets. Do you quantify your exposure to business jets?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

We don't quantify our exposure, but we have strong positions with Gulfstream and with Textron Cessna. And those programs are holding up pretty well.

Our position -- we mentioned Gulfstream. Gulfstream has a number of programs that are trailing down and they have a number of programs that are coming on line with their new platforms, G650, and then later on the 500, 600. And of course, again, by the way we distribute in, we're on all those platforms. So where you might see the 450 and 550 coming down a little bit, we see the 650 and in the longer term 500, 600 coming up. And then we're able to work through that pretty well.

Unidentified Participant

Right. And if you could a little bit about the structure of the industry, there's yourselves and another large player at the top. And there's a mid tier that's probably fairly small these days. And then, if I recall, at least from a couple of years ago, there are a lot of smaller players.

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

Yes.

Unidentified Participant

And whether that's still the case, whether the smaller players are still there, whether you even come across them give your focus on sort of strategic accounts and having a diverse international presence. And then as you think longer term you talked about the four- to five-year strategic plan and after you've delevered potentially deploying some capital, how you might deploy that capital?

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

So the industry is really looking for competitive balance and they're looking for large full service providers like Wesco. So I think you outlined the balance of the players pretty well. I think the next largest is really heavily concentrated on a couple of customers.

Then beyond that there's one focused on PMA type activity, which is not something that we've move into. One of them is now part of Boeing and where they're going is a question for Boeing. Another recently, or a year or so ago, was acquired by ABiC, so they're more Chinese oriented. So I think longer term you'd have to ask those businesses where they're going longer term.

For us, we see a great opportunity over the next two to three years along the organizational alignment and strategies that I outlined, and a path to market with our customers MRO and also basically supporting the business we have. As I mentioned in terms of Q1, a good rate to keep us on a nice growth profile.

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I mentioned beyond that, when we leverage the Company to a level that we're comfortable with, then we'll look at -- we're starting to think about that now, based on two to three years from now, what moves would we want to make. And I'm certainly not messaging any major acquisition. We may choose to do a bolt-on. We may choose to grow in a certain space that we're underrepresented. But anything beyond where we are right now, that's our focus.

Unidentified Participant

I guess, Rick, if you could talk a little bit about cash flow. You mentioned that strong cash flow last fiscal year. I think this is a business, spent a little bit of time looking at it in the past where you typically thought about not converting 100% of net income to cash, maybe something in the realm of maybe two thirds, or maybe three quarters, something like that.

But it seems like you guys are targeting better than that. And maybe you could talk a little bit about what you are targeting and what enables you to do better?

Rick Weller - *Wesco Aircraft Holdings, Inc. - EVP & CFO*

Sure. Mention probably a couple things. First, that going back to what we were talking about in terms of SIOP and inventory management, the ability to be able to grow inventory closer to the actual growth of the business and the volume requirements that we're seeing with customers forward looking as opposed to backward looking, being closer to JIT and LTA demand and flowing the inventory that way enables us to be able to grow inventory more in line with revenue.

And so I think in the past it was you had to stock ahead of the growth and that created a choppy situation in terms of cash flow and being able to turn net income to cash. And so I think that's one component of it.

The second one is that we've got a great customer profile in collections and receivables and collecting closer to term, working through delinquencies, making sure the paperwork is right, really managing our active receivables more effectively and efficiently is a component of working capital.

And we're relatively asset light, so CapEx is not a big requirement for us to grow the business and grow the capability of the business with brick and mortar and things like that. So I think that bodes well, too, in terms of cash conversion.

So those are the three big components.

Unidentified Participant

Excellent. Very good. We are coming down on time here. Maybe I'll look out quickly and see if there's a final question from the audience. We've got one in the front here, and then after that we'll wrap up.

Unidentified Audience Member

This is focused on debt reduction. Do you guys have a leverage target? And then you talked about pursuing additional opportunities. When should we think that that might start to happen? Still on you, Rich.

Rick Weller - *Wesco Aircraft Holdings, Inc. - EVP & CFO*

Yes. I think in the short run it would be the next two to three years. So we talked, we have a lot of organic growth opportunities in front of us to go capture and execute to. But I think getting ourselves down into the 3 times debt to EBITDA over that timeframe is critically important to even consider a discussion about what to look out for capital deployment beyond that.

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But I'll also tell you that return on invested capital is critically important to us as we evaluate that and look at alternatives to where we want to invest after that three year or so out period.

Unidentified Participant

Okay. Well, thanks very much Dave, Rick, Jeff. We really appreciate your being here. Thank you.

Dave Castagnola - *Wesco Aircraft Holdings, Inc. - President & CEO*

Thank you.

Rick Weller - *Wesco Aircraft Holdings, Inc. - EVP & CFO*

Thank you.

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