CFRA

HEICO Corporation

Recommendation	**Price**	**12-Mo. Target Price**	**Report Currency**	**Investment Style**
HOLD ★★★★★	USD 174.25 (as of market close Jul 28, 2023)	USD 166.00	USD	Large-Cap Growth

Equity Analyst Stewart Glickman, CFA

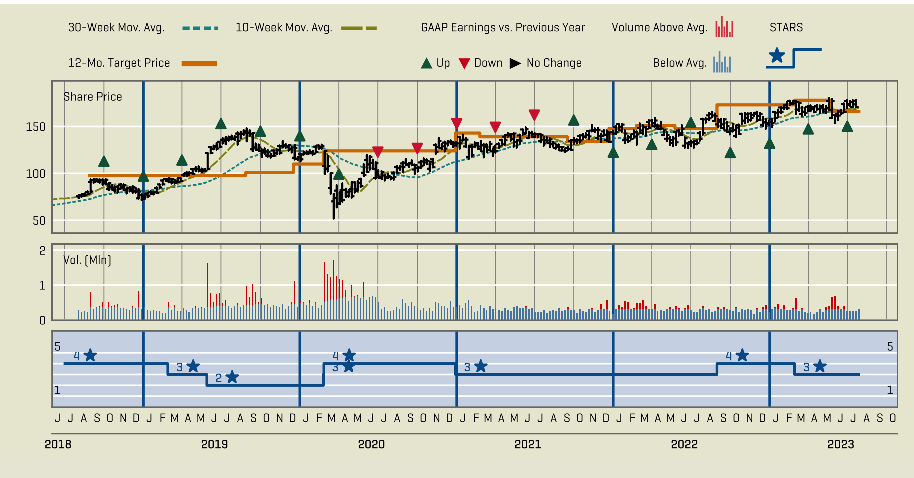
GICS Sector Industrials
Sub-Industry Aerospace and Defense

Summary HEI makes FAA-approved replacement parts for aircraft engines and structures. It also makes specialized electronic equipment for military and space applications.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 182.18 - 138.82**	Oper.EPS2023**E**	**USD 3.01**	Market Capitalization[B]	**USD 20.93**	Beta	**1.20**
Trailing 12-Month EPS	**USD 2.73**	Oper.EPS2024**E**	**USD 3.46**	Yield [%]	**0.11**	3-yr Proj. EPS CAGR[%]	**25**
Trailing 12-Month P/E	**63.83**	P/E on Oper.EPS2023**E**	**57.89**	Dividend Rate/Share	**USD 0.2**	SPGMI's Quality Ranking	**A-**
USD 10K Invested 5 Yrs Ago	**23,099.0**	Common Shares Outstg.[M]	**137.00**	Trailing 12-Month Dividend	**USD 0.2**	Institutional Ownership [%]	**82.0**

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by **Stewart Glickman, CFA** on May 25, 2023 01:16 PM ET, when the stock traded at **USD 161.72**.

Highlights

- Q2 (Oct.) sales grew 28% year-over-year, led by improvement in the commercial aerospace market, although organic revenue growth was 10%, the remainder from acquisitions. Almost all of the year-over-year improvement in operating income was via the Flight Support Group segment, and HEI is expanding this area with the recently-announced Wencor Group acquisition for $1.9B in cash and $0.15B in HEI stock (expected close by December 2023). We see high levels of inventory relative to forward sales, however, and remain wary over the prospect of future margin pressure.
- We see more sales records for HEI as the end of restrictions on corporate and international travel and OEM shortfalls in new plane deliveries will drive high existing fleet utilization and replacement part orders from airlines. We expect continued market share gain for Flight Support (57% of HEI sales in Apr-Q) as labor costs pressure airline margins, pushing them toward HEI's cost savings on replacement parts vs. OEMs.
- At the end of April 2023, HEI's net debt stood at $627.5M, up markedly from $148.6M at the end of April 2022. We think the Exxelia deal (completed January 2023), HEI's largest-ever deal, was a factor in that increase.

Investment Rationale/Risk

- Our opinion is Hold. HEI's key value proposition is to provide aircraft replacement parts at lower prices than the corresponding offerings from original equipment manufacturers (OEMs). Before the pandemic, the cost savings HEI offered the price-sensitive airline industry on high quality off-brand parts drove 26% annual EPS growth from FY 17-FY 19 (Oct). We see a return to this type of rapid growth in FY 23-FY 24 with pandemic travel restrictions gone, allowing HEI to expand its roughly 2% market share in aircraft replacement parts. However, shares were trading recently at 46x our FY 24 EPS estimate, well above the S&P 500. Even with operational tailwinds, we think shares are about fairly priced.
- Risks to our recommendation include wider geopolitical conflicts that weigh on global air travel demand; unexpected cuts to defense spending due to government deficits; higher-than-expected competitive pressure that weighs on pricing; and stronger-than-expected cost inflation.
- Our 12-month target price of $166 reflects a 48x multiple applied to our FY 24 EPS estimate, slightly above HEI's historical forward average, which we view as justified by an improving aerospace market.

Analyst's Risk Assessment

LOW | **MEDIUM** | HIGH

Key risks for HEI are cyclical air travel demand and funding cuts for defense aerospace programs, in our view. Recessions, wars, and disease outbreaks often cause sharp drops in travel demand, reducing aircraft utilization and associated replacement part orders for HEI. In our opinion, this risk is partially mitigated by the cost advantage HEI offers airlines on replacement parts vs. original manufacturers, with periods of stress for airlines making HEI's cost savings even more desirable. We also see cyclical risk mitigated over the long term by steadily growing air travel demand as the global economy increasingly integrates.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2024	**E** 725	**E** 775	**E** 765	**E** 785	**E** 3,050
2023	621	688	**E** 700	**E** 730	**E** 2,739
2022	490	539	570	610	2,208
2021	418	467	472	509	1,866
2020	506	468	386	426	1,787
2019	466	516	532	542	2,056

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2024	**E** 0.82	**E** 0.83	**E** 0.88	**E** 0.93	**E** 3.46
2023	0.67	0.76	**E** 0.76	**E** 0.82	**E** 3.01
2022	0.63	0.62	0.60	0.70	2.55
2021	0.51	0.51	0.56	0.62	2.21
2020	0.89	0.55	0.40	0.45	2.29
2019	0.58	0.60	0.59	0.62	2.39

Fiscal Year ended Oct 31. EPS Estimates based on CFRA's Operating Earnings; historical earnings are adjusted. In periods where a different currency has been reported, this has been adjusted to match the current quoted currency.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.1000	Jun 12	Jun 30	Jul 03	Jul 17 '23
0.1000	Dec 19	Jan 04	Jan 05	Jan 23 '23
0.0900	Jun 20	Jun 30	Jul 01	Jul 15 '22
0.0900	Dec 20	Jan 05	Jan 06	Jan 20 '22

Dividends have been paid since 1976 . Source: Company reports
Past performance is not an indication of future performance and should not be relied as such.
Forecasts are not a reliable indicator of future performance.
Dividends paid in currencies other than the Trading currency have been accordingly converted for display purposes.

HEICO Corporation

Business Summary May 25, 2023

CORPORATE OVERVIEW. HEICO Corporation makes jet engine and aircraft component replacement parts, as well as electronic equipment primarily used for military aviation and space applications. Its two operating segments for these markets are the Flight Support Group and the Electronic Technologies Group, respectively.

HEI's customers include domestic and foreign passenger and cargo airlines, aircraft repair and overhaul facilities, aftermarket suppliers of aircraft engine and airframe materials, original equipment manufacturers (OEMs), domestic and foreign military units, manufacturers for the defense industry, and medical, telecommunications, scientific, and industrial companies. No single customer accounted for more than 10% of sales in FY 22 (Oct.).

The Flight Support Group (FSG, 57% of revenues in FY 22) designs and manufactures FAA-approved aircraft engine replacement parts and other non-engine aircraft replacement parts, and also repairs and overhauls aircraft engines and parts. The group generally sells its replacement parts at prices below those sold by major OEMs, including the major commercial jet engine OEMs General Electric, CFM International, Pratt & Whitney, and Rolls Royce. Other than these OEMs, HEI is the world's largest maker of FAA-approved jet engine and aircraft component replacement parts. The company estimates its market share in this business to be only 2%.

FSG offers about 12,000 FAA-approved replacement parts to customers. Major customers include many of the world's largest airlines (including Germany's Lufthansa Technik AG, the world's biggest independent provider of airline maintenance services). Lufthansa owns 20% of Flight Support's largest division, HEICO Aerospace. We believe the Lufthansa relationship significantly helps HEI in identifying key replacement parts offered only by OEMs, getting HEI's version of those parts certified by FAA, and broadening its customer base.

The Electronic Technologies Group (ETG, 43% of revenues in FY 22) designs and manufactures various types of electronic, microwave, and electro-optical products for the military, aviation, space, medical, and telecom industries. ETG focuses on low-quantity, highly-customized niche parts and equipment, for which it receives high profit margins (28% pre-tax operating margin in FY 22). In FY 22, 56% of ETG sales were to the U.S. and foreign military agencies and prime defense contractors, as well as commercial and defense satellite and spacecraft makers. This military and space focus differs significantly from FSG's heavy focus on the commercial aviation market. The military and space end markets that ETG focuses on are highly stable relative to commercial aviation markets due to their government funding, rather than the highly cyclical airline customers that drive demand for FSG.

CAPITAL ALLOCATION. HEI does not pay material dividends or pursue major share repurchases. Rather, it directs most of its free cash flow to strategic bolt-on acquisitions. In the five years ended FY 22, the company spent roughly $950 million on numerous acquisitions, targeting opportunities that allow for a broadening of product offerings, services, and technologies, while expanding its customer base and geographic presence.

COMPETITIVE LANDSCAPE. The global jet engine replacement parts industry is dominated by the Big Three jet engine makers: General Electric (including the CFM International joint venture with Safran), Raytheon Technologies' Pratt & Whitney (P&W) division, and Rolls-Royce (RR). HEI accounts for about 2% of the market for jet engine and aircraft component replacement parts, and is the world's largest maker of jet engine replacement parts outside of the Big Three jet engine makers. Industry entry barriers are high, as engine parts and services must complete a rigorous certification process by the FAA before they can be marketed to airlines. In addition, airlines seek to purchase parts from a few reputable suppliers, with strong long-term records for reliability and service, making it difficult for small and new parts suppliers to enter the business. OEMs are also often in an advantageous position to remain the primary supplier of replacement parts to airlines, as they can incentivize airlines to select them for long-term parts and maintenance contracts by offering upfront discounts on the original equipment purchase.

Demand for HEI's military and space electronics products is influenced by growth in government funding for military aerospace programs. The U.S. accounts for an estimated 40% of global military spending, making it the most important market for ETG. CFRA expects U.S. and foreign military and space spending to rise going forward, as developed nations continually seek to advance their technical capabilities to avoid being at a disadvantage to non-Democratic rival nations like Russia and China.

IMPACT OF MAJOR DEVELOPMENTS. In May 2023, HEI agreed to acquire privately-held Wencor Group for $1.90 billion in cash and $0.15 billion in HEI common stock. This deal, if completed, represents HEI's largest-ever deal and expands HEI's aftermarket product offerings.

FINANCIAL TRENDS. HEI's revenue increased from $1.52 billion in FY 2017 to $2.21 billion in FY 2022, representing a five-year CAGR of just 7.7%. Adjusted earnings per share (EPS) rose from $1.37 in FY 17 to $2.55 in FY 22, for a five-year CAGR of 13%. The faster growth in EPS versus revenue came about through net margin expansion over the period, helped by reducing debt. However, we note that the Exxelia deal ratcheted debt higher, and net debt at the end of April 2023 stood at $627.5M, its highest in at least two decades, and only comparable to debt levels at the end of FY 17 ($621 million).

Corporate information

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Officers

Co-President & Director
V. H. Mendelson

General Counsel
J. W. Pallot

Executive VP, CFO & Treasurer
C. L. Macau

Chairman of the Board & CEO
L. A. Mendelson

Chief Accounting Officer & Assistant Treasurer
S. M. Walker

Co-President & Director
E. A. Mendelson

Board Members

A. Henriques
A. Schriesheim
C. F. Fine
E. A. Mendelson
F. J. Schwitter
J. L. Neitzel
L. A. Mendelson
M. H. Hildebrandt
T. M. Culligan
V. H. Mendelson

Domicile
Florida

Auditor
Deloitte & Touche LLP

Founded
1957

Employees
6,500

Stockholders
275

HEICO Corporation

Quantitative Evaluations

Fair Value Rank

1	2	3	4	5

LOWEST — HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation — **USD 136.17** — Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that HEI is overvalued by USD 38.08 or 21.85%

Volatility — LOW | AVERAGE | HIGH

Technical Evaluation — **NEUTRAL** — Since May, 2023, the technical indicators for HEI have been NEUTRAL"

Insider Activity — UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2022	2021	2020	2019
Price/Sales	10.17	10.30	8.07	8.24
Price/EBITDA	38.34	39.44	30.97	31.19
Price/Pretax Income	45.72	49.64	39.53	38.69
P/E Ratio	63.78	63.07	45.87	51.61
Avg. Diluted Shares Outstg. (M)	138.04	137.85	137.30	137.35

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Net Income	15.60	2.36	13.59
Sales	18.37	2.42	7.69
Ratio Analysis (Annual Avg.)			
Net Margin (%)	15.92	16.60	16.07
% LT Debt to Capitalization	8.20	13.39	17.47
Return on Equity (%)	14.14	14.75	16.73

Company Financials Fiscal year ending Oct 31

Per Share Data (USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Tangible Book Value	1.47	1.70	0.13	-1.14	-1.68	-3.47	-2.05	-1.76	-1.44	-2.50
Free Cash Flow	3.20	3.01	2.87	3.06	2.16	1.99	1.75	1.19	1.34	0.88
Earnings	2.55	2.21	2.29	2.39	1.90	1.37	1.17	1.00	0.92	0.78
Earnings (Normalized)	2.55	2.21	2.29	2.39	1.63	1.37	1.19	1.01	0.92	0.78
Dividends	0.18	0.17	0.16	0.14	0.12	0.10	0.08	0.07	0.06	0.05
Payout Ratio (%)	6.96	7.56	6.86	5.70	5.93	6.89	6.87	7.01	6.57	6.73
Prices: High	165.61	148.95	134.45	147.93	94.12	59.52	38.41	32.63	33.30	28.72
Prices: Low	126.95	106.39	52.01	71.47	55.43	33.97	24.50	24.19	23.57	15.30
P/E Ratio: High	64.90	67.40	58.70	61.90	57.70	43.50	32.30	32.40	36.10	36.70
P/E Ratio: Low	49.80	48.10	22.70	29.90	34.00	24.80	20.60	24.00	25.60	19.50

Income Statement Analysis (Million USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue	2,208	1,866	1,787	2,056	1,778	1,525	1,376	1,189	1,132	1,009
Operating Income	489.00	394.00	377.00	460.00	375.00	308.00	272.00	230.00	190.00	182.00
Depreciation + Amortization	96.00	93.00	89.00	83.00	77.00	65.00	60.00	48.00	48.00	37.00
Interest Expense	6.00	7.00	13.00	22.00	20.00	10.00	8.00	5.00	5.00	4.00
Pretax Income	491.00	387.00	365.00	438.00	356.00	298.00	257.00	225.00	199.00	181.00
Effective Tax Rate	20.40	14.80	7.90	17.80	19.80	30.30	31.50	31.70	30.10	31.10
Net Income	352.00	304.00	314.00	328.00	259.00	186.00	156.00	133.00	121.00	102.00
Net Income (Normalized)	263.20	217.20	206.50	243.40	195.40	165.20	144.60	120.60	98.40	89.80

Balance Sheet and Other Financial Data (Million USD)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Cash	140.00	108.00	407.00	57.00	60.00	52.00	43.00	34.00	20.00	15.00
Current Assets	1,153	937.00	1,166	814.00	734.00	632.00	543.00	504.00	431.00	441.00
Total Assets	4,096	3,498	3,548	2,969	2,653	2,512	1,998	1,736	1,489	1,533
Current Liabilities	421.00	295.00	241.00	289.00	282.00	249.00	214.00	168.00	152.00	161.00
Long Term Debt	275.00	225.00	730.00	553.00	532.00	674.00	458.00	365.00	326.00	377.00
Total Capital	3,358	2,862	3,030	2,445	2,168	2,053	1,605	1,352	1,144	1,160
Capital Expenditures	32.00	36.00	23.00	29.00	42.00	26.00	31.00	18.00	16.00	18.00
Cash from Operations	468.00	444.00	409.00	437.00	328.00	288.00	260.00	173.00	191.00	132.00
Current Ratio	2.74	3.18	4.83	2.81	2.60	2.53	2.53	2.99	2.83	2.74
% Long Term Debt of Capitalization	8.20	7.90	24.10	22.60	24.50	32.80	28.50	27.00	28.50	32.50
% Net Income of Revenue	15.90	16.30	17.60	16.00	14.60	12.20	11.30	11.20	10.70	10.20
% Return on Assets	8.05	6.99	7.23	10.22	9.07	8.53	9.09	8.91	7.87	8.34
% Return on Equity	14.10	13.80	16.30	20.50	19.00	16.40	16.50	17.10	17.40	15.90

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

HEICO Corporation

Sub-Industry Outlook

Our fundamental outlook for the Aerospace & Defense (A&D) sub-industry for the next year is neutral. We expect elevated U.S. and allied defense spending growth to be sustained for several years following the Russian atrocities in Ukraine, in turn driving healthy sales growth for defense businesses that make up roughly 65% of sub-industry revenue. However, much of this boost will likely be offset by the negative impact of high inflation on fixed-price contracts. We also forecast strong Y/Y growth for commercial aerospace businesses from depressed 2022 levels, but earnings will likely still be well below pre-pandemic peak levels for Boeing and any suppliers with high exposure to its 737 or 787 programs.

U.S. and allied defense spending is likely to remain on a relatively elevated growth plane for several years in the wake of Russia's atrocities against Ukraine, in our view, as dovish diplomacy strategies are out of favor while defense build-up and deterrence is in vogue. Additionally, China's recent military threats against Taiwan are further persuading defense doves in Congress to support a build-up and deterrence strategy, in our view. CFRA forecasts 5%-6% annual growth in U.S. defense spending during 2023-2025, well above trailing 10-year average annual growth of 1%.

While we forecast healthy top-line growth for defense firms in 2023, margins are likely to be hurt by persistent high inflation. Defense firms typically generate 50%-75% of sales on fixed-price contracts that stretch for years, meaning much of their 2023 revenues were contracted before the 2022 inflation surge. Fixed-price contracts do not typically allow higher-than-expected costs to be passed on to buyers, putting defense firms at high risk of weak margins in 2023, in our view.

After defense, we estimate 35% of A&D revenues come from commercial aerospace. We think most global airlines are experiencing record utilization of single-aisle jets amid strong leisure travel demand post-pandemic. And we expect wide-body utilization will fully recover during 2023 as tourists and businesses take advantage of the recent end of international travel restrictions. These trends are leading to strong orders and backlogs for the major planemakers, but regulatory foul-ups at Boeing and global supply chain problems have prevented production from fully recovering to meet healthy demand. We see the commercial aircraft supply chain exiting 2023 at annualized production run rates still roughly 20% below pre-pandemic peak, but marking steady improvement versus 2022, down roughly 30%.

A key issue that will cause the sub-industry's commercial earnings to lag behind the full demand recovery is Boeing's excess inventory. As of April 2023, Boeing had inventory of 225 completed 737s and 95 completed 787s due to the programs' recent safety and/or regulatory failures. These large inventories will keep Boeing from fully re-ramping production rates to near pre-pandemic levels until late 2024 at the earliest, in our view. In turn, sales volume for Boeing and key suppliers will materially lag the recovery in air travel demand, in our view.

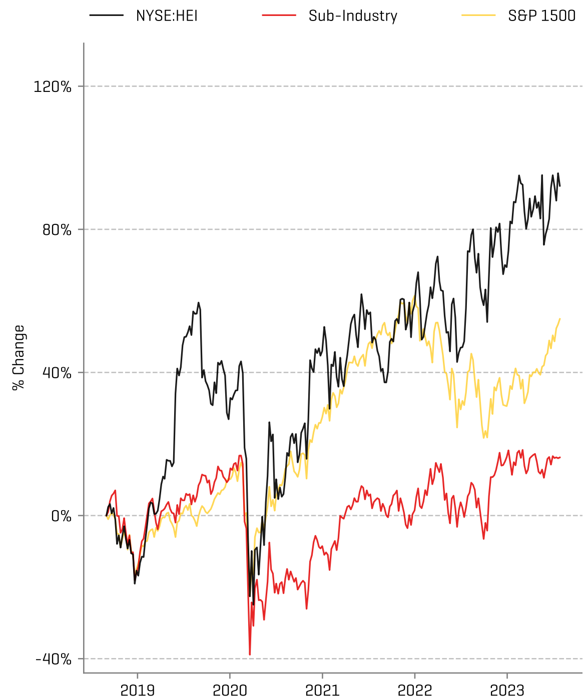
Year-to-date through June 5, the S&P Aerospace & Defense index fell 3% vs. an 11% gain for the S&P Composite 1500.

/ Jonathan Sakraida

Industry Performance

GICS Sector: Industrials
Sub-Industry: Aerospace and Defense

Based on S&P 1500 Indexes
Five-Year market price performance through Jul 29, 2023



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Aerospace and Defense Peer Group*: Aerospace and Defense

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
HEICO Corporation	**HEI**	**NYSE**	**USD**	**176.56**	**21,237.0**	**1.1**	**21.1**	**65.0**	**136.17**	**0.1**	**14.2**	**18.2**
Axon Enterprise, Inc.	AXON	NasdaqGS	USD	182.09	13,454.0	-6.8	74.4	97.0	N/A	N/A	10.9	31.8
BWX Technologies, Inc.	BWXT	NYSE	USD	68.37	6,252.0	-2.1	25.4	26.0	N/A	1.3	33.2	63.2
CAE Inc.	CAE	NYSE	USD	21.90	9,215.0	2.4	-14.4	41.0	N/A	N/A	5.3	33.9
Curtiss-Wright Corporation	CW	NYSE	USD	191.87	7,357.0	8.5	38.4	24.0	N/A	0.4	15.9	36.1
Hexcel Corporation	HXL	NYSE	USD	69.90	5,904.0	-5.2	20.5	40.0	77.02	0.7	9.5	31.8
Howmet Aerospace Inc.	HWM	NYSE	USD	50.18	20,739.0	4.3	42.7	33.0	41.32	0.3	13.5	50.7
Huntington Ingalls Industries, Inc.	HII	NYSE	USD	230.59	9,198.0	4.2	9.6	16.0	347.98	2.2	17.8	37.4
L3Harris Technologies, Inc.	LHX	NYSE	USD	189.76	35,890.0	-2.0	-15.2	15.0	152.58	2.4	4.3	28.0
Textron Inc.	TXT	NYSE	USD	76.52	15,433.0	15.2	17.4	16.0	89.54	0.1	13.1	26.5
Woodward, Inc.	WWD	NasdaqGS	USD	119.63	7,182.0	2.8	19.6	46.0	N/A	0.7	7.8	22.4

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available; NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

HEICO Corporation

Analyst Research Notes and other Company News

May 25, 2023
12:16 AM ET... CFRA Keeps Hold Opinion on Shares of Heico Corporation (HEI 162.74***):
Our 12-month target of $166, cut by $12, reflects a 48x multiple applied to our FY 24 (Oct.) EPS estimate, slightly above HEI's historical forward average, on an improving aerospace market. Still, on concerns over margins, we cut our FY 23 EPS estimate by $0.26 to $3.01, and similarly FY 24's by $0.50 to $3.46. Apr-Q EPS of $0.76, vs. $0.62, beat the consensus view by $0.03. Apr-Q sales grew 28% Y/Y, led by improvement in the commercial aerospace market, although organic revenue growth was 10% and the remainder was from acquisitions. Almost all of the year-to-year improvement in operating income in the April quarter was via the Flight Support Group segment, and HEI is expanding this area with the recently-announced Wencor Group acquisition for $1.9B in cash and $0.15B in HEI common stock (expected to close by December 2023). We see high levels of inventory relative to forward sales, however, and remain somewhat wary over the prospect of future margin pressure. / Stewart Glickman, CFA

February 28, 2023
02:25 PM ET... CFRA Lowers Opinion on Shares of HEICO Corporation to Hold from Buy (HEI 170.00***):
We lift our 12-month target to $178 from $173, 45x our FY24 (Oct.) EPS estimate (raised to $3.96 from $3.84; FY23 lowered to $3.27 from $3.38), in line with HEI's 2018-2019 pre-pandemic forward P/E average. Jan-Q EPS of $0.67 missed consensus by $0.04. Jan-Q sales grew 27% Y/Y, with HEI benefitting from fast-rising airline fleet utilization around the world. This in turn is driving strong replacement part volumes for HEI, while supply constraints have materially improved its pricing power, in our view. During 2023-2024, we expect 10%-plus organic growth to continue at HEI as high oil prices keep airlines intensely focused on cost savings, pushing them toward HEI's lower-cost replacements vs. OEM parts, in our view. We also see a tremendous long-term market share opportunity for HEI given its durable cost advantage for customers vs. OEM parts. However, we see only modest near-term upside for shares given our already ambitious EPS growth forecast (+55% from FY22 to FY24) and large valuation premium to market. / Colin Scarola

August 31, 2022
09:33 AM ET... CFRA Lifts Opinion on Shares of HEICO Corporation to Buy from Hold (HEI 153.00****):
We lift our 12-month target price to $173 from $148, 45x our FY24 (Oct.) EPS estimate (started at $3.84; FY23 raised to $3.38 from $3.26; FY22 lowered to $2.76 from $2.94), in line with HEI's 2018-2019 pre-pandemic forward P/E average. July-Q EPS of $0.60 missed consensus by $0.06. July-Q sales grew 21% Y/Y, with robust 13% organic growth and a material boost from M&A. Flight Support (57% of sales, +39% Y/Y) drove HEI's growth, with high fleet utilization driving strong part orders from airlines. Over the next several years, we see higher-than-normal organic growth for Flight Support as high oil prices raise costs for airlines and push them toward HEI's lower cost replacements vs. OEM parts, in our view. We also expect Electronic Technologies (43%, +2% Y/Y) to see a material step-up in growth as U.S. and allied defense outlays rise sharply in response to Russia's atrocities against Ukraine. We see a tremendous long-term market share opportunity for HEI given its cost advantage for customers vs. OEM parts. / Colin Scarola

May 25, 2022
11:57 AM ET... CFRA Maintains Hold Opinion on Shares of HEICO Corporation (HEI 137.00***):
We trim our 12-month target price to $148 from $151, 45x our FY23 (Oct.) EPS estimate (raised to $3.26 from $3.17; FY22 to $2.94 from $2.80) – in line with HEI's 2018-2019 pre-pamdemic forward P/E average. April-Q EPS of $0.62 beat consensus by $0.01. April-Q sales grew 15% Y/Y, and Flight Support (56% of sales, +33% Y/Y) saw sales recover to just 1% below April-Q 2019. We think Flight will set new highs in July-Q as tapering pandemic restrictions on corporate and international travel drive robust airline fleet utilization and replacement part orders. We also expect Flight sales will be aided by high oil prices, which raise costs for airlines and push them toward HEI's lower cost replacements vs. OEM parts, in our view. Electronic Technologies (44%, -2% Y/Y) had a second consecutive down quarter due to government's failure to appropriate FY22 defense spending until March, in our view. But we see the segment growing sales in H2 2022 and 2023 as Russia's unprovoked invasion drives higher defense spending. / Colin Scarola

February 24, 2022
05:05 PM ET... CFRA Maintains Hold Opinion on Shares of HEICO Corporation (HEI 141.00***):
We lift our 12-month target to $151 from $148, 48x our FY23 (Oct.) EPS estimate (lowered to $3.17 from $3.25; FY22 to $2.80 from $3.00). Jan-Q EPS of $0.63 beat consensus by $0.02. Jan-Q sales grew 17% Y/Y as commercial aircraft utilization continued to improve, but were still down 3% Y/2Y. Flight Support (55% of sales, +37% Y/Y) saw sales recover to 9% below the Jan-Q 2019 level, and we think it will set new highs in July-Q as pandemic restrictions on corporate and international travel taper. We also expect HEI sales to be aided by high oil prices, which pressures airline margins, pushing airlines to HEI's lower cost replacement parts vs. OEM parts, in our view. Electronic Technologies (45%, -1% Y/Y) had a down quarter due to Congress failing to appropriate FY22 defense spending, but we think Russia's unprovoked invasion of Ukraine will significantly improve the political environment for defense spending. With both segments likely to see strong growth in 2022-2023, we estimate FY23 EPS up 44% vs. FY21. / Colin Scarola

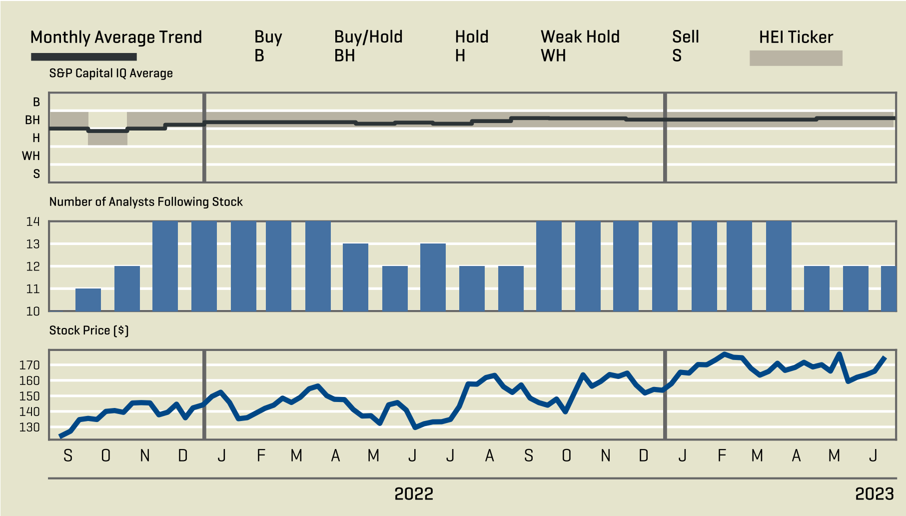
December 22, 2021
09:18 AM ET... CFRA Maintains Hold Opinion on Shares of HEICO Corporation (HEI 141.00***):
We lift our target price to $148 from $134, 46x our FY 23 (Oct.) EPS estimate (started at $3.25; FY22 raised to $3.00 from $2.95), below HEI's 5-year forward P/E average of 47x on still high risk for negative Covid-19 impact to global aircraft utilization during 2022-2023. Oct-Q EPS of $0.62 (-1% vs. Oct-Q 2019) beat consensus by $0.04. Oct-Q sales grew 20% Y/Y on the ongoing recovery in aircraft utilization from a low base in 2020, but Oct-Q sales were down 6% vs. pre-pandemic Oct-Q 2019 (Y/2Y). Flight Support revenue (51% of total, -20% Y/2Y) remained weak amid the pandemic commercial air travel downturn. But the more defense oriented Electronic Technologies (49%, +15% Y/2Y) has been able to offset much of HEI's commercial weakness, and will continue to grow on healthy U.S. defense spending levels, in our view. HEI shares deserve their large valuation premium given the firm's proven ability to gain market share from larger original equipment manufacturers, but we see shares near fair value at this point. / Colin Scarola

September 16, 2021
02:21 PM ET... CFRA Maintains Hold Opinion on Shares of HEICO Corporation (HEI 126.00***):
We trim our target price from $139 to $134, 45x our FY 22 (Oct.) EPS estimate (lowered from $3.01 to $2.95; FY21 raised from $2.18 to $2.29) -- in line with HEI's 5-year forward P/E average. Jul-Q EPS of $0.56 (-5% vs. Jul-Q 2019) beat consensus by $0.01. Jul-Q sales were down 11% vs. pre-pandemic Jul-Q 2019 (Y/2Y). Flight Support revenue (50% of total, -26% Y/2Y) remained weak amid the pandemic commercial air travel downturn. But the segment saw its 4th straight quarter of sequential growth since bottoming in Jul-Q 2020, and we believe the streak will continue over the next year until revenue fully recovers near the end of 2022. Electronic Technologies (50%, +11% Y/2Y) offset much of the commercial aviation weakness, with its defense and space end-markets continuing to grow throughout the pandemic on healthy funding levels, in our view. HEI shares are roughly 11% above pre-pandemic level despite depressed earnings, but we see this as justified given the still attractive long-term growth trajectory. / Colin Scarola

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

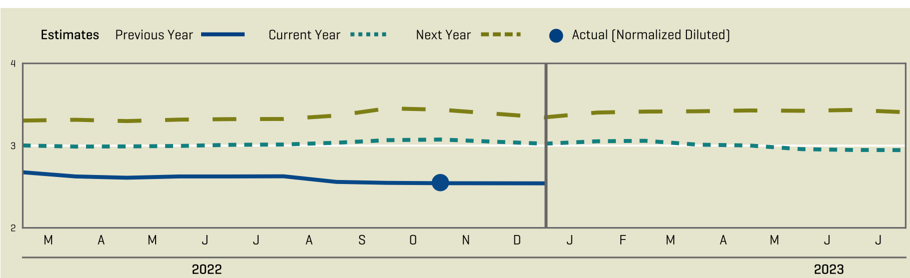
HEICO Corporation

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	5	42	5	5
Buy/Hold	3	25	3	4
Hold	4	33	4	5
Weak hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	12	100	12	14

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2024	3.41	3.75	3.10	11	51.85
2023	2.95	3.05	2.85	9	59.94
2024 vs. 2023	▲ 16%	▲ 23%	▲ 9%	▲ 22%	▼ -14%
Q3'24	0.88	0.96	0.80	2	200.64
Q3'23	0.73	0.77	0.71	10	241.67
Q3'24 vs. Q3'23	▲ 20%	▲ 25%	▲ 13%	▼ -80%	▼ -17%

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.
Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2023, analysts estimate that HEI will earn USD 2.95. For fiscal year 2024, analysts estimate that HEI's earnings per share will grow by 15.61% to USD 3.41.

HEICO Corporation

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

HEICO Corporation

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section seof the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of June 30, 2023

Ranking	North America	Europe	Asia	Global
Buy	38.5%	36.8%	46.7%	39.8%
Hold	52.4%	48.0%	44.0%	49.8%
Sell	9.2%	15.3%	9.3%	10.4%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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