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Spirit AeroSystems Holdings, Inc. (SPR)

Barclays Industrial Select Conference

CORPORATE PARTICIPANTS

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

OTHER PARTICIPANTS

Carter Copeland
Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Carter Copeland
Analyst, Barclays Capital, Inc.

All right. We are going to close out the A&D portion of the conference. With my friend Sanjay Kapoor, who said that this is all that stands in the way of him and the beach. I would agree except I have to write a note, which means he'll be there faster. But we are delighted to close it out with you, Sanjay.

I do need to read the legalese before we continue by reminding you that any projections or goals that may be included in today's discussion are going to involve risks, which are detailed in Spirit's news releases and their SEC filings, which I'm sure you can find on their website.

So before we get started, I want to ask two questions at the audience. I think we'll have to question, because of the beach proximity, whether this is going to be a statistically significant sample. Why do you own the stock? All the happy owners are already at the beach, Sanjay.

All right. And secondly what's your general bias on the stock right now?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

That's good. I see a lot of opportunity in the room of people who don't own our stock yet.

Carter Copeland
Analyst, Barclays Capital, Inc.

That's good. Then it's up to you to convince them. All right, it's a little positive. Look at the five-year average though, by the way. Is that a five? That's a two-year average.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

Two-year average.

QUESTION AND ANSWER SECTION

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

So, you've obviously – and I think that sets up the first question brilliantly. Spirit's been around for a decade now. I can't believe [indiscernible] (01:59) It's the first company I've ever launched coverage on solo as an analyst. So it's definitely one that has a special place in my heart but it has been a remarkable journey getting the company to where it is today. I think in some ways that was just making it a real company, if you will, in terms of learning all of the extra functions that a internal supplier doesn't know.

But when you look at, and I think we've talked about this in the past, when you look at the next 5 to 10 years, and what is required, what are the big differences there? Because a lot of this is about stabilization and processes, but now it's sort of optimization and what does all that entail?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

No, that's a fair question, Carter, and I've got to say, it's a little bit of a joke, but when I got there about three years ago, we were a "controlled entity" because we had Onex as a controlling shareholder and sometime in 2014, we became uncontrolled, as the joke would go. But part of that becoming uncontrolled also meant that you have to now ensure that not only do you have good board governance and good commitments to your commitments to the Street and to your shareholders and to your customers, but it also meant that, and I go back a little bit towards my experience at United Technologies, you have to have good balance.

And that good balance must be good balance between manufacturing on mature programs and manufacturing on new programs. It must have a good balance in the context of engineering and manufacturing. It must have a good balance in terms of what you make versus what you buy. You must have a good balance in the context of – on the balance sheet between near-term and long-term cash generation, risk profiling and so on and so forth.

So clearly, in the last three years, we focused on stabilizing the company and bringing certain commitment back into the equation. Going forward, it has to be about consistency, I think, and it has to be about making this company an aerostructure provider that people would want to go to and will want to go to because the combination of performance and quality and delivery and cost is the right mix. And it's a mix that can be executed between engineering and manufacturing the right way.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

So, you hint on something, as an aerostructures provider that people want to go to, I sort of go off-script here a little bit, the aerostructures business historically speaking isn't one that has a reputation of being a great business in this industry. Clearly, you guys had a lot of success in the last couple of years, but in general this is a business that's been defined by a lot of capital investment. It's prone to overruns. It doesn't have competitive barriers to entry that seem as high as you'd find elsewhere. What does it take for this business to shed that reputation and be something more and change the reputation of what this market is?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

That's a really good question, Carter, because on the one hand, I could argue that there are high barriers to entry in an aerostructure provider like us, given – and many of you haven't been to our factories in Wichita, we would always invite you to come and visit. But given the size and the scale of our manufacturing locations and to your point given the size and quantity of investments required and the timelines required to get proficient at that, that it's a business that does have barriers to entry.

So, the question then becomes why can't you generate stable, consistent, good margins to make it an attractive business? And I think the fault lies in, to some extent, in poor execution and poor estimating on these long cycle initiatives. And to that extent, it's a combination of ensuring that on any new program particularly, you do good configuration management like in any program whether it's in aerostructures or avionics or engines, you must have good configuration management.

You must obviously have a good cost structure and the right balance that I was just talking about between what you think you can make versus what you must buy. You must have obviously the cost structure in terms of your own factory and have that utilization. Often in this industry, you'll get trapped into either having too much capacity or, unfortunately, sometimes too little capacity. And unfortunately both of those things can hurt you. Too little capacity ends up with all kinds of expediting and travel work and overruns and things like that. And if you have excess capacity, that's the fixed cost that you just can't absorb.

So, it's the fine act of balancing those things, and if you do that in the size and scale that I was talking about, then I think you can make this is an attractive business and I do believe in aerostructures and again if you go and look at a company like ours and you look at pockets of our programs and clearly those are all mature programs, they have good solid returns that people would crave for. And if you bring stability into an organization and into a aerostructures business, that, combined with good execution, can generate the margins and the consistency that then leads to hopefully a better reputation and a better valuation.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

Is it possible to have greater scale? I mean, you're sort of on everything, right? I mean, when you look at the margin profile and to your point, there are programs that are investing and they drag against the margins. They're probably a little mature and they drag the margins up higher. [indiscernible] (07:50) programs and we're not making that many different types of airplanes, right? So I guess the question becomes, is it possible to have more scale for you guys, if that really is a differentiator?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Well, I think you have to have a certain scale to hit critical mass. After that, it's a combination of leveraging that scale. And if you remember in 2014 and 2015, in our company, we concentrated a lot on what we called centralization. On the one hand, you can try and create scale of a certain critical mass and distribute that in locations. For us, that would meant places like Tulsa and Prestwick and Wichita and so on. But there are certain core competencies that you then have to also centralize to leverage your scale and certain activity, particularly in aerostructures today because there's a fair amount of commonality, has to be done from a common location with best practices that are shared and so on and so forth.

Now, having said that, today when you ask question as to how much more scale can we create? Today, I think we have that critical mass. Today, our challenge, rightfully so, is to make sure we optimize what is made where in an ideal way. And that sounds very easy, but it's not the easiest thing to implement because often as some of these decisions unfortunately are based on momentum or history, it's sometimes difficult to change those decisions quickly.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

And so I think another missing piece. This is a business that hasn't historically featured much of an aftermarket. You have to make your money in the OE. Clearly, that's been a riskier part of the overall market. Is there hope that you can generate some sort of aftermarket revenue stream over time to may be change that? I mean, I realize that the Boeing arrangement changed, but there are other third-party providers of, I would say, high end advanced aerostructures repair and overhaul and...

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Absolutely. No, again, a fair thing, Carter, because there are certain kinds of repairs that can be done locally or can be done at a smaller shop. There are large [indiscernible] (10:08) fixes, for example, that you again need to leverage your size and your scale and your combination of technical and manufacturing capability and capacity. And that's the kind of stuff that in large aerostructure provider, we need to happen to do a much better job of.

And I think we can not only do it better, but we can also do it frankly cheaper for the end customer than even, say, let's say, an OEM or things like that because again, it's the repair capability that fundamentally goes through the similar manufacturing process in its fix. And that's the one that I think we can and do have an opportunity to try and improve upon.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

All right. I want to go back to the audience and ask another question, audience's response question number six. What do you see as the most significant investment issue for Spirit? Core growth, margin performance, capital deployment rates?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

All of the above.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

Well, they all matter. Which one matters more right now is the question.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Okay, so core growth. Margin is a very close second.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

Yeah.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

By the way, look at the amazing from 90% on execution to 90% in growth and margin, so heck of a progression there.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

Yeah.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

With respect to the growth opportunities here, clearly, there's a debate around the duration of the commercial aerospace cycle if you will, the appropriateness of some of the production rates, saw some wide-body rates come down, those are weighing on your outlook for 2017-2018. You talked about that. How do you guys think about the outlook for commercial aircraft production through the end of the decade? And clearly there is some, I think, some consternation around whether or not 57 a month on the narrow-body for Boeing or 60 a month for Airbus is truly sustainable. How do you think about it given the fact you've got to invest capital there?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Again, obviously we rely on Boeing and Airbus as they make their decisions and I did listen on a little bit when Greg was here today and there is some time for them even to make decision on the 57 even though the backlogs are very strong. And frankly I just came back from – I was in Asia last week and if you travel to the Asia anytime, it's quite jam-packed particularly intra-region. And a lot of what's been flying around there are the narrow-bodies and frankly wide-bodies are flying on narrow-bodies routes. So, it just tells you that the capacity is desperately required. For us, beyond the reliance on Boeing and Airbus to determine whether the rates need to go up or stabilize, et cetera, our challenge has to be, as a manufacturer, to ensure that some level is the right balance between search capability and maintaining a fixed cost that can absorb a plus or a minus in a plus or a minus scenario. And so...

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

How do you do that?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

And exactly. So if you went back to – again, you've been to Wichita and you've seen our factories. The best way to do that obviously is not to grow your investment that have typically 30-year depreciation because you have then predicting 30-year kinds of things. What is that? That's typically buildings and brick and mortar. You want to try and compress as much as you can and increase the density inside your own factory space. And that has other benefits as well because, when you contain that, you usually also – there's a good correlation between containing your footprint and containing your head count.

So, you have to find more and better machines that can on a two-shift operation absorb some level of surge. You have to find the right kind of mix between alternate work weeks and pockets that can surge up and down. It goes back into that make versus buy versus make where. You got to find the right balance on that surge capability because take a piece of equipment, yeah, you're going to depreciate that over seven years to 10 years, then you're predicting seven years or 10 years worth of future. Buildings, you're predicting 30 years. You can't absorb that in case of the volatility is there.

So I think for any good manufacturer, the trick is the balance between working capital and inventory build, number of work shifts that you have, trying to find the right kinds of equipment whether it's a three-axis or five-axis piece of equipment that can sometimes do the same job but one can do it faster and create more capacity and one can do it slower. And so that's the detail that we spend a lot of time on.

And I've got to tell you, I mean, when I got to Spirit, we created groups of people along with me in there to try and to figure out how best to spend our capital. Because in the last three years, we've spent over $1 billion of capital. And the trick there was not just to spend it at the altar of rate increases but also make sure that we get it done so efficiently that we can absorb the pluses and the minuses, not just inside one program, but as one program goes up and another one comes down, can we share equipment and can we share resources that way.

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

Can you characterize how much of that $1 billion you would say is more fixed versus some of the other [indiscernible] (15:38)

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

So, sustaining capital – and because again, these are facilities so everything from wastewater treatment plants to just maintenance activity. And I would say that's about a quarter of that and the rest is all related to trying to improve ourselves and trying to do things faster, better and with more flexibility.

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

Have you built any new buildings since [indiscernible] (15:56)

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

We've built very small additions and nothing of any material value. So, yes, there are some small additions, but not anywhere one would imagine that we went from 21 to 42 to 47. We don't anticipate building...

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

That's all still contained in that one main factory, right?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

Correct. And so the trick then again, like I said, is find ways to squeeze more and more capacity into an existing footprint and that's huge.

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

How does your defense expansion play with that? I mean, clearly, if you're a supplier on a B-21 program, you can't put that in the same space. A, what is that required to do for the stuff you've already won? And B, how do you invest for whatever you think that opportunity can be?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

That's a fair question. Early last year, when we did, in fact, win the bomber program, we did indicate our willingness and our ability and our decision to invest in that win and we did. And you are absolutely right. You cannot comingle all aspects of what we do on a classified program versus what we do on – what you can comingle are certain things like people associated with composite manufacturing and things like that. But yes, the defense businesses are outside the discussion that I just had.

So, I mean, the question then becomes is that investment justified and absolutely. And we believe that that program is a very, very good program for us. We are very successful. We're actually looking forward to build around that program and then that goes back to that same discussion I was having which is we view that program as the first win and we need to build around that program to do additional defense work. And as Tom and I have talked in the past, if that's the only thing that we did in defense then we would view that as not a successful endeavor.

We want to build around that program because what happens in defense is, again, you build critical mass and then you want to try and do – you build classified engineers and cleared engineers, you get a disclosure statement. You will learn how to do on value, you learn how to do contractual arrangements with the government and all of that then needs to lever itself up into doing additional work inside of defense and that's what we're going to try and do as well.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

Do you think – when you look at the value proposition of your defense work which you talked about being a 10% kind of piece, right, which is not huge and even within that, a lot of commercial derivatives, right, so it's probably even smaller. Is the thought process that you can leverage commercial scale in a way that you can have a sustainable cost advantage?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Yes. I think we can have a sustainable cost advantage today because of multiple reasons. Firstly, the commercial industries in aerostructures, including metal and composite, one can say have benefited from the pressures on the commercial environment. And to that extent, the commercial industry in this space has learned how to do things faster, cheaper and better. Those principles do need to get applied into our defense world for sure.

I would also tell you that we are blessed the fact that we are situated in Wichita which, from a logistics perspective, from an availability of airplane mechanics perspective and frankly from a cost perspective has a significant advantage over what I would say a U.S. competition that's fundamentally concentrated on the East Coast and the West Coast. And it would be no secret that we feel we are more competitive compared to that environment.

And so the question is, how do we tap into that? The advantage for us now that we won a major program like this as we are getting a lot of rightfully – so we're getting a lot of visits from a lot of people who want to come in, visit, review our facility. And frankly, again, when you visit us then you actually see our scale, our size, our capacity, and our capability and that hopefully will lead to additional opportunities for us.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

So switching gears quickly on the margins. So I think this is maybe not as clear as it could've been on the call. When you look longer term at margins, you've got some mature programs that are growing. You've got some mature programs that are shirking. So clearly there is positive and negative mix benefits. And then you overlay on top of that, your growing programs at least so far are booking zero-margin right. So this was a story of expanding margins and improving cash for the last several years. But should we be thinking that over the next several years flat resilient margins is the right kind of upside goal given the mix challenges you face?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Sure. In any business, you want to first stabilize the business and get to a systematic and consistent performance which is the phase we are in today. We are starting to creep into what we had committed to everybody in terms of 6% to 8% free cash flow conversion. We made it to about 6% last year and we've committed to a little higher number this year. We're at that stage. A big component of going forward in the near-term is what we say is our supply chain optimization game plan because some of the low hanging stuff associated with people and some of the centralization, searching on the engineering centers overhead, et cetera, we did accomplish. That continues, but the low-hanging fruit there is done.

So supply chain takes a lot longer, and it also takes some investments. It's easier said than done, when you sit there and say, I can move apart from supplier A to supplier B in a rate-changing environment. It costs money to do everything from first article inspections, to new tooling, to new learning, and so on. Long term, it will generate better and better benefits.

So, in the near-term, I think, our objective is to make sure we hit the 6% to 8% and stay consistent in that. Five years down the road, 10 years down the road, we clearly have aspirations to do obviously better and as those strategies get implemented, and these are strategies that are really long-term strategies, then, yeah, then we want to be a better and better aerostructures margin expanding company.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

Should we also think that the EAC benefits that you've seen, well the cum-catch benefits associated with a lot of the improvements you had on the prior blocks are probably...

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Compressing.

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

...compressing as well.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Yeah, because – and I used to talk about this. I mean, when I first got here, part of the challenge was, if some people might remember in the first year, we've basically forced guidance and sort of ended into a strategic review, which meant look at every year, see and trying to figure out how good are we evaluating our risks and how good are we evaluating our opportunities and how real are they and what are the action plans around each one of those and how are we doing to implement them and who is responsible for that.

So, as you do better and better job at execution, managing your costs, you inherently also inside the finance and the operations organization start doing a better job in trying to predict where your future cost reductions are likely to be and so that then gets baked in into incremental margins that you're booking today rather than waiting for it to happen then doing a little bit of a cum-catch.

So as that has happened, I'm actually thinking about the good thing to avoid some of the volatility and because it's always good to have a positive surprise, but surprises in general are not a good thing. So we want to get to a scenario where, again the mantra inside of our company is, we've had 14 or 15 quarters of meeting our "numbers" and we have 25, 30 more to go. So you want to get to a stage where you have 5 or 10 years...

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

Until what?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

5 and 10 years of delivering exactly what you say...

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

As a retirement investment? 25 to 30 quarters.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

We are in Miami, aren't we?

Carter Copeland
Analyst, Barclays Capital, Inc.

Q

To the last piece on the margin. I think you mentioned this on the call and it wasn't quite clear as I think we thought it could have been. But the ongoing negotiation on master pricing with billing, which I won't ask the 1000th question about because I know you really can't say anything other than you'd like to get a mutually beneficial outcome. You hinted at our margin rates that are put into the guide, assume that we reach some amicable agreement that is what we've talked about in terms of being mutually beneficial. Maybe just kind of give us some color on if there's something in there that I'm missing that?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

A

Yeah. No. It's a good question. Again, we're not trying to be coy about responding to a question on negotiation. Given the fact that it's an active negotiation and it's been one that is important to both companies, we obviously want to make sure we achieve that before we communicate where and the strategy around it. And obviously, I have been getting that question all day today, so just a few fundamental tenants around that negotiation card if I can for everybody's benefit.

We've always said, our desire is to reach a fair and equitable settlement. And that's important for a multitude of reasons because it's good for us, firstly, and it's frankly good for Boeing as well and our customers. Because if you make a bad decision or a bad agreement, unfortunately, within six months, you'll start down an unfortunate path again and that's not good for either one. And that's fair and equivalent arrangement is the foundation of that is based on good data, because do we need to have trust amongst it, of course, we do and that is there, the trust of the highest levels of the company, the trust frankly at the lowest levels of the company where the activity is actually happening between engineers, between operations folks, between people who deliver, there's a lot of trust.

So then you say, let's just make sure we get the right facts and datas on that table, so we can make those right decision. Obviously, a big part of negotiation is making sure you're performing, because if you're not performing, it's a very hard negotiation and rightfully so. We have that exact same debate with our suppliers. If you're performing, it's a good negotiation. If you're not – so our tenant has performed well, build a foundation of trust, ensure that you're getting a fair and equitable arrangement and work on facts and datas, and so that's really what's been happening and so there's no change there.

Now to answer your question, I have been very careful for the last two years and if you remember a year ago, when it was unclear as to where the negotiations on the interim payments might end up, I purposely excluded that from the guidance. So that's the best way for me to be as transparent with our shareholders and the few guys about that. And so again, so that we meet our commitment, no matter what happens. Clearly, this is an important negotiation, but we remain consistent with the guidance that we gave out this year and we believe we can meet it, we've got some very reasonable assumptions in there, so we don't see any surprises.

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

You can conclude it within what you've guided.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

If I knew anything different, it would be frankly required for me to come in and disclose that, the guidance is based on A, B or C and that's not – it's based on our performance, it's based on our arrangements and that's a – now long-term where the arrangements go and long term how that contract concludes, that we can discuss when we discuss that and we'll conclude that. But again the last tenant of our negotiation is like Boeing has margin expansion objectives and that's terrific. We have our simple objectives of delivering 6% to 8% free cash flow. So that's the context around which we are negotiating.

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

Totally fine. Want to ask two more, question number three, in your opinion through cycle EPS growth for Spirit will be above, in line or below peers? I think a lot of this clearly falls out of that discussion.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

Don't set the bar too high.

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

It's a pretty normal distribution actually. And then just so we can ask a final question on cash. In your opinion, as question number four, what should Spirit do with excess cash?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

I'm so glad that we're having a discussion today because I still remember within 48 hours of me arriving at Spirit, everybody would sit down and said, yeah, will you really have any?

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

I remember you coming here a couple of years ago and we had this discussion and I said, if you get in your cash, just put it somewhere and don't try to...

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

Yeah. Those were the days.

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

Okay. So share repurchases, half. I mean, I realize we're running really short on time, but why do M&A transactions?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

So again. I don't think we've set a mandate that says we must do M&A transaction. Again, go back to our strategy that we laid out as a company. You want to be more balanced, you want to be delivering consistent cash flow. We have certain attributes that we bring to the table. There are certain things that in the value chain we can't do. If it emboldens that strategy then if it makes sense and I have to say the bar for us is actually a little higher, because the last two or three times we've done some M&A in the company, we haven't really truly been very successful.

So we want to make sure we do it very methodically if it makes sense and I think, every company and every management team deserves and frankly should always look at consistently. If there are any opportunities. Particularly, one like us, where we got a good balance sheet and so on. But if nothing falls into place and there is nothing right now.

Carter Copeland
Analyst, Barclays Capital, Inc.
Q

You're not required?

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.
A

We're not going to just do acquisitions for the sake of acquisitions.

Carter Copeland
Analyst, Barclays Capital, Inc.

All right. So I'm going to ask the last question, since we're out of time. Question number five, since Sanjay says his stock is undervalued, in your opinion, what multiple of 2017 earnings should Spirit AeroSystems trade? That's higher than trade today.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

Yeah. There we go.

Carter Copeland
Analyst, Barclays Capital, Inc.

All right. So we got some upside. Maybe you've convinced them.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

[indiscernible] (30:27)

Carter Copeland
Analyst, Barclays Capital, Inc.

With that, we are out of time and Sanjay needs to go to the beach.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

I do.

Carter Copeland
Analyst, Barclays Capital, Inc.

So thank you all for joining us and thank you, Sanjay.

Sanjay Kapoor
Executive VP and Chief Financial Officer, Spirit AeroSystems Holdings, Inc.

Thank you, Carter. Thank you very much. Thanks a lot, man.