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Spirit AeroSystems Holdings, Inc. (SPR)

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the Spirit AeroSystems' Fourth Quarter and Full-Year 2016 Earnings Review Conference Call and Webcast. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please also note that this event is being recorded.

I would now like to turn the conference over to Mr. Ghassan Awwad, Director of Investor Relations. Please go ahead.

Ghassan Awwad

Executive Director of Investor Relations and Corporate Strategy, Spirit AeroSystems Holdings, Inc.

Thank you and good morning. Welcome to Spirit's fourth quarter and full-year 2016 earnings call. I'm Ghassan Awwad. And with me today are Spirit's President and Chief Executive Officer, Tom Gentile; and Spirit's Executive Vice President and Chief Financial Officer, Sanjay Kapoor.

After opening comments by Tom and Sanjay regarding our performance and outlook, we will take your questions. In order to allow everyone to participate in the question-and-answer segment, we ask that you limit yourself to one question.

Before we begin, I need to remind you that any projections or goals we may include in our discussion today are likely to involve risks which are detailed in our earnings release, in our SEC filings, and in the forward-looking statements at the end of this web presentation. In addition, we refer you to our earnings release and presentation for disclosures and reconciliation of non-GAAP measures we use when discussing our results. And as a reminder, you can follow today's broadcast and slide presentation on our website at investor.spiritaero.com.

With that, I would like to turn the call over to our Chief Executive Officer, Tom Gentile.

Thomas C. Gentile

President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

Thank you, Ghassan, and good morning, everyone. Welcome to Spirit's 2016 fourth quarter and full-year earnings call. 2016 was certainly an eventful year for Spirit. Our team executed well and delivered a number of noteworthy accomplishments.

At a company level, we delivered on our plans and commitments. We achieved several key financial milestones as shown on slide 2. In November, we celebrated our 10-year anniversary of Spirit's initial public offering. Earlier in the year, we refinanced our debt after Moody's and S&P upgraded Spirit to investment-grade credit rating.

Midyear, we transitioned the CEO role seamlessly. I'm very excited and honored to be the CEO of Spirit and I'm grateful to all my colleagues who have helped me in my transition.

Over the course of the year, we deployed $650 million towards the repurchase of more than 14 million shares and we also initiated our first-ever quarterly dividend of $0.10 per share.

In addition, we celebrated many significant operational milestones with our customers, as shown on slide 3. Starting with Boeing; in the fourth quarter, we delivered the first 737 MAX 9 hardware and the first MAX thrust reverser with composite inner wall. With the first MAX 8 flight during 2016, we're eagerly preparing for the launch of the MAX in 2017.

We also delivered the 500th shipset of the 787 program. This was the fastest production ramp up for a wide-body aircraft and was a big deal for Spirit. Our governor from Kansas and several members of our congressional delegation were on hand in October to help us celebrate.

In addition, we successfully managed the execution of multiple production rate ramp ups as well as ramp downs for Boeing. For the 737, we are currently at rate 42 and are moving to rate 47. We are actively planning for 52 and 57. For 787, we are at rate 12 and we'll be ready to achieve 14 when Boeing makes that decision. On the 777, we are reducing rate from 7 to 5 in advance of the launch of the 777X.

For Airbus, we also had a strong year. In the second quarter, we reached a compromise and comprehensive long-term global settlement agreement on the A350 program and extended the block size to 800 shipsets. This agreement played a crucial role in stabilizing the program and providing better visibility over a long time horizon. I'm pleased to announce today that as a direct result of this agreement and the relentless continuous improvement efforts of our team, the program achieved a cash positive position on a per unit basis.

During Q2, we also delivered the 100th shipsets for the A350. Other Airbus milestones throughout the year included the successful first flight of the A350 1000 and the successful execution of production rate ramp ups on the A320 and the A350, where we move to rate 8.4 by the end of the year and are on target to achieve 10 in 2018.

We are also proud of the accomplishments we achieved with our other commercial customers. In the fourth quarter, we delivered the first Mitsubishi Regional Jet production unit, a pylon on schedule. We also celebrated with Bombardier the first customer delivery of the C-Series to Swiss Airlines earlier in the year. We supply the pylon for the C-Series.

On the defense front, we also had some significant accomplishments. Most notably, in the first quarter, Spirit was named by the Secretary of the Air Force as one of seven subcontractors on the B-21 Raider program. We are very proud to be on the team with Northrop Grumman and are looking forward to growing our defense business. We're also awarded a contract by Sikorsky in the fourth quarter for two test articles and two production units for the CH-53K helicopter.

Now, let's take a look at full-year 2016 financial results. In a moment, Sanjay is going to take you through all the details of our financial results. But I wanted to take this opportunity to express how proud I am of the way the Spirit team executed in 2016.

We overcame several challenges and operationally did better than 2015. We delivered a record 1,583 shipsets compared to 1,457 shipsets in the prior year. The number includes 127 787s, 96 777s, 500 737s, 69 A350s and 574 A320s.

For the year, we delivered results well within the guidance that we provided to Wall Street. Reported revenue of $6.8 billion was at the very upper end of the range. Operating income was $725 million and net income was $470 million. Reported earnings per share were $3.70 or $4.56 when adjusted to exclude $0.86 per share of one-time items recorded in Q2 of 2016.

We're able to execute a voluntary retirement program in Q4, a total of $0.07 a share that will give us a head start on our cost reduction initiatives for 2017.

Operating cash flow was $717 million and free cash flow was $463 million or $420 million when we adjust it to exclude cash received in the first quarter of 2016 under the 787 interim pricing agreement. Again, this result was at the high end of our guidance range.

Our backlog at the end of the year increased to $47 billion or seven years of sales visibility.

In the fourth quarter, our operations in Kinston, North Carolina, were impacted by the aftermath of Hurricane Matthew. Severe flooding led to some disruptions resulting in abnormal operating costs of $12.1 million, equivalent to approximately $0.07 of EPS.

We have filed appropriate claims with our insurance carriers, but I'm proud to say that due to the extraordinary efforts from our team, we did not missed a single delivery to Airbus during that period.

Despite no share repurchases in the fourth quarter due to the uncertainty around the presidential election and our limited trading window, we remain committed to a balanced and disciplined approach to capital deployment. We have our entire authorization of $600 million available as we enter 2017.

Now, turning to 2017 guidance; we're guiding 2017 revenue of between $6.8 billion and $6.9 billion and earnings per share of between $4.60 and $4.85 a share for the year.

In terms of cash, we're guiding free cash flow of between $450 million and $500 million. This represents approximately 7% revenue to free cash flow conversion at the midpoint of our guidance, which is consistent with our previously stated target of 6% to 8% free cash flow conversion. These guided numbers incorporate all rate changes in 2017 announced by the OEMs, including the 777 rate reduction to 5, as well as the impact of the previously disclosed change in our aftermarket arrangements with Boeing.

Now, let's turn our focus to 2017 and strategic objectives. Early in January, we had the opportunity to gather all of our executives from across Spirit for two days in Wichita for our inaugural annual kickoff, where we outlined our strategic objectives and targets for 2017.

Some of the highlights were the following: First, [ph] delivery and execution (8:45). Our brand has been and will continue to be a trusted partner who delivers products on time with high quality and competitive cost. We've made a lot of progress in our relationships with Boeing and Airbus and several open issues last year. And we strive to strengthen those partnerships with both of our major customers by continuing to improve our quality and position Spirit to win profitable new business.

A major focus in 2017 will revolve around executing our supply chain strategy, improving our productivity, digitizing our shop floor, and meeting our customer requirements for production rate changes.

Secondly is growth and innovation. As one of the largest structural component manufacturers in the world, we plan to leverage our internal capabilities to expand our third-party fabrication business. Our team has already initiated several new business relationships and we are expanding capacity. We plan to leverage our commercial expertise to continue increasing our military presence. We have a significant number of organic growth opportunities, but we are also actively exploring inorganic opportunities for growth.

In our R&D, our plan is to continue to make the right investments for the next generation of aircraft and partner with OEMs as well as universities and technical institutions. We view innovation in metallic and composite structures as a differentiator and a core competency for Spirit that will help us earn our way into the next generation of aircraft.

Third is financial commitments. We remain fully committed to improving our financial results year-over-year. Our guidance for 2017 reflects our continued improvements in revenue, earnings and cash flow, despite the rate reductions on the 777.

We also remain committed to returning cash to our shareholders. We have a new share repurchase plan of up to $600 million that is currently in effect. In addition, we initiated our first quarterly dividend of $0.10 per share last quarter and we will work to grow that dividend gradually over time. Our focus will be on total shareholder return using a balanced and disciplined approach to capital deployment.

Lastly is people and community. Our greatest and most valuable assets are Spirit's almost 15,000 employees across the globe. Customer focus, quality, delivery and safety have always been part of our DNA. In 2017, we are rolling out an expanded and refreshed set of corporate values which focus on transparency, collaboration and innovation. We are making investments in our people and have confidence that this team can execute and deliver on our commitments.

With that, I'll ask Sanjay to lead you through the financials and give you more specifics about the fourth quarter and full year 2016. Sanjay?

Sanjay Kapoor

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

Thanks, Tom, and good morning, everyone. Let me take you through the details of our 2016 financials as well as our outlook for 2017. So, let's start on slide 5. Revenue for the year was $6.8 billion, which is 2% higher compared to 2015. During the year, we met all our customer requirements relative to production rates and delivered a record 1,583 shipsets. The increase was primarily driven by higher production deliveries on A350 and the 767 programs as well as higher non-recurring revenue on certain Boeing programs and slightly offset by lower production deliveries on the Boeing 747 and the 777 program.

For the year, we delivered 500 737s, 96 777s, 127 787s as well as 574 A320s and 69 A350 shipsets. We are managing changes to production rates very closely on all programs in order to meet our contractual requirements. At the same time, we are finding ways to minimize our capital investments and lower our risk profile for the future. Our focus is to efficiently execute on our healthy backlog of $47 billion, which is almost seven years of sales.

Moving to slide 6, we reported adjusted EPS of $4.56, consistent with our 2016 guidance of $4.50 to $4.65, compared to $3.92 in 2015. This represents a healthy 16% year-over-year improvement in core earnings.

As Tom mentioned in his remarks, in 4Q, our Kinston operations were unfortunately impacted by the aftermath of Hurricane Matthew, resulting in abnormal costs of over $12 million or $0.07 of earnings per share. Excluding these costs, our core results would have been at the upper end of our guidance.

Also, as you may recall, EPS in 2Q was adjusted by $0.86 for three one-time items which were the Airbus agreement which was an impact of $0.68, charges we took for our former CEO's retirement for $0.11, and the cost associated with debt refinancing for $0.07.

The primary drivers for the year-over-year increase were higher deliveries, continued cost reduction discipline and a lower share count. We are proud to have delivered on our EPS commitment for the year, while absorbing the impact of the 777 and the 747 production rate decreases, the appreciation of the U.S. dollar to the British pound and the severe weather event in Kinston.

Turning to free cash flow on slide 7; adjusted free cash flow for the year was $420 million compared to $738 million of adjusted free cash flow reported in 2015. The $738 million in 2015 included a number of significant positive one-time events, including the tax refund received as a result of the Gulfstream program divestiture, the favorable settlement with GD, as well as the suspension of the 787 advance repayments we had in the early part of that year.

On a comparable basis, adjusted free cash flow in 2016 was higher than 2015 and more importantly, is now inside our target range of 6% to 8% revenue to free cash flow conversion, which is one of our key financial commitments. Core cash flow improvement remains our number one focus and we continue to drive year-over-year improvement in this metric.

Capital expenditure in 2016 was $254 million and includes the rate ramp up investments, as well as investments to support new businesses, productivity improvements and regular maintenance activities. Near term, we expect CapEx to remain consistent with the 2016 range of $250 million to $300 million. Over the last four years, we have invested over $1.1 billion in capital projects and this is slowly transforming our footprint and should help us execute our $47 billion backlog more efficiently.

Turning next to capital deployment on slide 8. In 2016, we executed the repurchase of 14.2 million shares or 10% of the outstanding shares for $650 million. The lack of repurchase activity in Q4 is not a reflection of a change in strategy or commitment to the share repurchase program. Q4 was abnormal given the president election, volatility in stock markets, including the A&D sector, and last but not the least, a very limited trading window.

As a reminder, our board of directors approved a new share repurchase program of up to $600 million in October of 2016. We also initiated our first ever quarterly dividend of $0.10 per share which demonstrates our confidence in our business. And we remain committed to a balanced and disciplined approach to capital deployment. Our focus is on total shareholder return.

For our Fuselage segment results, let's turn to slide 9. Fuselage segment revenue in 2016 was $3.5 billion, up 2% from $3.4 billion in 2015 primarily driven by higher production deliveries on the A350 and the 767 programs, partially offset by lower net revenue on the 787 program due to price step downs and lower production deliveries on 747 and the 777 program.

Operating margin for the year was 13.4% as compared to 17.6% in 2015 due primarily to the net forward loss of $136 million recorded in 2Q 2016 on the A350 program. On a normalized basis, after reversing the changes in estimate charges recognized during 2016, Fuselage segment margin was 17%, which is within the range that we have always provided you as a reference.

Turning now to slide 10; on the A350 program, we delivered 19 shipsets in the fourth quarter or 69 shipsets in total for the year compared to 37 shipsets in 2015. Despite the disruption we experience in our Kinston operations for the aftermath of Hurricane Matthew, we met our delivery commitments to Airbus. We also met our financial commitments on the program and finally started to turn the corner and begin to achieve cash positive on a per unit basis at the end of 2016.

Our deferred inventory decreased in the fourth quarter by $21 million or $1.1 million per shipset and this was a combination of core performance improvement and the benefit of one-time events such as foreign exchange rates. We remain committed to recovering approximately an additional $400 million on the remaining 667 shipsets in the block. Obviously, a lot more work to do here, but we are proud of our teams and they are executing to plan.

Now, turning to slide 11 for our Propulsion segment results. Propulsion segment revenue in 2016 was $1.78 billion compared to $1.75 billion in 2015, driven by higher revenue on certain non-recurring programs, higher production deliveries on the Boeing 767 program, and the Bombardier C-Series. This was partially offset by lower production deliveries on the Boeing 747 program.

Operating margin for the year was 18.3% as compared to 21.6% in 2015. This year-over-year change was driven by cumulative catch-up adjustments in 2015, one-time incentive payments recorded in 2015, and lower production deliveries on the Boeing 777 and the 747 program in 2016.

On a normalized basis, after reversing the changes in estimate charges recognized during 2016, Propulsion segment margin was 18%, which is also within the range that I have provided you as a reference in the past.

For our Wing segment results, let's turn to slide 12. Wing segment revenue in 2016 was $1.5 billion, up 5% compared to $1.4 billion in 2015, primarily driven by higher production deliveries on A350. Operating margin for the year was 14.8% as compared to 12.4% in 2015. The year-over-year increase was mainly driven by higher cumulative catch-up adjustments and changes in estimates on forward loss programs in 2016.

On a normalized basis, after reversing the changes in estimate charges recognized during 2016, Wing segment margin was 13%, once again, which is also within the range that we have always provided you as a reference.

Turning to our 2017 guidance on slide 13, we are guiding 2017 revenue to be between $6.8 billion to $6.9 billion. On EPS, we are guiding to a range of $4.60 to $4.85. And finally, we are guiding free cash flow to be between $450 million to $500 million. Our guidance is based on an effective tax rate of 31% to 32%.

So with that, now, let me hand it back over to Tom for some closing comments.

Thomas C. Gentile

President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

Thanks, Sanjay. In closing, 2016 was a strong year for Spirit. We successfully negotiated a global settlement with Airbus on the A350, refinanced our debt after achieving an investment grade rating, returned $650 million in capital to shareholders through share repurchases, initiated our first dividend of $0.10 per share, made a seamless leadership transition and laid the groundwork for a successful 2017. Our 2017 guidance of revenue and earnings growth, plus a significant increase in cash generation reflects the strong confidence that we have in our business.

With that, we'll be happy to take your questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Jason Gursky of Citi. Please go ahead.

Jonathan Raviv
Analyst, Citigroup Global Markets, Inc.

Q

Hey, guys. It's actually Jon Raviv on for Jason this morning.

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

A

Good morning, Jon.

Jonathan Raviv
Analyst, Citigroup Global Markets, Inc.

Q

Good morning. Can you talk a little about cash deployment, just some added color on what you plan to do with the $600 million, how you're weighing the inorganic opportunity and especially, how much cash deployment is in your guidance for 2017. Thanks.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Well, I'll start with that. So, first of all, we have the full amount of the authorization of $600 million available as we go into 2017 and we are planning to execute some of that. So our guidance reflects a normal amount of share repurchase in it.

As we go forward, as Sanjay mentioned, our focus is going to be on total shareholder return. So rather than being opportunistic, like we were in the past, there'd be more regular steady repurchases that reflect our focus on capital deployment. In general, we still consider our shares to be undervalued. We trade at a discount to our peers. And so, we feel that share repurchases are a good investment and will yield a good return.

In terms of other capital allocation, as I mentioned, we're going to be looking at some inorganic growth opportunities this year, but there, again, the focus will be it has to meet our thresholds for return. We think we have some good opportunities perhaps with core bolt-ons in our major business for structures. But we also see some opportunities to expand into military through inorganic and also to vertically integrate to get into some high margin Tier 2 business to expand our fabrication business, show up our supply chain and build some additional third-party fabrication business, especially in defense.

Jonathan Raviv
Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: Our next question comes from Cai von Rumohr of Cowen and Company. Please go ahead.

Cai von Rumohr
Analyst, Cowen and Company LLC

Q

Yes. Thank you very much. So, two-part question; first, where do you stand with the Boeing negotiations? Is there any timetable for expectations or hope of getting it done? And secondly, maybe give us some color on how you're doing on the 787 program now that you've kind of folded it in with the other Boeing program? Thanks.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Okay. Cai, well, let me start with the first question on the Boeing negotiations. The teams, this last quarter or so, have made some really good progress at the working level. As we've mentioned in the past, one of the things we needed to do in the negotiations on the 737 and the 787 is establish some of the cost base lines and that require a lot of engineering work and there was a lot of engagement on that. The teams made very good progress. I think both we and Boeing are quite pleased with that. Still a little bit more work to do, but some major progress.

Our goal has always been in this effort is to get to a fair and equitable deal and so that has been our focus. I think it's shared with Boeing. We've had a number of engagements and discussions at senior levels with Dennis Muilenburg, with Ray Conner, now Kevin McAllister, as well as some of the finance team. And those discussions have all been constructive and we are all, I think, both interested in reaching a resolution. There's no timetable for that, but we both realize this has been going on for some time and we need to get to closure and that's what the goal is going to be.

Beyond that, this is an active negotiation, so I prefer not to add some more comments, beyond the fact that the conversations are constructive. Both sides would like to get to closure. At the end of the day, Boeing's our biggest customer, we're their biggest supplier. Their success is our success and we want to do something that's going to be productive and valuable for both organizations. So that's what I'll say on the Boeing.

On 787, again, a lot of progress operationally to continue to reduce costs and make sure that we are delivering at quality and meeting the delivery schedules. Boeing has talked about moving to rate 14. That could happen towards the end of the decade. We will be ready when that occurs. Right now, we're at rate 12. For more detailed financials, Sanjay, perhaps you can give some more detail.

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

A

No. I think, Cai, I know you had a little tongue in cheek when you said, I hope we'll have a settlement, of course, we will have a settlement. And frankly, in a number of areas with Boeing, every quarter, what you guys don't see, there are numerous settlements that happen with Boeing as we ramp up on rates-related activity or make changes to our product lines and things like that.

So, we've always said that the fundamental tenants of our negotiations are founded on being fair and equitable; justifying our cost structure, which we believe brings lots and lots of value to both sides; and making sure that we do this thing in a very disciplined manner so that it's not left to the vagaries of the future. So that discussion, by default, then requires a lot more time and energy and explanation and detail and those are the kind of things we are working on.

And as you can imagine, these negotiations can be a little complicated because they're comprehensive and they have aspects of recurring, non-recurring and other aspects. So we are absolutely working on it and like Tom said, we are working at the highest levels and we have good conversations about that. Having said that, at the end of the day, our goal is to get a fair and equitable solution for us as well as for Boeing. So, yes, we will make progress on that.

Operator: Our next question comes from Doug Harned of Bernstein. Please go ahead.

Douglas Stuart Harned
Analyst, Sanford C. Bernstein & Co. LLC

Q

Thank you. Good morning.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Morning, Doug.

Douglas Stuart Harned
Analyst, Sanford C. Bernstein & Co. LLC

Q

On the guidance for free cash flow, I'd like to understand a little bit better, how you're thinking about this and really the bridge from 2016 to 2017. Your operating cash, your bottom end of your range is close to where you are today, but there is significant upside in there. Could you talk through what that bridge is on operating cash? And then perhaps also, how you're thinking about the CapEx trajectory going forward this year and subsequently?

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

A

Let me take that, Doug. Good question. As far as CapEx is concerned, I know it's a wide range, it's $250 million to $300 million, very consistent with what we told you in 2016. And frankly, for the next few years, it's likely to be in that range, like I mentioned in my remarks because we are investing frankly in the rate increases that you know about, but we are also investing in productivity improvements, as we have been, in the last two or three years.

And frankly, you saw that in 2016, early part of the last year, where we announced some new business activity. So we are also investing in some organic new business stuff that we are doing here. So it's likely to be in that $250 million to $300 million range.

I've got to tell you, we are being very judicious about that, particularly as we manage the rates increasing and the rates decreasing in some areas, to find equipment that can be used in a common fashion, to find equipment that can actually enhance our productivity and our efficiency and so on. So that's going to continue.

Now, year-over-year, we've always said, we want to improve our cash flow and this journey started almost three years ago when we said we're going to improve cash flow not just on the programs that are doing well, [ph] back needs to say (30:57), the 80% of the portfolio, but also the 20% of the portfolio that was not doing very well. And A350 is a component of that.

And you started to see we've turned the corner associated with the A350 program. We've obviously still got a lot more work to do and we can sometimes have hiccups like we saw in Q4 with things outside of our control. But having said that, that should help in terms of cash flow. Our core improvements in cost reductions across supply chain and those areas also improve in cash flow.

And again, some of you may have seen this, we did a small VRP in Q4. This is all to try and manage proactively all the cost associated with the shifts that are happening in our industry in terms of rates as well as to try and get better cost structure and discipline and become sort of the best-value aerostructure provider.

So, across the board, it'll be in cost, it'll be some good performance on programs that, in the past, were consuming cash and obviously a supply chain strategy and so on. All of that will get us, I think, to our eventual goal of getting within – consistently within 6% to 8% free cash flow to revenue.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

I would just add to that that the capital expenditures, as Sanjay mentioned, it includes all the investments for rate on the 737 plus all the Airbus program, so that's all incorporated. We've also included all the capital expenditures for our defense programs, so that's included within that guidance.

And as we start to think about organic growth, particularly in third-party fab, there are some investments we want to make in capacity and in capability, which we've also included in that as well as, as we are driving our supply chain strategy and looking to get to the best optimal cost; there's some transfers of work, there's some investments in tooling, all that is included. So, it's a full number.

And then I'd also say, on cash flow for next year, Doug, there's a lot of working capital blocking and tackling that we're starting to look at quite rigorously. So whether it's inventory, accounts payables, accounts receivable, there's a lot of incremental improvements that should also help with cash flow as we go forward.

Douglas Stuart Harned
Analyst, Sanford C. Bernstein & Co. LLC
Q

But Sanjay, just on what you said earlier, is it correct to say that from an operating standpoint that the A350 improvement, would that be the single largest driver of additional cash in 2017?

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

It's certainly a sizable component, Doug, but it's not the only driver. Again, cash flow, as you can imagine, is a little lumpy. Tom just mentioned, working capital improvements. As we get to more stability on certain programs, we should start to see some benefits there. But, yes, it is a big driver, absolutely.

Douglas Stuart Harned
Analyst, Sanford C. Bernstein & Co. LLC
Q

Okay. Great. Thank you.

Operator: Our next question comes from Robert Spingarn of Credit Suisse. Please go ahead.

Robert M. Spingarn
Analyst, Credit Suisse
Q

Good morning.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Good morning, Robert.

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

A

Good morning.

Robert M. Spingarn
Analyst, Credit Suisse

Q

I've a couple of things. Just on that last part, Tom or Sanjay, you've making all these investments, I wanted to ask Tom to expand a little bit on your interest in vertical integration. And then maybe, Sanjay, how does this all translate into a long-term margin objective? What kind of opportunity is there?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

So, let me start with that on vertical integration, expanding our third-party fab business. Right now, Spirit's one of the largest fabrication companies in the world. We've got well over $500 million of activity. We make about 38,000 different parts in terms of machining, sheet metal, skin fabrication. We do processing. We do a lot of plate cutting. We have all that capability. All of it is internally consumed though right now. And as we look at the market, there is certainly a lot of opportunity to sell some of those services to third parties, not only in commercial but also in defense.

The other thing is as we look at Tier 2, even Tier 3 supply chain in aerostructures, is there's often very strong margins in those areas. And so that's an opportunity for us to take advantage of that and capture some of that margin.

And then from a supply chain standpoint, this gives us additional opportunity to manage with our suppliers to figure out the right configuration of what we want to buy and what we want to make to get to the optimal cost structure. And so it gives us a lot of flexibility as we pursue our supply chain strategy.

So there's a number of different reasons that we've been pursuing this. It's profitable business. We're already doing it. It's low risk. We know how to execute. There's a lot of market opportunity and it expands the flexibility that we have in our supply chain.

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

A

And Robert, the only thing I would add and long-term, the strategy is important not just because it's the right thing to do here because all of the scale and capability that Tom mentioned. But think about it this way, if in fact, we can tap into some of the excess capacity that we have given the fact that we are a largest fabricator anyways or if you can absorb some of this inside our footprint with the same management teams or certain fixed costs that we have, to that extent this should be incrementally accretive to us and be a pretty good business going forward. We know how to do this. We have certainly the expertise to do it. We certainly a footprint and in some cases, even the equipment and spare capacity to do it. So we think it'll be a good thing.

Robert M. Spingarn
Analyst, Credit Suisse

Q

So, obviously, this is both the revenue and a margin enhancement opportunity?

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

Yeah. Everything that we are trying to do, Robert, is to try and do both of those things.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Plus, it is also helping our supply chain to drive down cost and get to the most optimal [ph] costs (36:43).

Robert M. Spingarn
Analyst, Credit Suisse
Q

And that's what I mean by margins. It works both way. So, what's the timeframe on this?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Well, we're starting now. We've initiated some new business relationships. As Sanjay mentioned, we've got a fair amount of excess capacity in some sheet metal and – as well as machining and processing. And we can start basically monetizing that right away and we are doing that. So this is going to be build gradually, but we've got some material revenue targets in place for this year that we want to achieve.

Robert M. Spingarn
Analyst, Credit Suisse
Q

Okay. I guess you don't want to share those at this point, but...

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

[indiscernible] (37:17).

Robert M. Spingarn
Analyst, Credit Suisse
Q

Okay. One last question, high level, Boeing negotiations. Does a final agreement with Boeing, is that incumbent upon some kind of decision on the next program MOM?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

No, it's independent of that.

Robert M. Spingarn
Analyst, Credit Suisse
Q

Okay.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Although – I mean, I will say that the middle-of-the-market is something that we would like to be on. We have to earn our way onto it. We think we bring unique capabilities that would make us a valuable partner. And that's really the way we're presenting it to Boeing is it's something that we want to be on.

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

A

Robert, one more time, just for everybody, because I know this comes up. The fundamental tenant of our negotiation settlement with Boeing is based on the concepts of having a fair and equitable arrangement. And yes, based on everything that we are doing to manage our costs and bring the best value to our customer. But at the end of the day, it has to be fair and equitable in its current context.

Operator: Our next question comes from George Shapiro of Shapiro Research. Please go ahead.

George D. Shapiro
Analyst, Shapiro Research LLC

Q

Yes. Just a follow-up on the contract negotiation with Boeing. So it looks like you certainly didn't return the [indiscernible] (38:33) that Boeing had asked you to return. Is there a timeframe on when you have to reach a deal before you return that, or is it open ended?

And the second part is are you still comfortable with the interim agreement? So, you've been saying all along, if you don't reach an agreement, you're happy with the interim one. And I just want to know whether that's still the case, so implication would be that any deal would have to be at least as good as the interim agreement. Thanks.

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

A

Right. Well, with regard to the cash, that's going to be part of the final negotiation. So we will resolve that as part of the negotiation and determine the actions to take.

In terms of the interim agreement, as we have said, it's satisfactory. In terms of timing though, our goal with Boeing is to reach closure. This has gone on for quite some time, as you know and both of us would like to reach closure, so that's what the objective is.

George D. Shapiro
Analyst, Shapiro Research LLC

Q

But can you put a time? I mean, is it like this year or there's no timeframe on it?

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

A

There's no timeframe on it, but sooner the better.

George D. Shapiro
Analyst, Shapiro Research LLC

Q

Okay. Thank you.

Operator: Our next question comes from Seth Seifman of JPMorgan. Please go ahead.

Seth M. Seifman
Analyst, JPMorgan Securities LLC

Q

Thanks very much and good morning.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Good morning, Seth.

Seth M. Seifman
Analyst, JPMorgan Securities LLC

Q

Sanjay, I wonder if you could walk a little bit through the profitability in 2016 versus 2017 and we can back into kind of what a margin might be. I'm not sure if you want to say exactly how much share repurchase you plan to do, but do you plan for the share count to be down off of the Q4 level in your guidance or flat? And then, given sort of the increasing A350 and the changes on 737 and 777, the changes in kind of your underlying profitability through the year.

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

A

Sure. So, the first question, yes, Seth, I mean, we've got a certain amount of assumptions in terms of share repurchase like Tom mentioned and that's bounded inside our guidance. I mean, at this stage, our guidance is wide and the number of share repurchases, which will be fairly balanced.

We're migrating, like Tom mentioned in his remarks as well, is getting balanced from our – in terms of a total shareholder return perspective. So we'll obviously got some numbers in there and we will see how the year works out and then if it changes then you'll see the impact.

More importantly, let's just talk in terms of profitability because I was reading some reports early this morning in preparation for this call from a number of you and the call question in terms of is the margin and segments looking good. And that's why I kind of modulated my remarks to make sure you understood that if you really look at our Fuselage, Propulsion and Wing segments, the margins have been pretty consistent in the context of what we've said in the past and how we performed.

On a quarter-by-quarter basis and sometimes even slightly things do modulate because we make certain investments and there are certain expenses in our factory that allocate their way into either the Fuselage or the Propulsion or the Wing areas. Sometimes, there are some small charges that happen associated with small impairments or tooling et cetera. But at the end of the day, what we've been guiding you guys is to say look at our Fuselage segment, around 17% and look at our Propulsion, 18%, and Wing at 13% and those should be consistent.

Now, the trick here is to continue to take our cost down in the future to make sure that we manage all the challenges that come out of rate increases. Sometimes, rate increases are not the easiest things to do. It sounds easy, but sometimes you have to make investments in people and training and other costs that can create a little bit of volatility inside a quarter. But at the end of the day, we think our profitability in our core business should be around those stable numbers. And if we did that and then going back to Doug's question, we should be able to generate the appropriate cash including in some of the other areas that are zero-margin programs to deliver the 6% to 8% free cash flow that we want to deliver. And that is, at the end of the day, what we are striving to do here.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Let me just offer one additional comment. As we look at next year – I mean, I mentioned in my opening remarks that our guidance for next year includes the rate adjustment on the 777, which goes from 7 to 5. Now, in a full year basis, as the 737 ramps up in rate from 42 to 47 and then beyond, it would more than offset the impact on the 777. But next year is a little bit unusual because we're going to get most of the full year impact on the 777 rate decline, but the 737 rate increase doesn't kick until toward the latter half of the year. So, there's a little bit of a mismatch next year and that's obviously also impacting on margins and revenues.

Seth M. Seifman
Analyst, JPMorgan Securities LLC

Q

Okay. Thank you very much.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Thanks, Seth.

Operator: Our next question comes from Howard Rubel of Jefferies. Please go ahead.

Howard Alan Rubel
Analyst, Jefferies LLC

Q

Thank you. Excuse me. Thank you very much. You were proactive in resizing the workforce and offering some early retirement. Tom, could you address how you think about continuing to work productivity and manage the labor force and the opportunities? I mean...

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Right. Well, Howard, as we go forward, one thing, as rates go up, we've got to make sure we size for that. So there's a lot of moving parts in the whole equation. But we have a lot of cost reduction activities across all of our different buckets. So there's significant effort in terms of supply chain. We have a lot of focus on our non-labor costs. But in terms of labor, it's really all about productivity and digitization.

So, I mentioned that we have a lot of effort around our shop floor digitization and we have a program, for example, that we call [ph] mobile mechanic (44:45) and what that is is really empowering our shop floor employees to have ready access to not only work instructions, but also the ability to start and stop their tasks on an automated basis. That allows us to become much more productive.

With Boeing, we've been working a lot with the Boeing production system and looking at as we segment activities into tasks, what's the champion level time that we've ever achieved for a certain task. And if we add that up and accumulate it across the entire set of tasks, what's the champion time for a whole aircraft, for example.

And so, as we move forward with those initiatives and we get more and more granular, we will be able to drive direct labor cost productivity. At the same time, we looked at our support to touch ratios and make sure that we're optimizing our support labor in the factories, that could be inspections, it could be logistics, it could be quality as well as all of the other support activities. So, it's really a comprehensive set of initiatives to address not only the material costs and the non-labor costs but also direct labor and indirect support labor.

Howard Alan Rubel
Analyst, Jefferies LLC

Q

So, why wouldn't this lead to improved profitability as opposed to the stable numbers that Sanjay sort of talks about?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Well, there's a couple of reasons. As we go forward in terms of the overall economics, we're always facing escalation in labor rates. We have material escalation. We're offsetting those things. And as you know, we have some supplier step-downs in different programs. So, it's a mix of all those things. Our target really has been to keep margins stable as we go through all of that volatility.

Howard Alan Rubel
Analyst, Jefferies LLC

Q

Thanks, Tom.

Operator: Our next question comes from Robert Stallard of Vertical Research. Please go ahead.

Robert Stallard
Analyst, Vertical Research Partners, LLC

Q

Thanks so much. Good morning.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Good morning, Robert.

Robert Stallard
Analyst, Vertical Research Partners, LLC

Q

Just on the 2017 guidance, you've said you've anticipated the 777 rate cut and obviously that program is going to keep trending down from there. What's your sense of the inventory in the chain of this aircrafts? And what sort of threat do you have from destocking? And equally, what sort of opportunity is there?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Well, I mean, the 777 – the rate guidance that Boeing has given, we've taken that into account. I don't think that the working inventory [ph] isn't (47:16) at all unusual for a program of this size. So that's not something that's going to be necessarily a big driver for us.

I mean, our focus on 777 is really to make sure that we get the costs aligned with the rate reductions. We've done a lot of work to restructure the workforce around the wide-bodies and to streamline so that we get the leverage of all the volume that we're doing here and what you've talked across all the Boeing programs. And that's enabled us to take quite a bit of management layers out, as well as to reduce support ratios, because we've really aggregated the activities into bigger buckets.

Going forward, we're actually quite optimistic about the 777 as the 777X comes online. You heard Boeing CEO's – Dennis Muilenburg last week say that 2017 looks sold out, 2018 and 2019 mostly sold out and so they're going to be working on filling up those gaps. But going into the 2020s, if you look at revenue passenger growth, it's still strong. There's going to be a retirement wave of the wide-body aircraft. So we're very optimistic that that program will pick up and that the current rate is really for this current period of time.

Robert Stallard
Analyst, Vertical Research Partners, LLC

Q

Okay. Thank you.

Operator: Our next question comes from Sam Pearlstein of Wells Fargo. Please go ahead.

Samuel J. Pearlstein
Analyst, Wells Fargo Securities LLC

Q

Good morning.

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

A

Good morning, Sam.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Morning, Sam.

Samuel J. Pearlstein
Analyst, Wells Fargo Securities LLC

Q

Could you talk a little bit more about the A350? You had good sequential improvement. Last quarter, you talked about some one-time items, this time, you mentioned some also like FX. So I guess I'm wondering, can you give us at all any sort of an estimate to where deferred would be at the end of this year. And I know it's a multipart question, but adding an A350 1000, is that also seeing a decrease or are we going to get an increase as you see more 1000s?

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

A

Sam, let me take that. Clearly, deferred at the end of 2017 should be lower based on our plans because we just talked like with Doug in terms of it's a cash generator for us and we expect that to happen. It's true that there was some benefits in terms of the foreign exchange because as the dollar has strengthened, some of our inventories et cetera, in Prestwick had valued lower. But I will tell you, the majority of the improvement that we saw in the $1.1 million, not all of it but the majority of it, was operationally driven. So we are feeling good about the fact that the program is delivering what it says it's going to deliver.

The key there obviously is also going to be on rates and how we manage, not just ourselves but also our customer and keep going on the trajectory that we are working with them on. And so far, everything there we see as – is on track.

So, I can't give you a number in terms of specific. We don't want to get into program-by-program level deferred inventories et cetera on the A350. It will be down. We are making good progress and it's mainly operational progress.

Samuel J. Pearlstein
Analyst, Wells Fargo Securities LLC
Q

And do you still complete the advance repayment in the second half of the year?

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

Yeah. It's towards the end of the year, but, yes. Based on the rates, et cetera, by the end of the year, thankfully that's the cigar that I'm waiting to smoke when we are done paying our advance payments to Airbus.

Samuel J. Pearlstein
Analyst, Wells Fargo Securities LLC
Q

Okay. Thank you.

Operator: Our next question comes from Myles Walton of Deutsche Bank. Please go ahead.

Myles Alexander Walton
Analyst, Deutsche Bank Securities, Inc.
Q

Thanks. Good morning. Sanjay...

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

Good morning.

Myles Alexander Walton
Analyst, Deutsche Bank Securities, Inc.
Q

...I was hoping to touch on the Fuselage margin of 17% and if that was – do you think, still going to be, over the next few years, a good number given the rate reduction on the 777? I imagine this accounting block, you've got some of the headwind, but you don't have the step down to 3.5 a month as delivery rate, the higher A350. And just kind of – is 17% a good number for 2017 and 2018 as a percent for [ph] Fuselage (51:22)?

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

Yeah. I think. No. Listen, everything that you mentioned and this goes back also to Howard's question. I mean, listen, we're going to take cost out to maintain our margins. It is true that as the A350 ramps up and the margin on the A350 is zero. It obviously dilutes the Fuselage segment margin and obviously has a decent impact there. Likewise with 777 also, but this is where we are doing everything we can to take our costs down in some cases faster than the rate impacts that affect us to make sure that we maintain these margins. So, yeah, I see we ended up, if I just look at the full year in 2016, it's about 16.8%. So, in that 16%, 17% range, yes, we see that for 2017.

Myles Alexander Walton
Analyst, Deutsche Bank Securities, Inc.
Q

Okay. And just a clarification, the 787 deliveries in the second half of the year looks kind of below production rate. Is there a catch-up in 2017?

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

No. That was just timing. We are – like we said in our prepared remarks, we met whole of our customer requirements. So this just goes back to a little bit of timing flow with our customer in terms of the quarterly deliveries. There's nothing other than timing.

Myles Alexander Walton
Analyst, Deutsche Bank Securities, Inc.
Q

Okay. Thanks.

Operator: Our next question comes from Rajeev Lalwani of Morgan Stanley. Please go ahead.

Rajeev Lalwani
Analyst, Morgan Stanley & Co. LLC
Q

Thanks for the time. Just two questions for you; two quick ones rather. On the 737, can you talk about when the rate step-ups happen in 2017 and 2018 in particular?

And then, Sanjay, on the guidance that you put out on earnings for the year, does that incorporate a fair and equitable arrangement with Boeing?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

So, let me take the 737 question first. The plan is that 47 will kick in midyear, for 47 this year. And then, the next rate ramp is really kind of midyear next year for 52 is what the indication is that Boeing has given us. So we're obviously prepared to move to 47 because that's imminent. And then the planning is well underway for 52 and then 57.

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

And Rajeev, in terms of guidance, yes, I mean, I think at the end of the day, we are getting interim payments. Like Tom mentioned, those are satisfactory and those are the foundation of what we guide to you. And our negotiations are on the basis of fair and equitable arrangement. So, theoretically, yes, our guidance assumes that we will conclude and we will conclude in a fair and equitable manner.

Rajeev Lalwani
Analyst, Morgan Stanley & Co. LLC
Q

Very helpful. Thank you, gentlemen.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Thanks.

Operator: Our next question comes from Ken Herbert of Canaccord. Please go ahead.

Kenneth George Herbert
Analyst, Canaccord Genuity, Inc.
Q

Hi. Good morning.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Good morning.

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

Good morning, Ken.

Kenneth George Herbert
Analyst, Canaccord Genuity, Inc.
Q

Just wanted to clarify something. Based on the timing of the rate break on the 737 and the 777, is it fair to say that – I know Tom you mentioned earlier that from a cash standpoint, you expect the increase on the 737 to more than offset the decline on the 777. But is it fair to say that maybe because of the timing, you're not seeing that full recapture in the fiscal 2017 free cash flow guide?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Yes. That's exactly right. There's a mismatch in the timing, so you don't get the full-year benefit of the 737 but we see the rate decline on the 777. So there's a mismatch.

Kenneth George Herbert
Analyst, Canaccord Genuity, Inc.
Q

Okay. Okay. Okay. And so then obviously you should see that catch up and then some in 2018 I'd imagine?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Correct.

Kenneth George Herbert
Analyst, Canaccord Genuity, Inc.
Q

Okay. All right. Thank you very much. Just wanted to clarify that.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.
A

Welcome. Operator, we have time for one more question, please?

Operator: Yes. Our next question comes from Richard Safran of Buckingham Research. Please go ahead.

Richard T. Safran
Analyst, The Buckingham Research Group, Inc.
Q

Tom, Sanjay, Ghassan, good morning.

Ghassan Awwad
Executive Director of Investor Relations and Corporate Strategy, Spirit AeroSystems Holdings, Inc.

A

Good morning, Richard.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Good morning.

Richard T. Safran
Analyst, The Buckingham Research Group, Inc.

Q

So just to close out here, just a bit of a multi-part question on defense, it follows up on your remarks. And I may have missed something you said. So first off, on your B-21 contract program, are you in a position to discuss the revenue you're expecting on the program this year and maybe size that just in terms of the other programs?

And on defense in general, I take it from your remarks that you're thinking more positively that there are incremental opportunities on new programs. Do you expect those opportunities to materialize in 2017 or are they later than that? And lastly, if you do win these new opportunities you were discussing, do they come with a commitment to make additional technology or capacity investments?

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Right. Well, let me start with B-21. It's a classified program, so we can't really discuss what the revenues will be this year. So that's – but what I did say is that the capital investments have all been incorporated into our guidance on that.

The second question you had was if we're working on defense programs, if we'll see the impact of that in 2017 or later, most of the programs obviously have a long lead time in terms of gestation. So the biggest impacts will be down the road. So, for example, with the CH-53K, that's going to be a very nice program for Spirit, but it'll be several years before we start to see material impact.

What we are going to be doing is looking at opportunities to expand our work packages in the component area. That will have a little bit more of a near term opportunity for us as we go forward. And inorganically, again, looking at companies that are already on packages. So those are the ways that we'll try to pull in some of the impact of defense spending.

Richard T. Safran
Analyst, The Buckingham Research Group, Inc.

Q

Thanks very much.

Thomas C. Gentile
President & Chief Executive Officer, Spirit AeroSystems Holdings, Inc.

A

Okay. You had another question about capital investment, which I think we addressed in terms of how we've incorporated all of it into our guidance. On the cost side programs, obviously we can't go into more detail.

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

A

Thanks, Richard.

Ghassan Awwad
Executive Director of Investor Relations and Corporate Strategy, Spirit AeroSystems Holdings, Inc.

Okay? Thank you. That concludes our earnings call. Thank you for your participation today.

Operator: The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.