REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q2 2024 AAR Corp Earnings Call

EVENT DATE/TIME: DECEMBER 21, 2023 / 9:45PM GMT

CORPORATE PARTICIPANTS

John McClain Holmes *AAR Corp. - CEO, President & Chairman of the Board*
Sean M. Gillen *AAR Corp. - Senior VP & CFO*

CONFERENCE CALL PARTICIPANTS

Bert William Subin *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*
Robert Michael Spingarn *Melius Research LLC - MD*
Stephen Francis Strackhouse *RBC Capital Markets, Research Division - Associate*

PRESENTATION

Operator

Good afternoon, everyone. Welcome to AAR's Fiscal 2024 Second Quarter Earnings Call. We are joined today by John Holmes, Chairman, President and Chief Executive Officer; and Sean Gillen, Chief Financial Officer.

Before we begin, I'd like to remind you that comments made during the call may include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements.

Accordingly, these statements are no guarantees of future performance. These risks and uncertainties are discussed in the company's earnings release and the Risk Factors section of the company's annual report on Form 10-K for the fiscal year ended May 31, 2023, and Form 10-Q for the fiscal quarter ended August 31, 2023.

In providing the forward-looking statements, the company assumes no obligation to provide updates to reflect future circumstances or anticipated or unanticipated events. Certain non-GAAP financial information will be discussed on the call today. A reconciliation of these non-GAAP measures to the most comparable GAAP measures are set forth in the company's earnings release.

A replay of this conference call will be available for on-demand listening shortly after the completion of the call on AAR's website.

At this time, I would like to turn the call over to AAR's Chairman, President and CEO, John Holmes.

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Great. Thank you, and good afternoon, everyone. I appreciate you joining us today to discuss our second quarter fiscal year 2024 results.

Before we discuss these results, I wanted to comment on the acquisition agreement that we announced this morning. For many years, we have been focused on growing our position in the market for proprietary and differentiated services and we have long viewed Triumph's Product Support group as one of the leaders in this market for repair. In fact, in the more than 5 years since I became CEO, I've had a number of conversations with Triumph's CEO about the possibility of AAR acquiring this business. So similar to our Trax acquisition that we announced earlier this year, this is an idea that we have had for a long time, and I'm very excited that we've reached an agreement with Triumph.

We believe that the acquisition will bring scale to our existing component repair operation, add next-generation repair capability, deepen and broaden our customer relationships globally and expand our footprint. The quality of this business is reflected in its margins, which we anticipate will meaningfully enhance our own margin profile. We expect numerous benefits associated with integrating our existing Part Supply, repair and engineering and integrated solutions volumes with this business's operations.

Triumph Product Support also comes with a large DER portfolio and significant PMA development capabilities. We expect this will accelerate our growth in each of these areas. Additionally, its Thailand facility will help AAR further penetrate the high-growth Asian market. Finally, this business comes with a talented and accomplished leadership team.

Overall, we expect this acquisition, which fits squarely into our stated strategy to be highly value accretive and it adds significant scale, differentiated capability operating margins of approximately 18%, a strong cash flow profile and significant synergy opportunities.

Turning to the results. We delivered another strong quarter of financial and operational performance, which resulted in record adjusted second quarter earnings.

Specifically, sales for the quarter were up 16% year-over-year from $470 million to $545 million. Sales to commercial customers increased 24% and sales to government customers increased 1%.

Within Parts Supply, sales were up 24% over the prior year quarter driven by strong customer demand for used service and material and continued expansion of our commercial distribution activities.

Regarding USM, our global sourcing team continues to secure material that is in high demand. Much of this material requires repair work before it is resold and we continue to navigate extended turn times with our partner repair vendors.

New parts distribution saw continued growth in both our existing and new commercial product lines, which more than offset continued slower parts sales to the U.S. government. On that note, we have started to see a slight increase in our parts booking with the government which is encouraging.

In repair and engineering, sales were up 8% over the prior year quarter driven by strong performance across our hangars and component repair operations.

In Integrated Solutions, sales were up 23% over the prior year quarter due to increased flight hours in our power-by-the-hour programs and strong performance across our government programs. Trax also contributed to sales growth this quarter, and that integration continues to go well.

On that note, Trax has a growing pipeline of opportunities as the value proposition of combining Trax's industry-leading software with AAR scale and financial support is resonating with customers across the globe.

In expeditionary Services sales were down 34% over the prior year quarter due to a significant decline in mobility shipments of pallets to the Department of Defense. As a reminder, Mobility's products are used in support of U.S. troop movement which has not increased in the current environment. The decline in sales activities is the result of funding being diverted to the effort in Ukraine, and we expect this to return to more normalized levels towards the end of our fiscal year.

Turning to profitability. Our adjusted operating margin was 8.1%, up from 7.6% in the prior year quarter. Operating margins expanded in Parts Supply and Repair and Engineering. Trax also contributed to our overall margin expansion. Further, this represents our 11th straight quarter of year-over-year adjusted operating margin improvement.

Our adjusted diluted earnings per share from continuing operations were up 17% from $0.69 per share second quarter last year, to a record of $0.81 per share this year.

With respect to cash, we generated $17 million in cash flow provided by operating activities from continuing operations in the quarter. We continue to see attractive opportunities to invest in our Parts Supply segment, which resulted in net inventory increasing $32 million during the quarter. We expect these investments to continue to drive growth for both USM and distribution.

Our cash flow and continued EBITDA growth resulted in leverage at the quarter end of only 1.0x adjusted EBITDA, and as such, our balance sheet remains exceptionally strong, which helped enable the agreement to acquire Triumph's Product Support business.

Turning to new business. We had several wins announced during the quarter and subsequent to the quarter. These wins across multiple business segments inside of AAR and demonstrate the strength of our offering to customers.

In repair and engineering, we announced an extension and expansion of our airframe services agreement with Alaska Airlines, including the planned corresponding expansion of our hangar capacity at Will Rogers World Airport in Oklahoma City.

Similar to our previously announced expansion in Miami, this product meets all of the criteria that we have outlined for MRO capacity growth, which includes a supportive relationship with the airport and local government, favorable labor market dynamics and a long-term customer commitment. We are excited about this opportunity and would like to thank Alaska Airlines, Oklahoma City Airport Trust and all those who made this possible.

In Parts Supply, we announced a multiyear contract extension with MTU Maintenance to supply USM parts for Pratt & Whitney 2000 engines. And also, we announced a new multiyear distribution agreement to supply Woodward's fuel control products to the Defense Logistics Agency under our Captains of Industry Contract.

Finally, in Integrated Solutions, Airinmar announced a new multiyear services agreement with Turkish-based low-cost carrier, Pegasus Airlines, for warranty support services.

With that, I'll turn it over to our CFO, Sean Gillen, to discuss the results in more detail.

Sean M. Gillen ***AAR Corp. - Senior VP & CFO***

Thanks, John. Our sales in the quarter of $545.4 million were up 16.1% year-over-year. Our commercial sales were up 23.5%, driven by growth across most of those operations, particularly Parts Supply, and our government sales were up 1.4% due primarily to integrated solutions, partially offset by declines for new parts distribution and Parts Supply and Expeditionary.

Gross profit margin in the quarter was 19%, up from 18.3% in the prior year quarter on a reported basis, and up from 18.8% in the prior year quarter on an adjusted basis. Overall margin performance was strong across our activities, with notable improvement in commercial programs as well as the contribution from Trax. Gross profit margin in our commercial business was 20.4%, and gross profit margin in our government business was 15.4%, which reflects the softer performance in mobility that John mentioned.

SG&A expenses in the quarter were $65.7 million, which included $3.1 million from acquisition and amortization expenses and $2.6 million of investigation costs. Excluding these items, SG&A was $60 million or 11% of sales.

Net interest expense for the quarter was $5.5 million compared to $1.5 million last year, driven by higher interest rates and borrowings. Cash flow provided in operating activities from continuing operations was $17.4 million.

In addition to generating cash, we continue to invest in the business as evidenced by the $32 million increase in inventories. Our balance sheet remains exceptionally strong with net leverage at 1x adjusted EBITDA, which enables us to make both organic and inorganic investments, namely our announced acquisition of Triumph Product Support.

On that note, with respect to the planned acquisition, as indicated in the release and the slides that we posted to our website, the consideration is $725 million. We expect to receive tax benefits with a present value of approximately $80 million as part of the transaction.

Net of this tax benefit, the purchase price is $645 million which represents a multiple of 11.7x EBITDA for the fiscal year ending March 2024, and 9.9x EBITDA inclusive of the $10 million of run rate synergies. Funding for the acquisition is supported by a fully committed bridge facility. The closing of the acquisition is subject to regulatory clearance and other customary closing conditions, and we plan to conduct a permanent financing in conjunction with the closing that will include debt and subject to market conditions, equity.

Inclusive of an equity issuance, our target net leverage at closing is approximately 3x. We expect to begin to realize synergies shortly after closing and to fully realize the run rate synergies by the end of our fiscal year 2026. Given the growth in cash flow outlook of both the target and AAR, we expect to further delever post close. The transaction is expected to be accretive to our adjusted earnings per share for our full year fiscal 2025.

Note that consistent with current practice, our adjusted earnings per share and adjusted operating earnings will not include noncash amortization and similar expense associated with purchase accounting, which we anticipate to be approximately $20 million to $25 million per year.

Thank you for your attention, and I will now turn the call back over to John.

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Great. Thank you, Sean. I am pleased that we delivered another strong quarter of year-over-year revenue growth and adjusted operating margin expansion. The macro environment for the commercial aviation aftermarket continues to be very strong, and our customers have signaled strong demand for our services in calendar 2024.

Furthermore, continued new aircraft delivery constraints and issues related to newer generation engines are expected to drive increased demand for mid- to late life aircraft, which, as you know, is a core market for AAR.

For our parts activities, we expect continued growth in both USM and new parts distribution. We expect to invest in both USM material as well as in new business wins in distribution and expect these investments will drive our results going forward.

In repair and engineering, our hangars are operating at near capacity and we expect that to continue for the foreseeable future. We are excited about the planned expansions at both our Miami and Oklahoma City facilities.

In Integrated Solutions, our Trax acquisition is performing well and positively contributed to our financial results. Our portfolio of government programs is stable, and we believe we have a strong pipeline of opportunities with the Department of Defense and other government customers. As we turn to calendar year 2024, we are focused on converting this pipeline to new business wins.

Looking forward with respect to Q3, overall, we expect continued year-over-year sales and earnings growth. Specifically, we expect high single-digit to 10% year-over-year sales growth, and adjusted operating margins to be consistent with the quarter that we just delivered. This does not assume any impact from the Product Support acquisition announcement.

I'm incredibly proud of the work our team continues to do to produce the record results that we have achieved. The favorable macro environment and our ability to execute continues to be a powerful combination.

Further, the acquisition of Triumph Product Support meaningfully accelerates our strategy to add differentiated, complementary, high-margin capability to our overall aviation services offerings, and we cannot be more excited to welcome Triumph Product Support's talented team to AAR.

With that, I'll turn it over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from the line of Robert Spingarn with Melius Research.

Robert Michael Spingarn ***Melius Research LLC - MD***

Congratulations on the deal.

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Thanks very much, Rob.

Robert Michael Spingarn ***Melius Research LLC - MD***

I'd like to ask maybe a multipart question on that, and then I have a question on the business. But let's start with the top line. You mentioned, I think, that the deal should be accretive to sales growth, but which sales growth target? Is that next 12 months? Is that your long-term target you talked about in July? How do we think about that?

Sean M. Gillen ***AAR Corp. - Senior VP & CFO***

Yes. I think -- we think it will be accretive to sales growth as -- after we closed the deal and it contributes, and I think that 5% to 10% that we've talked about long term, I think it's accretive to that as well and we're push higher to the -- higher end of that range.

Robert Michael Spingarn ***Melius Research LLC - MD***

Okay. Okay. And then I know, John, I think you talked about synergies, I just wanted to -- and you ran through a bunch. But high level, if you could detail that a little bit on the cost side and then as well on the revenue side, revenue synergies.

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Yes, sure. The $10 million that we cited is all cost. And that's -- we expect that to come from multiple areas, and we feel very, very confident in that number. Now with our 2 existing repair sites in New York and Amsterdam as well as the 5 sites that we're taking on in -- with Triumph, we've got a fair bit of opportunity to rationalize capability amongst all of those sites. And that will drive some -- a good chunk of the cost synergy.

Additionally, there's actually quite a lot of repair work that we send out in support of our power-by-the-hour program. That could go to Triumph, but today goes to other vendors. And so we would expect to consolidate that work ultimately based on the new capability that we're acquiring. So those would be the 2 major building blocks of the cost synergies. At this point, we have not, in that number of $10 million, factored into any revenue synergies, but you can expect that we believe that there's quite a lot of opportunity to cross-sell amongst customers where Triumph is strong and we're not, and conversely, customers where AR is strong and Triumph is not.

Robert Michael Spingarn ***Melius Research LLC - MD***

Is it fair to think of this as a good platform for your parts. You can insert those in the Triumph facilities?

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Yes. I think, yes, with an outlet there, the other synergy between the repair business and the parts business is we have to support the trading business, we have a fairly large rotable pool both of actual rotable components, but then also structural components. Those components are synergistic with repair businesses because they also augment turnaround times that provide exchange units and extraction units. And so the trading business and the repair business have synergies that way as well.

Robert Michael Spingarn ***Melius Research LLC - MD***

Okay. And then last one on this, Sean, for you. Thinking about the potential equity issuance versus just debt financing, the entire thing. It seems like the accretion is pretty similar, but the equity dilution would be more long term, let's say, unless you bought back the stock. So what's the calculus behind that especially given your balance sheet?

Sean M. Gillen ***AAR Corp. - Senior VP & CFO***

Yes. So the balance sheet is -- actually puts us in a good spot. And I think the way we think about that is targeting 3x at close, which would be inclusive of an equity issuance. If you didn't have an equity issuance, you'd probably be closer to 3.6, 3.7. And the thought there is just continuing to be more curvative on the balance sheet and continue to allow for investments to help drive growth across the other businesses as well. So evaluating equity alongside the debt.

Robert Michael Spingarn ***Melius Research LLC - MD***

Got you. Okay. John, last one. It's on the business. Last time, you talked a little bit about some headwinds having the end of -- or coming from the end of a landing year overhaul cycle. And just wondering, do you have any more of those coming up either in the core business or at Triumph, where you either have a headwind because an overall, a certain component cycle is ending or you have a tailwind because one is starting.

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Sitting here, not that I can think of. I mean, landing gear out of all the repair businesses, both heavy maintenance as well as all of the businesses that Triumph is involved in is the most cyclical. So that would be -- that would really be situational to landing gear versus our other MRO operations and certainly the operations in Triumph's portfolio.

Operator

One moment for our next question. And that will come from the line of Bert Subin with Stifel.

Bert William Subin ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Maybe, John, just to start sort of high level on the Triumph side. Can you just provide us some context on what this acquisition does for you that you think would have been too difficult to do organically. And I guess the reason I'm asking is like, how do you think about what this brings to overall AAR and why this sort of speeds up the process of growth?

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Yes, great question. Just a few thoughts there. First of all, I want to highlight that this was a negotiated transaction. This was not a process. The CEO of Triumph, Dan Crowley and I, worked together on the -- and that came out of the fact that for several years, as I mentioned at the beginning, we have felt that this business would be highly complementary and strategic to AAR's offering. So we were very pleased that the stars aligned and we were able to reach agreement with Triumph.

What it brings to us is a number of things. As I mentioned, there are synergies around just straight cost and that will come from footprint rationalization across the combined 7 facilities as well as in-sourcing quite a lot of work that AAR sends out today in support of our flight hour programs. There is also a great deal of capability that Triumph has that has taken decades to create and would be near impossible to replicate today. They have an incredible blue-chip customer base, many of which have been there for -- with them for decades.

So those relationships are very, very solid, and the proprietary repairs that come through their DERs, they've got over 6,000 DERs. Again, those took years and years to develop, as well as a PMA business that is still relatively small in the scheme of things for Triumph, but years ahead of where we are in PMA, it really jump-starts our P&A efforts there.

So it would have taken a very, very long time and a tremendous amount of capital to replicate what they have. And the margin accretion here is very significant. If you think about our long-term growth targets in margin, this pulled that forward by a couple of years to get AAR close to our ultimate double-digit goal of operating margins, 10% and beyond.

Bert William Subin ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Okay. Got it. Maybe just a clarification question there. On the PMA side, is there any sort of granularity you can provide? I know you guys have talked about organically doing that. What does this do for you in that? Is it sort of the similar types of parts that you were looking to do organically? Or is this going to be complementary to what you're thinking about doing organically?

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

It's complementary to what we think about organically and their PMA efforts are largely focused on interior parts, which comes out of the legacy Triumph Interiors business. And they've got a nice portfolio there and a nice growth plan for the PMA portfolio, but focused on interior parts, which is complementary to where AAR is focused.

Bert William Subin ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Got it. Okay. And then on the other side of parts, USM, it sounds like you're seeing some positive indicators there. You try to keep the balance sheet in pretty good shape, presumably, to keep acquiring material. Obviously, OEMs have been pricing pretty well over the last few years. And so there's likely, it's a good spread you can keep getting there. As USM supply comes out, you should still get price. Is that consistent with what you're seeing? And sort of what inning do you think we're in, in terms of the USM recovery?

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

That is what we're seeing in terms of pricing spreads. And in terms of the inning, I still think we've got a way to go. The delivery rates, the challenges presented by the GTF, all of the indications that we're getting from our customer base is that demand will be strong for some time, which is why we continue to make investments in that business, which is why you saw an inventory increase this quarter.

And going back to Rob's question around the potential equity instruments, that's why we want to maintain a flexible balance sheet so that we can continue to be nimble in that market and act when we see opportunities. And obviously, that's translating to high growth and high margin. So we still feel that, that dynamic has got a ways to go.

And then once you do start to see fleets retired and aircraft to be teared down, there will be an even better period where more material is available to ultimately support the continued demand for that material. So we're looking forward to times when you actually start to see increased retirements and tear down so that we've got access to more assets to fulfill the demand.

Bert William Subin ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Got it. Okay. Just a final question for me. It seems like the government customers been a source of relative weakness. I think you pointed out 1% growth relative to '24 for commercial. Where are we on that dynamic changing? It sounds like it doesn't change a ton in 3Q. So -- is that what -- I think you made the comment, John, high single digits to low double digits for sales growth in the fiscal third. Is that why? Is it because that probably stays at that low single-digit range?

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Yes, I think you're exactly right. That business right now, obviously characterized by 1% growth year-over-year is relatively stable. There's really 2 things there. One is our new parts distribution business to the government, this is down considerably from where it was 2 years ago.

As we mentioned, that is a dynamic that we see some positive signs in the last few months. We've seen some increase in our bookings there. So over the back half of this year, we're optimistic that we'll see increased government sales volumes out of our distribution business.

But the programs business is really the majority of this, as you know, a couple of years ago, with the Afghanistan withdrawal, we saw a down shift. We've had some short-term wins as well as some long-term wins that have offset part of that decline from Afghanistan but not fully. And the backlog, the pipeline of opportunities that we have in bid with the government right now, they're just very slow to award.

So we remain very confident about the value proposition that we have for the government, and we've got some very meaningful programs out there. We just need them to convert to a win. But to your point, even once they do convert to a win, by the time you clear what will likely be a protest on any one of those and go through a ramp up, it's unlikely you would see meaningful contribution from any one of those government programs until our next fiscal year.

Operator

One moment for our next question. And that will come from the line of Michael Ciarmoli with Truist Securities. (Operator Instructions) Okay. We'll go on to the next question. (Operator Instructions) Our next question will come from the line of Ken Herbert with RBC Capital Markets.

Stephen Francis Strackhouse ***RBC Capital Markets, Research Division - Associate***

And this is Steve Strackhouse on for Ken Herbert. Congrats on the acquisition today guys.

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Thanks. Good to hear from you.

Stephen Francis Strackhouse ***RBC Capital Markets, Research Division - Associate***

So just following up on the margin outlook, probably to Rob's question. With regard to your operating margins, adjusted operating margins were 8.1% in the quarter, I think at the Investor Day, you outlined about a 9% to 10% range. And I think you just talked about a little bit of pull forward. How should we think about the margins for the Triumph business? I think you outlined about 150 basis points of expansion in repair and engineering. Is that just additive to those outlines or was some of that M&A baked into that?

Sean M. Gillen ***AAR Corp. - Senior VP & CFO***

No. So I'd say that, that outlook given the past July was just organic outlook. And as you think about bringing a business like Triumph in, it just accelerates our ability to get to those. Their business from an operating margin standpoint is about 18%. And if you just look at kind of what we've done over the last 12 months and layer that on top, we're a little bit north of 9%. And then specifically in the R&D segment, where this will go, accretive to those margins as well.

So really bringing some differentiated capability, and that kind of shows up, and that does show up in the margin profile of the business.

Stephen Francis Strackhouse ***RBC Capital Markets, Research Division - Associate***

Appreciate that. And then just switching gears to free cash. Free cash in the quarter was positive at about $10 million or so. Can you maybe discuss some of the puts and takes for working capital in the back half of the year? And then just any free cash flow expectations you have with regard to the Triumph acquisition. I realize it might be a little early to discuss those and get into those, but you said that was a strong cash business. So I just kind of wanted to dig into that a little bit deeper.

Sean M. Gillen ***AAR Corp. - Senior VP & CFO***

Yes. So looking into the back half of the year, expect to be positive as we convert the inventory investments made in the first part of the year. I mean we'll continue, as you heard John talk about with USM, more supply becomes available. We'll continue to invest in that business. But in terms of cash flow conversion, we expect the back half of the year to be positive.

And then as you think about the Triumph business, one of the reasons we like the business is not only does it have strong margins, it has strong free cash flow. That's because it's less working capital-intensive than Parts Supply businesses. So the working capital tends to be a bit more stable as you can grow the business. And then from a CapEx standpoint, the facilities operate well and CapEx is more in the $5-ish million a year. So when you think about kind of that [$455 million] of EBITDA and $5 million in CapEx, with working capital being relatively consistent. It's a nice free cash flow generator.

Stephen Francis Strackhouse ***RBC Capital Markets, Research Division - Associate***

Awesome. And then, if I could just squeeze in one more follow-up on the government customer. How are you guys thinking about -- I know you kind of guided down a little bit more so to low single digits for this year. How are you maybe thinking about that with regard to the potential for an extended CR?

Sean M. Gillen ***AAR Corp. - Senior VP & CFO***

Yes. So the guide for Q3 is high single digits to 10% for this upcoming quarter.

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

And that's just for the upcoming quarter, not for the back half of the year, just the upcoming quarter.

Sean M. Gillen ***AAR Corp. - Senior VP & CFO***

Right. Yes, right. And we, like anyone with government end markets are paying attention to the pending CR. The programs we're on are generally not impacted if that's a short issue. If it becomes longer, of course, we, like everyone else, could be impacted, but I don't think that's expected. And I think the other area you could see it on the margin is that we rely on government workers to help do part supply into the government.

As you can see a little bit choppiness there. Those will be the 2 areas that you could see some impact depending on the length of the issue.

Operator

One moment for our next question. And that will come from the line of Michael Ciarmoli with Truist. Yes. That was Michael's line.

So speakers, I'm showing no further questions in the queue at this time. I'll turn it back over to you for any closing remarks.

John McClain Holmes ***AAR Corp. - CEO, President & Chairman of the Board***

Great. Thank you very much. We really appreciate the time and the interest, everybody. And it's been an exciting time at AAR and looking forward to being back here next quarter to talk more. In the meantime, I hope everybody has a happy holiday season. Thank you.

Operator

Thank you all for participating. This concludes today's program. You may now disconnect.