

HEICO Corporation



Recommendation **SELL** ★★☆☆☆

Price
USD 143.76 (as of Aug 28, 2019 4:00 PM ET)

12-Mo. Target Price
USD 101.00

Report Currency
USD

Equity Analyst Jim Corridore

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE RESEARCH NOTES SECTION

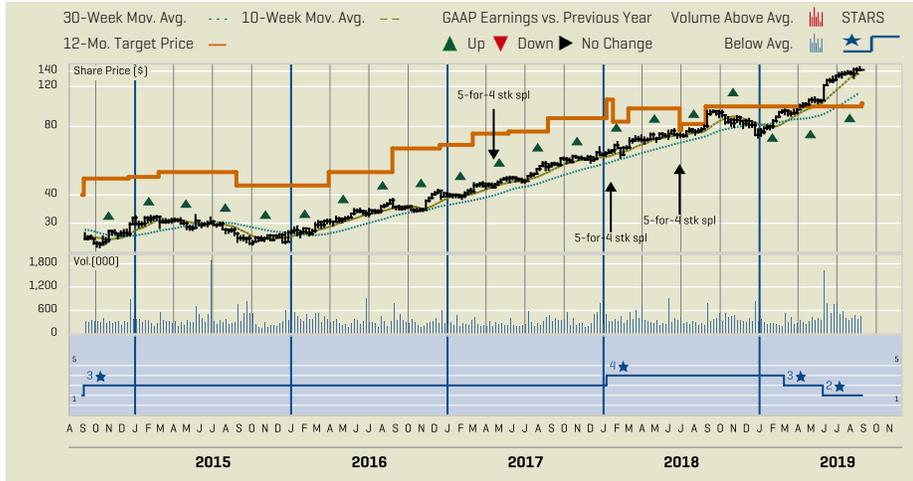
GICS Sector Industrials
Sub-Industry Aerospace & Defense

Summary This company makes and distributes FAA-approved replacement parts for aircraft engines and structures. It also makes specialized electronic equipment.

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

52-Wk Range	USD 146.07 - 71.47	Oper. EPS 2019E	USD 2.37	Market Capitalization(B)	USD 16.59	Beta	0.68
Trailing 12-Month EPS	USD 2.26	Oper. EPS 2020E	USD 2.52	Yield [%]	0.10	3-Yr Proj. EPS CAGR[%]	15
Trailing 12-Month P/E	64.20	P/E on Oper. EPS 2019E	61.22	Dividend Rate/Share	USD 0.14	SPGMI's Quality Ranking	A
\$10K Invested 5 Yrs Ago	\$52,442	Common Shares Outstg.(M)	133.84	Institutional Ownership [%]	75		

Price Performance



Source: CFRA, S&P Global Market Intelligence

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

Analysis prepared by Equity Analyst Jim Corridore on May 29, 2019 02:14 PM, when the stock traded at **USD 104.86**.

Highlights

- ▶ The 12-month target price has recently been changed to \$101 from \$98. The Highlights section of this Stock Report will be updated accordingly.
- ▶ The Investment Rationale/Risk section of this Stock Report will be updated shortly. For the latest News story on HEI from MarketScope, see aside.

Investment Rationale/Risk

▶ 08/28/19 13:39 pm ET ... CFRA MAINTAINS SELL OPINION ON SHARES OF HEICO CORPORATION [135.63**]: We raise our 12-month target price to \$101 from \$98, 40x our '20 (Oct.) EPS estimate of \$2.52 (cut from \$2.55), in line with HEI's three-year average, but above peers, reflecting HEI's strong track record of above-peer revenue and EPS growth. However, HEI's revenue and EPS growth have slowed somewhat, and we think the current valuation of about 53.5x forward earnings is unattractive. We keep our '19 EPS estimate at \$2.37. HEI's July-quarter EPS of \$0.59 versus \$0.49 beat our \$0.53 estimate and the consensus of \$0.54. Revenues grew 14% and were about 4% better than we expected, while operating income increased 18% and net income rose 21%. HEI guides to FY 19 revenue growth of 14%-15% and net income growth of 23%-24% versus prior guidance of 12%-13% revenue growth and 17%-18% net income growth. While we would categorize HEI's results as strong, we think decelerating top- and bottom-line growth are cause for concern amid a sky-high valuation../Jim Corridore

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment for HEI reflects its moderately cyclical long-term earnings record, offset by our view of its low debt-to-total capital ratio.

Revenue/Earnings Data

Revenue (Million USD)					
	1Q	2Q	3Q	4Q	Year
2019	466	516	532	--	--
2018	404	431	466	477	1,778
2017	343	369	392	421	1,525
2016	306	351	356	363	1,376
2015	268	291	300	329	1,189
2014	267	282	291	292	1,132

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2020	E 0.60	E 0.64	E 0.63	E 0.65	E 2.52
2019	0.58	0.60	0.59	E 0.55	E 2.37
2018	0.48	0.44	0.49	0.50	1.90
2017	0.30	0.34	0.34	0.39	1.37
2016	0.24	0.29	0.31	0.33	1.17
2015	0.21	0.25	0.26	0.29	1.00

Fiscal year ended Oct 31. Next earnings report expected: Mid Dec. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.07	Jun 12	Jun 28	Jul 01	Jul 15 '19
0.07	Dec 17	Jan 02	Jan 03	Jan 17 '19

Dividends have been paid since 1976. Source: Company reports.

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

Forecasts are not reliable indicator of future performance.

Business Summary May 29, 2019

CORPORATE OVERVIEW. HEICO Corporation makes jet engine replacement parts and electronic equipment through two segments: the Flight Support Group and the Electronic Technologies Group.

The Flight Support Group (62% of revenues in FY 19) primarily makes aircraft engine replacement parts and services aircraft engines. The group designs and makes jet engine and aircraft component replacement parts for sale at lower prices than those made by original equipment manufacturers. HEI believes it is the world's largest maker of FAA-approved jet engine and aircraft component parts, other than the original equipment manufacturers and their subcontractors. The company offers about 6,000 FAA-approved replacement parts (PMAs) to customers. It also has FAA approval to provide repair and overhaul on over 1,200 components and systems ("DER repairs"). In addition, the group distributes aircraft parts and provides asset management. Also, it makes thermal insulation products. Major customers include many of the world's largest airlines (including Germany's Lufthansa Technik AG, the world's biggest independent provider of airline maintenance services). Lufthansa owns 20% of FSG's largest division, HEICO Aerospace. HEI believes the Lufthansa relationship has helped it significantly in identifying key replacement parts, introducing those parts and broadening its customer base. HEICO Aerospace also has joint venture jet engine and aircraft parts-making agreements with several airlines, most notably American Airlines, British Airways, United-Continental, Delta, and Japan Airlines.

The Electronic Technologies Group (38% of revenues in FY 19) primarily makes sophisticated electronic equipment and components for the military, aviation, space, medical, and telecom industries. The group designs and manufactures various types of electronic, microwave and electro-optical products, as well as other electronics-related products. ETG focuses on low-quantity, highly-customized niche parts and equipment, for which it receives high profit margins. About 65% of FY 18 sales were derived from sales to U.S. and foreign military agencies, prime defense contractors, as well as commercial and defense satellite and spacecraft makers.

COMPETITIVE LANDSCAPE. Demand for HEI's jet engine parts and services is primarily driven by growth in 150+ seat commercial jet engine sales, which in turn is driven by expansion in the global 150+ seat passenger jetliner fleet. Boeing has projected compound annual airline fleet growth of 3.5% from 2017 through 2036. This projection does not include purchases of commercial jets to replace existing jets.

The global jet engine parts industry is dominated by the Big Three jet engine makers: General Electric (GE), United Technologies' Pratt & Whitney (P&W) division, and Rolls-Royce (RR). HEI believes that it accounts for about 2% of the market for jet engine and aircraft component replacement parts; however, HEI is the world's largest maker of jet engine replacement parts, outside of jet engine makers GE, P&W, and RR. Industry entry barriers are high, as engine parts and services must be certified by the FAA before they can be marketed to airlines, and FAA resources are limited. In addition, airlines seek to purchase parts from a few reputable suppliers, making it difficult for a small parts supplier to enter the business. HEI also provides aircraft parts and services for regional airlines.

Demand for HEI's military electronics products is driven indirectly by the growth in the U.S. military budget, which accounts for over 40% of global military spending, according to independent aerospace research firm Teal Group. CFRA expects U.S. defense spending to rise going forward, as budgets rise due to a desire to increase military readiness and due to ongoing military actions around the globe.

FINANCIAL TRENDS. For the 10 years through FY 19, HEI's sales had a CAGR of 12.7%, net income at a 17.4% CAGR, and EPS at 16.6% CAGR. EBITDA margins have been consistently improving, and were 26.4% in FY 19, 25.5% in FY 18, 24.4% in FY 17, 23.7% in FY 16, 23.5% in FY 15 and 22.2% in FY 14. These margins compare favorably with peers, we think.

Corporate Information

Investor Contact

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Website

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Officers

Chairman of the Board & CEO

L. A. Mendelson

Co-President & Director

E. A. Mendelson

Co-President & Director

V. H. Mendelson

General Counsel

J. W. Pallot

Executive VP, CFO & Treasurer

C. L. Macau

Chief Accounting Officer & Assistant Treasurer

S. M. Walker

Board Members

A. Henriques

A. Schriesheim

E. A. Mendelson

F. J. Schwitter

J. L. Neitzel

L. A. Mendelson

M. H. Hildebrandt

T. M. Culligan

V. H. Mendelson

Domicile

Florida

Auditor

Deloitte & Touche LLP

Founded

1949

Employees

5,400

Stockholders

317

HEICO Corporation



Quantitative Evaluations						
Fair Value Rank	1	1	2	3	4	5
		LOWEST				HIGHEST
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].				
Fair Value Calculation	USD 82.56	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that HEI is overvalued by USD 61.20 or 42.6%.				
Volatility		LOW	AVERAGE	HIGH		
Technical Evaluation	BULLISH	Since August, 2019, the technical indicators for HEI have been BULLISH.				
Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2018	2017	2016	2015
Price/Sales	6.45	5.16	3.35	2.88
Price/EBITDA	25.35	21.12	13.88	12.31
Price/Pretax Income	34.85	26.83	18.08	15.75
P/E Ratio	44.12	42.36	29.56	25.70
Avg. Diluted Shares Outsg.(M)	137	136	133	132

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]		1 Year	3 Years	5 Years
Sales		16.59	14.36	12.00
Net Income		39.38	24.80	20.42
Ratio Analysis [Annual Avg.]				
Net Margin [%]		NM	NM	NM
% LT Debt to Capitalization		24.13	NA	NA
Return on Equity [%]		18.95	NA	NA

Company Financials Fiscal year ending Oct. 31

Per Share Data [USD]	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Tangible Book Value	-1.68	-3.47	-2.05	-1.76	-1.44	-2.50	-0.62	0.06	0.28	0.05
Free Cash Flow	2.16	1.99	1.75	1.19	1.34	0.88	0.96	0.91	0.74	0.52
Earnings	1.90	1.37	1.17	1.00	0.92	0.78	0.66	0.56	0.43	0.35
Earnings (Normalized)	1.43	1.22	1.09	0.91	0.75	0.69	0.61	0.51	0.40	0.31
Dividends	0.12	0.10	0.08	0.07	0.06	0.05	0.04	0.04	0.03	0.03
Payout Ratio [%]	6	7	7	7	7	7	7	6	6	7
Prices: High	94.12	59.52	38.41	32.63	33.30	28.72	NA	19.48	13.30	9.23
Prices: Low	55.43	33.97	24.50	24.19	23.57	15.30	NA	12.58	7.76	4.49
P/E Ratio: High	73.6	72.4	69.0	68.2	78.2	93.5	NA	NM	NM	NM
P/E Ratio: Low	44.1	55.0	48.1	49.3	51.6	61.9	NA	83.3	92.1	56.8

Income Statement Analysis (Million USD)										
Revenue	1,778	1,525	1,376	1,189	1,132	1,009	897	765	617	538
Operating Income	375	308	272	230	190	182	163	142	111	89
Depreciation + Amortization	77.2	64.8	60.3	47.9	47.8	36.8	30.7	18.5	17.6	15.0
Interest Expense	19.90	9.79	8.27	4.63	5.44	3.72	2.43	0.14	0.51	0.61
Pretax Income	356	298	257	225	199	181	161	138	109	88
Effective Tax Rate	19.8	30.3	31.5	31.7	30.1	31.1	33.8	31.0	33.7	31.9
Net Income	259	186	156	133	121	102	85	73	55	45
Net Income (Normalized)	195	165	145	121	98	90	79	66	52	40

Balance Sheet and Other Financial Data (Million USD)										
Cash	59.6	52.1	43.0	33.6	20.2	15.5	21.5	17.5	6.5	7.2
Current Assets	734	632	543	504	431	441	368	317	259	244
Total Assets	2,653	2,512	1,998	1,736	1,489	1,533	1,193	941	782	733
Current Liabilities	282	249	214	168	152	161	132	123	82	66
Long Term Debt	523	674	458	365	326	377	131	40	14	55
Total Capital	2,168	2,053	1,605	1,352	1,144	1,160	919	726	624	603
Capital Expenditures	41.9	26.0	30.9	18.2	16.4	18.3	15.3	9.4	8.9	10.3
Cash from Operations	328	288	260	173	191	132	139	126	102	76
Current Ratio	2.60	2.53	2.53	2.99	2.83	2.74	2.80	2.57	3.17	3.72
% Long Term Debt of Capitalization	24.1	32.8	28.5	27.0	28.5	32.5	14.3	5.5	2.3	9.2
% Net Income of Revenue	14.6	12.2	11.3	11.2	10.7	10.2	9.5	9.5	8.9	8.3
% Return on Assets	9.07	8.53	9.09	8.91	7.87	8.34	9.57	10.32	9.13	7.85
% Return on Equity	19.0	16.4	16.5	17.1	17.4	15.9	14.5	14.7	12.5	11.4

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

Sub-Industry Outlook

We are positive on both the commercial aerospace and defense sides of the industry. On the commercial side, we continue to see improving commercial air traffic, driven by recovering global economic trends that propel strong commercial aerospace results. We still expect a positive defense spending environment despite Democrats retaking control of Congress after a landslide victory in the 2018 elections. We think defense is an area both sides can possibly work together on, though we may see spending come in a bit if the House looks to cut overall government spending.

Trade association IATA estimates global passenger air traffic grew 6.0% in 2018, after rising 7.5% in 2017, growing 5.9% in 2016 and it sees growth of 5.7% in 2019. We see continued solid demand for new commercial jets, fueled by growth in the developing markets and a need to replace aging, less fuel-efficient aircraft in developed markets. We see commercial aerospace shares selling at reasonable valuations.

IATA estimates global airlines earned a \$32.3 billion net profit in 2018, slightly below 2017 when it earned a \$34.5 billion net profit in 2017. This follows a \$35.6 billion net profit in 2016 and \$35.3 billion for 2015 and it sees profits of \$35.5 billion likely for 2019. Combined Boeing and Airbus orders and deliveries set new records in 2018 and backlogs continue to grow, now containing some eight years of production. Both companies have announced continued production increases over the next several years and new model introduction. In 2019, we expect the growth trend in the high end of the business jet market to continue and we see a turnaround in the lagging middle and lower ends of the market commencing, stimulated by the improving economy and new product introductions. We see recent combinations of Airbus with Bombardier and

Boeing with Embraer providing growth opportunities for smaller regional jets.

Conventional military equipment is aging and we see the need for replacement/repair. While large sums of money from both base and supplementary defense budgets are still benefiting contractors, shrinking war-time funding and spending caps enacted under the 2011 Budget Control Act (also known as sequestration) had pressured defense spending. On December 11, 2017, President Trump signed a \$700 billion defense budget for FY 18. In March 2018, this was funded as part of a broader appropriations bill and signed into law by the President. In September 2018, the President signed a \$717 billion defense spending bill for FY 19. While Republicans have lost their majority in the House, we still think future defense spending bills are likely to be funded.

Year to date through July 5, the S&P Aerospace & Defense index rose 22.8% versus a 19.1% increase in the S&P 1500. In 2018, the S&P Aerospace & Defense Index fell 9.3% versus a 15.0% decline for the S&P Industrials Index and a 6.8% decline for the S&P 1500 Composite Index. The sub-industry index rose 38.1% in 2017 vs. an 18.8% rise for Industrials and an 18.8% increase for the S&P 1500.

/Jim Corridore

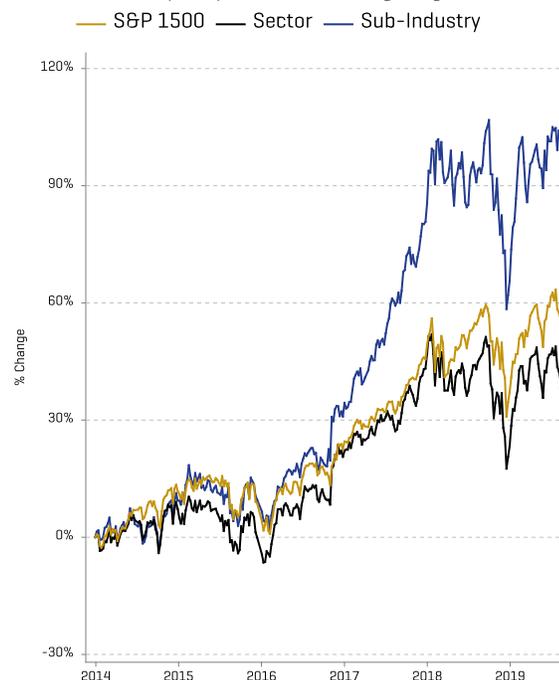
Industry Performance

GICS Sector: Industrials

Sub-Industry: Aerospace & Defense

Based on S&P 1500 Indexes

Five-Year market price performance through Aug 28, 2019



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

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

Source: S&P Global Market Intelligence

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

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
HEICO Corporation	HEI	NYSE	USD	143.76	16,587	4.5	60.2	64	82.56	0.1	19.0	24.1
Arconic Inc.	ARNC	NYSE	USD	25.43	11,194	1.1	16.1	27	21.92	0.3	12.2	49.5
BAE Systems plc	BAES.F	OTCPK	USD	6.536	21,025	-1.0	-18.6	3	NA	Nil	19.9	35.5
CAE Inc.	CAE	TSX	CAD	33.31	8,868	-6.2	28.7	28	22.02	1.3	14.4	39.4
Hexcel Corporation	HXL	NYSE	USD	81.87	6,966	-1.7	21.0	24	78.58	0.8	19.6	41.6
Huntington Ingalls Industries, Inc.	HII	NYSE	USD	203.81	8,424	-12.8	-17.9	13	359.05	1.7	51.1	45.8
Rolls-Royce Holdings plc	RYCE.F	OTCPK	USD	8.999	17,445	-15.8	-31.9	NM	NA	Nil	NM	99.2
Singapore Technologies Engineering Ltd	SGGK.Y	OTCPK	USD	28.45	8,876	-9.2	16.8	23	NA	3.8	21.6	24.1
Spirit AeroSystems Holdings, Inc.	SPR	NYSE	USD	78.61	8,136	3.9	-9.2	12	87.90	0.6	40.6	58.4
Teledyne Technologies Incorporated	TDY	NYSE	USD	308.55	11,225	4.8	30.1	32	279.35	Nil	16.0	20.5
Textron Inc.	TXT	NYSE	USD	43.40	9,987	-13.0	-37.5	9	64.52	0.2	22.5	31.3

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

HEICO Corporation**Analyst Research Notes and other Company News****August 28, 2019**

01:39 pm ET... CFRA Maintains Sell Opinion on Shares of HEICO Corporation [135.63**]: We raise our 12-month target price to \$101 from \$98, 40x our '20 [Oct.] EPS estimate of \$2.52 [cut from \$2.55], in line with HEI's three-year average, but above peers, reflecting HEI's strong track record of above-peer revenue and EPS growth. However, HEI's revenue and EPS growth have slowed somewhat, and we think the current valuation of about 53.5x forward earnings is unattractive. We keep our '19 EPS estimate at \$2.37. HEI's July-quarter EPS of \$0.59 versus \$0.49 beat our \$0.53 estimate and the consensus of \$0.54. Revenues grew 14% and were about 4% better than we expected, while operating income increased 18% and net income rose 21%. HEI guides to FY 19 revenue growth of 14%-15% and net income growth of 23%-24% versus prior guidance of 12%-13% revenue growth and 17%-18% net income growth. While we would categorize

HEI's results as strong, we think decelerating top- and bottom-line growth are cause for concern amid a sky-high valuation. /Jim Corridore

May 29, 2019

12:37 pm ET... CFRA Cuts Opinion on Shares of HEICO Corporation to Sell from Hold [111.89**]: We keep our 12-month target price at \$98, valuing the shares at 38x our '20 [Jan.] EPS estimate of \$2.55 [raised from \$2.39], well above the market and peers, and above HEI's three-year average forward P/E of 37.5x. We think the current valuation of about 44x '20 EPS and 47x '19 EPS is stretched, and see the shares likely to underperform over the next year. We raise our '19 EPS estimate to \$2.37 from \$2.10, after HEI's April-quarter adjusted EPS of \$0.60 versus \$0.44 beat our \$0.51 estimate and the consensus of \$0.49. Revenues grew 20% and were better than we expected on strong growth in both flight systems and electronic systems. Operating margins expanded and HEI raised '19 guidance to net income growth of 17%-19% from prior guidance of 11%-13%. The company expects to continue to make acquisitions to support revenue and EPS growth. HEI is operating well, but we see risks due to the high valuation, particularly given recent risk-off market focus and the swoon in industrial stocks. /Jim Corridore

February 27, 2019

10:18 am ET... CFRA Lowers Opinion on Shares of HEICO Corporation to Hold from Buy [93.6***]: We keep our 12-month target price at \$98, 41x our FY 20 [Oct.] EPS estimate of \$2.39 [raised from \$2.32], above HEI's 3-year average of 36x and well above peers, reflecting likely faster than peer revenue and EPS growth. However, we think that the shares, after a sharp run-up so far this year, are now trading near our estimate of fair value. We raise our FY19 EPS estimate to \$2.10 from \$2.08. HEI January-quarter adjusted EPS of \$0.49 versus \$0.36 beat our \$0.46 estimate and the consensus of \$0.47. Net income grew 36% on a 15% rise in revenues, both above our expectations. HEI raises FY 19 guidance to EPS growth of 11%-13% [10%] on net sales growth of 9%-11% [raised from 8%-10%]. However, EPS implied by this guidance of \$2.10 is short of the consensus of \$2.16. We think HEI is likely to continue to be acquisitive, and this could boost revenue and EPS growth given the company's track record of making accretive acquisitions. We see overall demand for HEI's businesses as strong. /Jim Corridore

January 28, 2019

09:54 am ET... CFRA Maintains Buy Recommendation on Shares of HEICO Corporation [79.1***]: We keep our 12-month target price at \$98, valuing the shares at an above-peer 47x our FY 19 [Oct.] EPS estimate of \$2.08 [unchanged], toward the high-end of HEI's five-year P/E range, reflecting our positive view of demand drivers and HEI's long-term financial performance. We start our FY 20 EPS estimate at \$2.32. Our FY 19 EPS estimate represents potential 9% growth over FY 18 and we see 12% EPS growth in FY 20. However, we see the potential for accelerating growth due to strong commercial and military aerospace demand, with demand on the commercial side in particular likely to remain strong. HEI has forecast 8%-10% revenue growth for FY 19, with EPS up 10% over FY 18. We see HEI as a well run company with a track record of consistent growth in revenues and EPS. The company has met or beat analysts expectations for 13 consecutive quarters. After significantly cutting debt in FY 18, we think HEICO could be more acquisitive this year, which could accelerate growth. /Jim Corridore

August 28, 2018

11:40 am ET... CFRA KEEPS BUY OPINION ON SHARES OF HEICO CORP

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

[80.76***]: We raise our 12-month target price to \$98 from \$82, 47x our FY 19 [Oct.] EPS estimate of \$2.08 [raised from \$1.94], well above peers, but in the middle of HEI's 10-year P/E range, reflecting likely faster-than-peer revenue and EPS growth. We raise our FY 18 EPS estimate to \$1.88 from \$1.85. July-quarter [fiscal Q3] EPS of \$0.49 vs. \$0.34 beat our \$0.45 estimate and the consensus of \$0.45. Revenues grew 19% and were about 6% better than we were expecting. Results benefited from operating margin expansion and a lower tax rate. The company saw record revenues and operating income in both of its business units, and we think demand is likely to remain strong. Leverage also improved during the quarter as evidenced by a debt-to-shareholders' equity ratio of 38.9% versus 49.8%. HEI said it intends to continue to be acquisitive, which should help keep revenue growth high, we think. While the valuation is not cheap, HEI continues to execute and increase revenues and EPS rapidly. /Jim Corridore

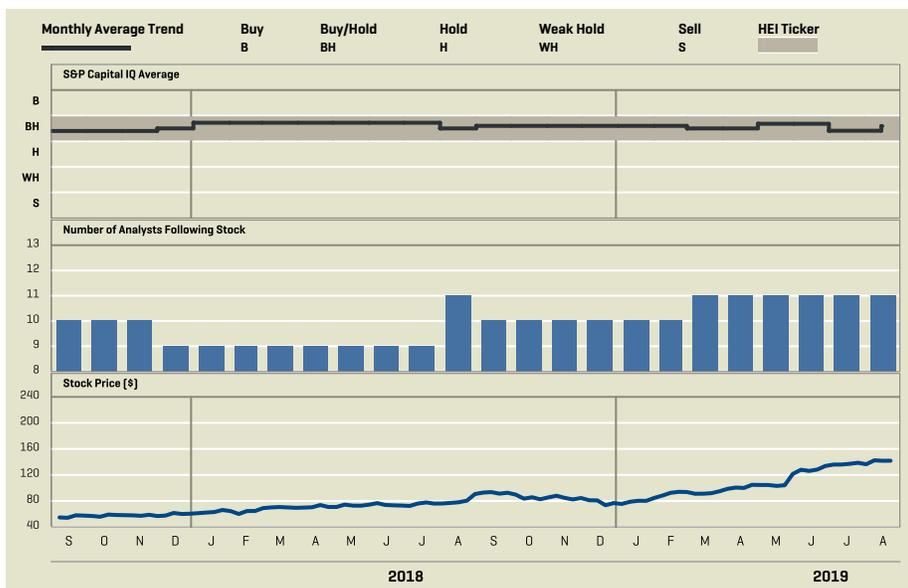
July 02, 2018

12:01 pm ET... CFRA KEEPS BUY OPINION ON SHARES OF HEICO CORPORATION [72.93***]: We raise our 12-month target price to \$82 from \$77, valuing the shares at 42.2X our FY 19 [Oct.] EPS estimate of \$1.94 [raised from \$1.89], above peers, but in the middle of HEI's ten-year range, reflecting likely faster EPS growth than the peer average. We see HEI benefiting over the next several years from strong demand for commercial aerospace aftermarket parts and services, which should help drive revenue and EPS growth. We also raise our FY 18 EPS estimate to \$1.85 from \$1.80, on likely operating margin expansion. HEI completed a 5-for-4 stock split in June 2018. /Jim Corridore

February 28, 2018

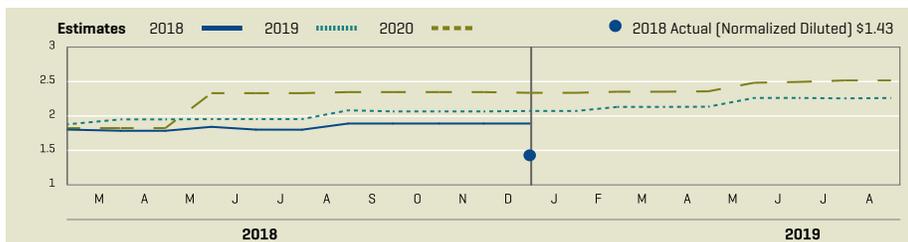
03:56 pm ET... CFRA MAINTAINS BUY OPINION ON SHARES OF HEICO CORPORATION [81.21***]: We raise our target price \$12 to \$96, 40.7X our FY 19 [Oct.] EPS est. of \$2.36 [raised from \$2.21], in the middle of its 3-year range, but well above peers based on our est. of higher sales growth. We raise our FY 18 EPS est. to \$2.25 from \$1.98. HEI posts January quarter EPS of \$0.45 vs. \$0.38, above our \$0.41 est. Electronic Technical Group and Flight Support Group sales were up 23% and 15%, respectively. Net debt to EBITDA was 1.54X, down from 1.67X in October of 2017. We see 13.5% sales growth in FY 18, driven by commercial aviation, defense products and ETG sales strength. /Jim Corridore

Analysts' Recommendations



	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	5	45	4	5
Buy/Hold	3	27	3	3
Hold	2	18	3	3
Weak Hold	1	9	1	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	11	100	11	11

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2020	2.52	2.59	2.41	9	57.1
2019	2.26	2.31	2.20	9	63.6
2020 vs. 2019	▲12%	▲12%	▲10%	0%	▼-10%
Q4'20	0.65	0.66	0.63	5	NM
Q4'19	0.55	0.58	0.52	9	NM
Q4'20 vs. Q4'19	▲18%	▲14%	▲21%	▼-44%	NA

Forecasts are not reliable indicator of future performance.

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

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

BUY/HOLD

Wall Street Consensus vs. Performance

For fiscal year 2019, analysts estimate that HEI will earn USD \$2.26. For the 3rd quarter of fiscal year 2019, HEI announced earnings per share of USD \$0.59, representing 26.1% of the total revenue estimate. For fiscal year 2020, analysts estimate that HEI's earnings per share will grow by 12% to USD \$2.52.

HEICO Corporation

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index [S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index]), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

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

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

EPS Estimates

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

12-Month Target Price

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

CFRA Equity Research

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Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
 CAPEX - Capital Expenditures
 CY - Calendar Year
 DCF - Discounted Cash Flow
 DDM - Dividend Discount Model
 EBIT - Earnings Before Interest and Taxes
 EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
 EPS - Earnings Per Share
 EV - Enterprise Value
 FCF - Free Cash Flow
 FFO - Funds From Operations

FY - Fiscal Year
 P/E - Price/Earnings
 P/NAV - Price to Net Asset Value PEG Ratio - P/E-to-Growth Ratio PV - Present Value
 R&D - Research & Development ROCE - Return on Capital Employed ROE - Return on Equity
 ROI - Return on Investment
 ROIC - Return on Invested Capital
 ROA - Return on Assets
 SG&A - Selling, General & Administrative Expenses
 SOTP - Sum-of-The-Parts
 WACC - Weighted Average Cost of Capital

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

Qualitative Risk Assessment

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

STARS Ranking system and definition:

★★★★★ 5-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARs (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 3-STARs (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★★★ 2-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

HEICO Corporation

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Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

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

Quantitative Stock Reports:

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

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STARS Stock Reports:

Global STARS Distribution as of March 31, 2019

Ranking	North America	Europe	Asia	Global
Buy	35.5%	32.4%	39.4%	35.4%
Hold	54.8%	54.4%	41.7%	53.2%
Sell	9.7%	13.2%	18.9%	11.3%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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