Operator: Greetings, and welcome to the Astronics Corporation First Quarter 2017 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Deborah Pawlowski, Investor Relations for Astronics Corporation. Thank you. You may begin.

Deborah Pawlowski: Thanks, Danielle, and good morning, everyone. We appreciate your time today and your interest in Astronics. I have here with me, Peter Gundermann, our President and CEO; and Dave Burney, our Chief Financial Officer.

Pete is going to go through his prepared remarks, and then we'll open it up for questions-and-answers. You should have in hand the news release that crossed the wire this morning, which is available on our website at www.astronics.com.

As you are aware, we may make some forward-looking statements during the formal presentation as well as during the Q&A portion of this teleconference. These statements apply to future events that are subject to risks and uncertainties, as well as other factors that could cause the actual results to differ materially from where we are today.

These factors are outlined in the earnings release as well as in the documents filed by the company with Securities and Exchange Commission. You can find these documents both at our website and at www.sec.gov.

So, with that, let me turn it over to Pete to begin. Peter?

Peter J. Gundermann: Thank you, Debbie, and good morning, everybody. We're going to talk through our Q1 results, which were largely as expected, and similar to the preceding two quarters.
We're going to take a revised look at our 2017 expectations, which have been downgraded somewhat since our initial guidance. We're going to talk briefly about the acquisition of Custom Control Concepts that we announced just after the first quarter closed, the company that we will regularly refer to as CCC going forward.

The first quarter, largely as expected, was consistent with the third quarter and fourth quarter of 2016, and we expect that at the end of the day when we look back this will be our weakest quarter of 2017.
Revenue was $152 million, slightly below our comparator quarter of Q1 2016, but about even sequentially with the third quarter last year when we had revenue of $155 million, and the fourth quarter when we had revenue of $154 million.

Aerospace sales were just under $137 million, which was up from Q3 and up from Q4, but below our record second quarter from last year when we had sales of $142 million.
Test sales were $15.6 million, which represents a low watermark in recent years.

Bottom line consolidated for the quarter: net income was $11.6 million, 7.6% of sales, diluted earnings per share of $0.38, about even with our comparator quarter of 2016. The effective tax rate helped our consolidated results with 25.2% for the quarter compared to 30.5% a year ago.

E&D expenses were $22.9 million, 15% of sales. We expect that percentage to drop in the coming quarters as the sales volume increases.

Consolidated bookings were $147 million, up about $10 million from both of the previous two quarters, a book-to-bill of about 0.97, leaving us at the end of the quarter with a backlog of $253 million.

Moving to our Aerospace segment specifically, revenue were $137 million, 90% of our total, about even with last year, down about 1.2%. It was our second quarter of pretty solid volume increases since our low point of Q3 2016.

Operating profit for the Aerospace segment was $19.8 million, 14.4% of sales, up from 13.5% in the comparator quarter one year ago. Bookings were a little light, $122.8 million, and a book-to-bill of 0.90.

Usually at this point, when I'm talking about segments, I go through the tables that we present in our press release, but given that we're only talking about the first quarter at this point, and I'm kind of hesitant to draw big trends on one quarter, we're not going to go through it in detail.

However, I do want to call your attention to a couple of lines. I'm talking specifically about the tables on page 7 of our press release. Our Commercial Transport sales on the top table, were $109 million, down about 3% from our total in the comparator quarter a year ago when we had sales of about $113 million. On the bottom table, Electrical Power & Motion sales in the first quarter were $72.4 million, down about 4% from $75.4 million one year ago. One of the trends that we're observing in the business is weaker-than-expected wide-body conditions out there. Same with our Electrical Power & Motion in the lower table, largely weighted towards wide-body sales. Furthermore, there are a few dynamics that we want to talk through that are affecting our revised budget.

We'll get to our forecast a little bit later towards the end of our call, but what we're noticing is that not only the wide-body production rates are slightly down and expected to stay down, but the aftermarket element that we actively participate in also seems to be leveling out and stabilizing.

We've seen strong growth over the last few years in wide-body markets, and for a variety of reasons, at the moment, it seems like we're in a soft patch. It's a long discussion as to how that came to be and how it might turn around, but it's pretty widely known that production rates, especially of 777, 380, 330, and in particular 747, have slowed over the last year. However, it also appears that the aftermarket element that we participate in with those kinds of airframes is also slowing at the same time. Whereas we've seen growth in wide-bodies, at the moment, we are seeing that flattening out a little bit.

There are a couple of other dynamics going on in the aerospace, which we're a little bit struggling with. One has to do with some schedule slides. We have a ramp built into our expectations for this year. As often happens, the actual entry point of new programs can be a little bit hard to pin down and predict in advance. When we were putting our initial numbers together as the year turns, back in December - January, we had certain expectations of timing. Those timings to some extent have slid back to the point that we feel we need to make adjustments to our forecast. That's the second element. The third element, which I think is generally recognized in the industry, is that there's been a lot of price down pressure starting at the top of the food chain, so to speak with the OEMs, and filtering through the supply base. We've largely been immune to that up until now. We've certainly seen some pressures.

We're continuing to see pressures that we think will begin to affect us as we move more through this year. It's not a totally terrible situation. In exchange for these negotiated exchanges, we get certain things that we want, like longer term agreements, and we think we also have the opportunity to apply pressure to our supply base to protect margins. It's kind of a standard thing when a company is forced to reconsider some of its pricing. It takes the opportunity at the same time to look at its supply base and see what it can do to rationalize and protect itself from a financial perspective.

So, we're facing these three things, and we'll try to quantify them for you in our revised budget when we get there at the end of this presentation. I think these are pretty standard elements going on in the industry.

The one thing that is maybe a little bit new is the aftermarket in the wide-body side that we are finding a little bit weaker than we expected. We also want to point out though, while we're talking about these things, that it's not a change in circumstances from a competitive standpoint, it's not as though big programs who we're counting on are being canceled, it's not as though we're suffering any kind of downgrade with our customer relationships.

We think, in general, we're very well-positioned. We continue to be in a very nice part of the business. We think long-term, we wouldn't trade places with too many companies that we now. In the short term, we're dealing with some of these issues, some of the wide-body side, pricing and scheduling of new programs.

The last thing to talk about on Aerospace is the acquisition we announced, the Custom Control Concepts or CCC. CCC was a direct competitor of ours in the VVIP market. VVIP markets consist of private aircrafts or head of state aircrafts. They commercial transports converted to very, very large and expensive business jets, simplistically speaking.

Custom Control Concepts and our PGA operation both provide in-flight entertainment and cabin management systems for these types of aircraft.

To be frank, this purchase was a little bit of a contrarian purchase. The market is weak today in part because of global events, for example the drop in the price of oil turmoil in the Middle East. Also, life cycles of the commercial airplanes that buyers use for this market, for example 777 is waiting for 777X, and 350 is just getting out. So, it's a little bit of a market that's very slow right now. However, we expect that over time it will rebound, and when it does, we think that a proper coordination and alignment of what we're doing at PGA and what we can do at CCC could make us a pretty strong and profitable competitor.

For the time being, just to quantify it, this year in 2017, we're expecting incremental revenue from CCC in the neighborhood of about $12 million, and our purchase price was also about $12 million. We also do not expect significant income statement impact in 2017, but we're hopeful for positive results as we move forward, and as the VVIP market responds.

Moving over to our Test Systems segment. Our first quarter revenue were $15.6 million, that's down substantially about 27% from where we were a year ago, and made up about 10% of our consolidated sales. On that low volume the segment was just about breakeven with an operating profit of about 2% of sales.

Q1 was essentially a low watermark for our Test Systems segment in recent years. That's the lowest revenue, lowest profit performance we've had. We expect bigger things though, and bookings in the first quarter are an indication of that. Bookings were $24.2 million with a pretty impressive book-to-bill of 1.56.

When we get to the forecast, you'll see that we're expecting substantial increases in our Test business on a quarterly basis rolling forward, and we believe that we are operating, in what I call, a target-rich environment. There are a number of pretty large potential programs out there that we are pursuing, and if those programs are awarded when we expect them to be awarded, and if they are as big as we expect them to be, then we will hit our budgeted revenue number of about $100 million this year. So, that's the task, that's the goal.

Even though the revenue level was pretty below in Q1, my observation is that the business is pretty optimistic, and today it has these bigger targets or a larger number of big targets in sight, than it ever has before. Our Q1 backlog at the end of the quarter, given those strong bookings, was $47.5 million.

Moving to our balance sheet. Pretty stable, continues to be pretty healthy. At the end of Q1, cash of $10.7 million, total debt of $141 million, a net debt of about $131 million. Our capital expenditures in the quarter were about $2.8 million.

During the quarter, we purchased approximately 148,000 shares for an aggregate cost of $4.4 million. Since the inception of our buyback program, we have purchased 671,000 shares for a total cost of about $22 million. That means that we have remaining room on our authorization of about $28 million.

Talking about our guidance going forward. We revised our 2017 revenue guidance to $635 million to $690 million, that's down slightly from $640 million to $720 million. If you take the midpoints of both of those ranges, the new range is down about 2.5% from the old range.

Further, if we were to achieve the midpoint of the new range, our total revenue in 2017 will be up 4.6% over our 2016 actuals. Our revised expectations for Aerospace are $545 million to $580 million. The entire drop in the forecast is related to Aerospace with the midpoint being down about 3% from previous forecasts.

For Test Systems we tightened our guidance from $80 million - $120 million to $90 million - $110 million. Midpoint, obviously, being flat from the old forecast to the new forecast. We expect the year to build as it passes. Our second quarter expectation is to see revenue up $5 million - $10 million, and growing successively from there.

Understanding the forecast, there are a few things to keep in mind. I talked about our CCC acquisition. We do have $12 million included in the Aerospace for the remainder of the year. So, the apple-to-apple drop, if you want to look at the old forecast versus the new forecast and back out CCC, it would actually be about 4.4%, or $30 million.

Again, all that drop would be on the Aerospace side. I talked about some of the headwinds that we're facing, particularly with respect to wide-bodies, program slides and some price renegotiations, and to the extent that we can quantify them today, and I'm sure we're going to get these questions, we would say that the wide-body situation is responsible for about 50%, half of our drop from the original forecast to the new forecast. The schedule issue explains about a quarter of the drop, about 25%. Finally, price, we expect that at the end of the day when we look back this year, it will be about another 25%. So, that's roughly the allocation.

When you look at risks, one of the big risk has to do with timing and schedule. We are expecting a ramp in both parts of the business going towards the end of the year, especially on our Test side. The issue that we will be watching very closely is the expected awards of programs that we expect to get going on.

We're obviously taking some reserve by lowering our forecast now, in response to some of the schedule things that we see. However, we think there is equal balance of downside risk and upside potential based on the anticipated timing and size of awards, which we're pursuing. We'll obviously spread that news as quickly as we can as those things are ironed out in the future.

So, it's kind of a strange message, I guess. We're downgrading our forecast a little bit, but we also remain very optimistic in our business. We are not downgrading our forecast because of competitive threats or because of customer challenges or problems. We continue to believe that we're very well-positioned.

We continue to believe that our customers really enjoy working with us, and look at us as a source of innovation. We think that we've got some really great targets. We think there are some things in the market working against us, working against pretty much all participants in the market right now.

We're no exception. However, we think that as the year progresses, it'll be a stronger year and a better year than 2016. It's early to talk about it, but we expect that we will be charging into 2018 with quite a bit of momentum.

So, I think that concludes my prepared remarks. Danielle, we can open it up for questions at this point.

Operator: Thank you. Our first question comes from Dick Ryan with Dougherty & Company. Please proceed, your line is live.

Dick Ryan: Thank you. Pete, can you just circle back into some of the comments on Aero and Test? You talked about the wide-body issues. How does the narrow-body side of the In-Seat Power look? Where are you seeing the price pressure? Is it in PSUs? Is it In-Seat Power? Where are you really seeing that price pressure hit on the Aero side?

Pete Gundermann: Sure, Dick. The narrow-body market continues to look very positive. Production rates are going up, adoption is going up. I talked to the guys who are on the front end of that business, and we're as busy as ever filling up proposals. The guys have never seen it like that. We think that the indications are very positive, but the reality is that a lot of the proposals that we're making right now, realistically are going to be more 2018 events than 2017 events.

We think it continues to be very positive, and we're building year-over-year well, but today, narrow-bodies are probably not much more than a quarter of our total In-Seat Power sales. We're still largely driven by what happens on the wide-body side. That's part of the reality that we're facing. I think over time, that split will become much more even between wide-body and narrow-body. We continue to have a lot of success protecting our market share on the narrow-body side. It's not a question of narrow-bodies getting weaker. It's just that it's a smaller part of the overall pie. So, that's the answer to that question.

In terms of price pressures, I guess I wouldn't narrow it down to specific products, as much as an overall trend in the business, in the industry. We've somehow largely escaped it up until now. We're looking at what the reality is in the market, and the OEMs kind of set the tone. We got a taste of that a little bit in our business with the OEMs over the last year, year and half. What happens is that suppliers, who have to face those kinds of pricing pressures with their customers, turn around and try to protect their margins by doing the same things to their suppliers.

So, we do a lot of work directly with OEMs, but we do quite a bit of work with other companies in all parts of our business that in turn do work for the OEMs. We're dealing with it at that level right now. Our perspective is that it gives us a little bit of top line pressure on the revenue side, but we are doing the same thing in terms of trying to work our supply base, and trying to work our cost structure to protect margins. I think by and large, we have been and will continue to be successful with that.

This isn't just a couple of points of price that results in a couple of points on margin. It's not that bad. In fact, we don't think it's going to be all that worrisome at the end of the day, once we get through doing some of the things we need to do. On the top line side, which is where we issue guidance, we feel it's appropriate to make a downward revision at this point.

Dick Ryan: Okay. You mentioned that competition isn't really an issue, but refresh me, when does the patent for In-Seat Power expire?

Pete Gundermann: There's a series of them, but most of them are already expired.

Dick Ryan: Okay.

Pete Gundermann: To talk about the competition element, there are companies out there for sure who look at the success we've had specifically in the segment of In-Seat Power. You walk around trade shows, and I did this just few weeks ago in Hamburg, Germany, where our big interiors show was there, and we continue to enjoy very strong relationships with customers, we continue to do pretty well. We are not aware of any substantial programs that haven't gone our way. That's why I say the competitive side isn't what's driving our thoughts about our revenue guidance for 2017.

Dick Ryan: Okay. Last one for me on Test. Can you per se your comments on Test between the commercial and the military side?

Pete Gundermann: Actually, the news today is that we see pretty positive opportunities on both sides. If you look at our revenue for the quarter, let me see what that is, we were largely weighted towards aerospace and defense. We continue to see pretty good growth there, and when we look at what's available in the market, we see quite a few attractive programs that we're pursuing.

I expect as the year wears on, we will be able to talk about substantial wins on both sides of the business. The schedule aspect is the one item of risk here, I think. I mean, of course we could lose the programs, but we've had a pretty good win rate. Based on the feedback we get from the market, we think we're very well-positioned for some of these programs. It's a question of when they're going to be cut loose and whether it will be early enough in the year for us to do much this year. That's what we have to wait and see.

We're pretty optimistic on both sides. Obviously, if we have revenue of $15 million in Q1, and we're expecting to get to $100 million over the course of the year, we have to win some pretty good programs to get there.

Dick Ryan: Can you just give us an update on how you're viewing the Apple follow-on, on what you're hearing from that side?

Pete Gundermann: I can't really talk specifically about them, other than to reiterate, in that market in general, we're pretty optimistic. It's certainly an element that we expect to rise. We did $4.6 million in the first quarter, and as we roll forward towards the $100 million at the end of the year, we expect that our semiconductor business will be a contributor to that increase.

Dick Ryan: Okay. Thank you.

Pete Gundermann: Thank you.

Operator: Our next question comes from George Godfrey with C.L. King & Associates.

George Godfrey: Thank you. Good morning, Peter.

Pete Gundermann: Good morning, George.

George Godfrey: I wanted to ask specifically about the wide-body market, and you commented on the aftermarket. Are they flying the planes less in your opinion, or keeping older cabins longer, so therefore, that market is soft today, but perhaps strengthens down the road?

Then the second question. On the narrow-body market, what percentage of planes would you say are produced today with In-Seat Power versus three years ago? I think you said the market is 20% penetrated in narrow-body, 65% penetrated in wide-body on the electrical side. I'm just curious about the production rates today with the power already there, versus where we were say three years ago. Thanks.

Pete Gundermann: Okay. Let's do that one first, because it's relatively straightforward. Three years ago, if you were to monitor airplanes coming up in the production line, in Toulouse, Hamburg and Seattle, the 307 and 320, you would hardly ever see a seat with In-Seat Power on it. It wasn't that big of deal three years ago, and those airplanes that were getting power were largely getting an aftermarket modification.

Today, if you were to stand at the end of those production lines and monitor seats coming off on new airplanes, you'd probably see something proportional to our market share, probably somewhere in the 10% - 20% range. It's pretty low. We think most of the installations these days, are more aftermarket rather than line-fed. As we roll forward, we would expect those percentages to increase, so that more and more seats coming off the production line have power on them. That's the second question you asked.

The first question has to do with the aftermarket, and I don't think the airplanes are flying less necessarily. I think there's just a cooling-off of modifications from the airlines themselves. There could be a bunch of different reasons for that. There could be some economic stress involved, although, I think it's equally as likely that a lot of the airlines are reconsidering their path forward with respect to providers. That tends to slow down the state of the business. One of the realities in the IFE market, - and we're involved in the IFE market, but we're not an IFE provider - that's important to keep that in mind, is that a few years ago it was relatively simple. The advent of connectivity, however, has brought in more and more players. It's a pretty complex market. Today airlines have more options than they did, say, 5 -10 years ago.

Part of my thinking is that there's a little bit of a pause going on where airlines are reconsidering their path. So, I would expect the aftermarket to pick up when those paths are reconsidered, and they start acting on them. I would also expect it also to pick up when new wide-body models get into production, most notably the 777X and the 350.

George Godfrey: Great. Then just one last follow-up. I look at the bookings number for this quarter and I am focusing on the fact that Aerospace is down about 13% year-over-year, and a year-ago it was down only about 0.5%. I'm just trying to gauge how much heavy lifting or real blood work has to be done here to achieve the midpoint of that Aerospace revenue goal, given that we're already in a double-digit hole on the bookings growth? Thank you for taking my questions.

Pete Gundermann: Yes. That's a very good question, and that's one of the things that we're watching pretty closely. Obviously, bookings are not where we need them to be. However, we believe that we de-risked the guidance quite a bit, given what we see today. We think that there are enough programs out there, but we obviously do need to see bookings increase as we roll forward in order to meet at that midpoint.
To the extent that at this point for 2017 there's risk in our program on the aerospace side, it's schedule. That's the risk.

Operator: Our next question comes from Michael Ciarmoli with SunTrust.

Mike Ciarmoli: Hey. Good morning, guys. Thanks for taking my questions.

Pete Gundermann: Good morning.

Mike Ciarmoli: Just to stay on that bookings topic, how much of your total aerospace backlog, are you expecting to ship in the remainder of 2017? Given some of the timing here, the scheduling, is there any risk, there could be some de-stocking at some of your major customers, like a Panasonic, that might have an impact on bookings as well?

Pete Gundermann: I don't think so, Michael. I think most of our customers are pretty lean and don't carry a whole lot of inventory. That's not one of the major concerns that we see. I think part of what we're talking about is as we get through the year, we get forecasts from our major customers, Boeing, all the OEMs, and most of our major subsystem customers also. We think that we are seeing what they're seeing.
Are they seeing what they're telling us, they're going to need from us? That's not a situation where they build up inventory too much, at least that I can think of them, and I don't think we see that necessarily.
As for the forecast, how much of it is going to be shipped this year, we don't really have that here, but we probably say it's like 80% - 85%.

Dave Burney: Yes, the majority of it.

Pete Gundermann: Vast majority of it.

Mike Ciarmoli: Okay. The wide-body weakness and some of these pressures have been out there. Did you guys see a material change in this market when you issued the guidance in mid-February? I mean, 777 weakness was out there, and A380. Did anything materially change in that wide-body? I guess, production market, maybe not so much, but it sounds like that aftermarket side changed, that was the biggest area.

Pete Gundermann: Yes, that's exactly right. The production side has been well-publicized as you say. It's hard for us to know based on how we get to the wide-body world. It's hard for us to know what portion of our shipments go to line-fed and what portion of our shipments go to aftermarket. Historically, we've seen them somewhat ebb and flow, so that we can be kind of 60-40 one way or 60-40 the other. Our assumption has been that we would continue to see stronger aftermarket, even in the phase of declines in OEM.

Again, we get forecast from our major customers. We do work comprehensively in this industry, so we're kind of uniquely positioned to see what everybody's doing with respect to our type of system or the systems that we support. As the years progressed, and as we've looked at those forecasts, it gives us better clarity as to where we're going to end up. So, what's changed? What's changed is the sense that we have that the aftermarket side is going to be weaker than we thought it was.

Mike Ciarmoli: Okay.

Pete Gundermann: It's still strong. Just like I said, I'd just point to one thing. We're locking in at a pretty high level. It's a changing growth rate to a more of a flat structure. It's not necessarily the kind of thing where we're expecting declines at all. We're kind of locking in at record highs. Our best guess is that we're going to float around this level, plus or minus, until the new airplanes start coming out.

Mike Ciarmoli: Okay. On the pricing side, regarding the margin implications, you guys have said you're working the supply base and the cost structure. Can you give any color on that? I mean, margins this quarter are better than they were in the past two quarters, but the Aerospace margins have been on a downward slide since 2011. Does this create even more challenges on the margin side? Do you think your margins in Aerospace could be up year-over-year in 2017 versus 2016?

Pete Gundermann: I think the challenges going forward have less to do with price negotiations, because we think we have strategies in place to correct that or manage it. Our bigger margin challenges have been with certain product lines that have been pretty weak. We've talked about antennas in the past. That continues to be a struggle. The best way for us to fix that margins and the best way to show improvement is by fixing some of those areas in the business. That's what we're attempting to do. If we can hit our plan for the year, which inherently assumes some improvements in those areas, then the margin situation, from my perspective, will come along with it. It's a top line issue for the most part.

Mike Ciarmoli: Okay, perfect. All right. That's it for me. Thanks a lot guys.

Pete Gundermann: Thank you.

Operator: Our next question comes from Jon Tanwanteng with CJS Securities.

Jon Tanwanteng: Good morning, guys. Thanks for taking my questions.

Pete Gundermann: Hi, Jon.

Jon Tanwanteng: Hi. How are you doing? Can you just talk about your pricing power given your market position in In-Seat Power? How much can you actually push back against that pressure there, if at all?

Pete Gundermann: Well, that's a philosophical question. We are the strong market leader there. I think there are a lot of reasons for that, but mostly, it boils down to technical superiority, reliability and performance. With that comes some ability to price. We're pretty careful with that compared to many other companies that are named brands out there. Our objective is to maintain and grow long-term relationships with our customers.

So, I think there is the "what can you do" question and "what do you choose to do" question. We try to find a balance where the customers feel like they're getting value. Our interest often is to extend contracts and make sure that we're in pole position for new opportunities, and we choose to balance and prioritize it that way. That's probably how I would answer it. We don't look at our market share as a big stick that we can beat our customers with. We look at it more as the reward and results of doing a really good job in our industry and for our customers.

Jon Tanwanteng: Okay, got it. Then, Pete, going back to something you alluded to earlier with airlines choosing or pausing to choose a path. We've seen a number of disruptions in the commercial cabin and entertainment space over last year with its seat supply consolidation, accounting or STPA issues, and customers suing their vendors. Any sense of how this might be directly or indirectly impacting your in-seat or other aerospace components at all?

Pete Gundermann: Yes. Well, you named a lot of the factors. I think it's really hard to quantify. My sense of it is that those disruptions, as you call them, have a net effect of slowing down decisions and programs in the industry. Our product is typically purchased or planned for in conjunction with those other IFE-related programs. I think that to the extent that those disruptions slowed down decision-making and slowed down the implementation of new programs, we kind of get slowed down with it. It's hard to quantify. I'll tell you a bit, even in our company there's not a clear consensus on this issue. I look at the disruptions that you're talking about, and I know how our product sometimes get by along with those IFE decisions, and sometimes are inherently included in the IFE decisions. It has to have a slowing effect on us also. Hard to quantify though.

Jon Tanwanteng: Got it. Then number one: can you just give a quick update on the new antenna product that you expect to launch soon? When is that? Is that on schedule? Number two: can you just talk about the potential market opportunity there?

Pete Gundermann: It's largely on schedule. We have some STCs in place. We have some hardware flying. We believe that we're kind of at the final strokes of getting the system completely in place with our partners. Everybody's got to do their job to make it all work. We think the demand is pretty strong, not only in the aftermarket, which was kind of our original goal, our original focus, but also potentially line-set at OEMs, at large business jet manufacturers.

We are now pursuing kind of both sides. I think it's a pretty optimistic picture, to the extent that we look at revenue increase opportunities towards the end of the year. It's largely based on that plan going forward. We will update as we can, but so far, we think it does what it's supposed to do, and we think there's pretty strong customer interest in it.

Jon Tanwanteng: Great. Then finally, just on the semi-test side. When you say that you're expecting good things out of that program towards the end of the year, are you talking about an existing customer? Or was this with new customers, or maybe a little bit of both?

Pete Gundermann: Yes. I can't really get too specific there, but it's both. New programs is probably the better way to think about it. It's important to have program wins regardless of who the customer is. We do have initiatives with a wide range of the industry right now. The one traditional program that we have been working on is more of a dedicated situation for one customer, and we're awaiting news on that one also for this year.

New programs at this point, given that we're already in May, are going to be largely geared towards 2018 events. A little bit slower than we originally expected, but we're pursuing a variety of programs over the variety of participants in the industry. We're optimistic. We're getting good feedback.

Jon Tanwanteng: Okay. Thank you.

Pete Gundermann: Thank you.

Operator: Ladies and gentlemen, we have reached the end of our Q&A session. I'd like to turn the floor back to management for closing comments.

Peter Gundermann: Thank you for your interest in the company. We think we're on a good track. And we look forward to talking to you again after Q2. Have a good day.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. You may disconnect your lines at this time. Thank you all for your participation.